



Department for
International Trade



UK-US

Free Trade Agreement

Contents

Chapter 1 - Strategic case	4
Chapter 2 - Outline approach	8
Chapter 3 - Public consultation on trade negotiations with the United States: Government response	13
Chapter 4 – Scoping Assessment	27
Annex - Public consultation on trade negotiations with the United States: Summary of responses	109

Chapter 1

Strategic case

An aerial photograph of the London skyline, featuring the prominent glass skyscraper The Shard in the center. The image is overlaid with a semi-transparent red filter. The text 'Chapter 1' and 'Strategic case' is written in large white font across the upper portion of the image.

Introduction

The UK will be a champion of free trade and will seek Free Trade Agreements (FTAs) with like-minded democracies.

An FTA with the US represents significant opportunities throughout the economy, from agriculture to professional services. Potential benefits include better jobs, higher wages, more choice and lower prices for all parts of the UK.

This document sets out the strategic approach for securing agreement with the US as well as the evidence that supports this approach.

UK-US total trade was valued at £220.9 billion in the last year, including 19.8% of all our exports. The Government's analysis shows a UK-US FTA could increase trade between both countries by £15.3 billion in the long run, in comparison to 2018, and increase UK workers' wages by £1.8 billion.¹

The US is a developed, high-wage economy with high standards and is our top source of investment and the top destination for UK investment. We already have over £700 billion invested in each other's economies, and every day over a million Britons and over a million Americans work for companies from the other nation.

Removing trade barriers with the US could deliver huge gains, especially for the 30,000 Small and Medium-sized Enterprises (SMEs) across the UK already trading with the US and open opportunities to others. For example, the US currently levies £451 million in tariffs on UK exports each year.

The world-leading agreement the UK wants will also be geared towards maximising the UK's reach in emerging fields like global data flows and Artificial Intelligence (AI). Professional services, food processing and car manufacturing are among the sectors that could also benefit.

The Government has been clear that when we are negotiating trade agreements, we will protect the National Health Service (NHS). Our objectives reinforce this.

The NHS will not be on the table. The price the NHS pays for drugs will not be on the table. The services the NHS provides will not be on the table. The NHS is not, and never will be, for sale to the private sector, whether overseas or domestic. Any agreement will ensure high standards and protections for consumers and workers, and will not compromise on our high environmental protection, animal welfare and food standards.

The Outline Approach published in Chapter 2 sets out the UK's overall objectives for these negotiations, enabling us to begin substantive discussions with the US. These objectives are also informed by one of the biggest consultations ever undertaken with the UK public, businesses and civil society, covering trade with the US, Australia, New Zealand, and our potential accession to the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). Our response to the US part of this consultation can be found in Chapter 3.

The US is the world's largest economy, our closest security and defence partner and one of our oldest friends. We are the biggest investors in each other's economies. We have worked together, from the Bretton Woods Conference to the UN Security Council, to shape the world order since the Second World War. An FTA represents a strategic opportunity to augment and codify our strong trade, investment and economic relationships, bringing us closer to our largest bilateral trading partner and the world's economic powerhouse. This agreement should support the further development of a close defence industrial partnership between the UK and the US in the defence sector, recognising that we are already each other's most important suppliers of imported defence equipment, and that this relationship both supports jobs and investment, and delivers world class capabilities to our armed forces as they fight together in defence of our national interests. The agreement should reduce barriers to defence sales, in particular by encouraging deeper and faster sharing of technology, and encourage investment in each other's industrial base.

¹ The long run is generally assumed to mean 15 years from the implementation of the agreement.

An FTA to level up the UK

A US deal presents a significant opportunity for the whole UK economy – potentially creating a substantial increase in trade with the US of approximately £15.3 billion in the long run,² delivering a £1.8 billion boost to UK workers' wages, as well as lowering prices on key consumer goods imported from the US.

Our Scoping Assessment shows that an ambitious FTA with the US could deliver a significant and sustained long term boost to every part of the UK.

- Northern Ireland stands to benefit through liberalisation of tariffs for its key industries such as manufacturing. Growth is likely in key exports such as pharmaceuticals, machinery and furniture as well as greater ease of doing business through removing red tape and non-tariff barriers to trade.
- Scotland is expected to be one of the parts of the UK to benefit most. An FTA could bolster existing trade in Scottish salmon and Scotch Whisky, while lowering tariffs on cashmere and clothing, and high quality meat.
- The Midlands will benefit significantly from an FTA, with one in five of all exports from the region already going to the US. A deal could reduce tariffs imposed on the region's car manufacturers as well as its ceramics and drink exporters. Services firms will benefit from increased market access in the US.
- The North of England stands to gain by increasing exports of machinery, road vehicles and manufactured products, exports of luxury clothing and access for lamb and dairy producers to the US market. Innovative digital businesses will benefit from agreements on data flows and agreed copyright frameworks.
- Wales stands to benefit and build upon its strong exports to the US, with potential to gain market access for lamb, reduced tariffs and export burdens on the automotive sector, as well as Welsh steel and ceramics.
- The South West can build on its strong trading relationship with the US from the reduction of tariffs in key industries such as emerging technology, machinery, dairy and beef, as well as easing US customs procedures for ambitious SMEs exporting luxury sports equipment, marine equipment and beverages.
- The East of England will benefit from reductions of US tariffs on food and drink and an FTA will support high exports on medicinal products and in the life sciences industry more generally.
- London and the South East will see benefits to the UK's dynamic and globally competitive professional business services, while agreements on digital trade and copyright frameworks will provide a boost for innovative UK tech firms.

More jobs, higher wages and lower prices

A UK-US FTA could have a significant positive impact on living standards for households across the UK due to potential wage rises combined with lower prices for goods imported from the US.

Studies show that growing trade tends to lead to productivity increases in the domestic economy through greater specialisation and competition. DIT's own analysis suggests productivity gains from a UK-US FTA could contribute to wage increases of up to £1.8 billion for UK workers in the long run.

Lowering tariffs could also both reduce the price of key consumer goods imported from the US in addition to reducing the cost of imported goods used as inputs for domestic production, with total annual tariff reductions on goods imported from the US of up to £493 million per year. The US should remove the punitive tariffs imposed following the WTO's ruling on Government subsidies to Airbus. The UK continues to support a negotiated settlement to the Airbus and Boeing.

For example, some 62% of all US goods imported into the UK and 42% of all UK goods exported into the US are used in supply chains, where extra gains could also be found from lowering barriers.

² The long run is generally assumed to mean 15 years from the implementation of the agreement.

SMEs, exporters and entrepreneurs

In our US FTA we will seek a dedicated SME chapter, and SME-friendly provisions throughout – on everything from customs and trade facilitation, services sectors and business mobility to telecommunications, digital trade and intellectual property – knocking down trade barriers that will benefit the 30,000 SMEs in every part of the UK already exporting to the US.

Around two thirds of UK services trade with the US are delivered remotely. We will include a digital trade chapter with cutting edge provisions that will aim to maximise opportunities for digital trade across all sectors of the economy, providing trust and stability for UK businesses, entrepreneurs and exporters.

The UK will also seek new and more secure access to the US procurement market, based on clear and enforceable rules, that will allow more UK firms to bid for US Government contracts at all levels of Government.

Business across the economy and the country will benefit from an FTA including:

- **Digital Economy:** In areas such as data flows, blockchain, driverless cars and quantum technology we have the opportunity to help shape global rules through ambitious digital trade provisions.
- **Professional and business services:** The UK exported £24 billion of business services to the US, including in key areas of UK strength such as accountancy, architecture and legal services. An FTA with the US could allow professionals to move more easily and support recognition of professional qualifications, for example in accountancy and the legal profession.
- **Food and farming:** With growing demand for UK food and drink products in the US, there are opportunities such as lowering high tariffs on UK products like Cheddar cheese where tariffs can be as high as 17.6%. Our high-quality meat also represents an opportunity, in particular removing barriers and increasing access to the US market.
- **Manufactured goods:** The UK's highly competitive advanced and industrial manufacturing sectors currently face high tariffs or non-tariff barriers which could be addressed in an FTA. These sectors already trade heavily with the US. Removing tariffs on ceramics, which face rates of up to 28%, or textiles, with tariffs of up to 32%, would make UK products significantly more competitive in the US. We will expect to secure the swift removal of unjustified measures on exports of steel and aluminium originating in the UK pursuant to Section 232 of the US Trade Expansion Act of 1962 and address the treatment of UK products under future measures the United States may adopt.
- **Automotive:** Cars are our top goods export to the US at £7.9 billion in the last year or 14% of all UK goods exports. Our automotive exporters currently face both tariffs and non-tariff barriers which could be addressed in an FTA.
- **Creative industries:** The UK's world-leading creative industries sector will benefit and be supported by copyright provisions that link to an effective and balanced global system. We will establish frameworks for the industries of the future, with a focus on agreeing advanced digital trade provisions that promote an eco-system for businesses of all sizes across the UK to thrive.

Chapter 2

Outline

Approach



Public Negotiating Objectives for a Free Trade Agreement with the United States

Overall objectives

- Agree an ambitious and comprehensive Free Trade Agreement (FTA) with the United States (US) that strengthens the economic relationship with our largest bilateral trading partner, promoting increased trade in goods and services and greater cross-border investment.
- Increase UK GDP by opening up opportunities for UK businesses, including Small and Medium-sized Enterprises (SMEs) and investors, and facilitating greater choice and lower prices for UK producers and consumers.
- The Government has been clear that when we are negotiating trade agreements, the National Health Service (NHS) will not be on the table. The price the NHS pays for drugs will not be on the table. The services the NHS provides will not be on the table. The NHS is not, and never will be, for sale to the private sector, whether overseas or domestic.
- Throughout the agreement, ensure high standards and protections for UK consumers and workers and build on our existing international obligations. This will include not compromising on our high environmental protection, animal welfare and food standards.
- Futureproof the agreement in line with the Government's ambition on climate and in anticipation of rapid technological developments, such as Artificial Intelligence (AI).
- Secure an agreement which works for the whole of the UK and takes appropriate consideration of the UK's constitutional arrangements and obligations.
- Secure appropriate provisions to promote open and fair competition between our businesses.

Trade in Goods

Goods Market Access

- Secure broad liberalisation of tariffs on a mutually beneficial basis, taking into account UK product sensitivities, in particular for UK agriculture.

- Secure comprehensive access for UK industrial and agricultural goods into the US market through the reduction or elimination of tariffs.
- Develop simple and modern Rules of Origin (RoO) that reflect UK industry requirements and consider existing, as well as future, supply chains supported by predictable and low-cost administrative arrangements.

Customs and Trade Facilitation

- Secure commitments to efficient and transparent customs procedures which minimise costs and administrative burdens for businesses.
- Ensure that processes are predictable at, and away from, the border.

Technical Barriers to Trade

- Seek to reduce technical barriers to trade by removing and preventing trade-restrictive measures in goods markets, while upholding the safety and quality of products on the UK market.
- Seek arrangements to make it easier for UK manufacturers to have their products tested against US rules in the UK before export.
- Promote the use of international standards, to further facilitate trade between the parties.

Sanitary and Phyto-Sanitary standards (SPS)

- Uphold the UK's high levels of public, animal, and plant health, including food safety.
- Enhance access for UK agri-food goods to the US market by seeking commitments to improve the timeliness and transparency of US approval processes for UK goods.

Good Regulatory Practice (GRP) and Regulatory Cooperation

- Reduce regulatory obstacles, facilitate market access for UK businesses and investors, and improve trade flows by ensuring a transparent, predictable, and stable regulatory framework to give confidence and stability to UK exporting businesses and investors.
- Secure commitments to key provisions such as public consultation, use of regulatory impact assessment, retrospective review, and transparency, as well as regulatory co-operation.

Transparency

- Ensure world class levels of transparency between the UK and the US, particularly with regards to the publication of measures (such as laws and regulations) affecting trade and investment, public consultation, and the right of appropriate review of these measures.
- Commit to prompt and open information sharing between the UK and the US by setting up regular data sharing to support understanding of the usage and effectiveness of the agreement.

Trade in Services

- Secure ambitious commitments from the US on market access and fair competition for UK services exporters.
- Agree best-in-class rules for all services sectors, as well as sector-specific rules, to support our world-leading services industry, including key UK export sectors such as financial services, professional and business services and transport services.
- Ensure certainty for UK services exporters in their continuing access to the US market and transparency on US services regulation.

Public Services

- Protect the right to regulate public services, including the NHS and public service broadcasters.
- Continue to ensure that decisions on how to run public services are made by governments, including the devolved administrations (DAs), and not our trade partners.

Business Mobility

- Increase opportunities for UK service suppliers and investors to operate in the US by enhancing opportunities for business travel and supporting the recognition of professional qualifications.

Digital trade

- Secure cutting-edge provisions which maximise opportunities for digital trade across all sectors of the economy.
- Include provisions that facilitate the free flow of data, whilst ensuring that the UK's high standards of personal data protection are maintained, and include provisions to prevent unjustified data localisation requirements.

- Promote appropriate protections for consumers online and ensure the Government maintains its ability to protect users from emerging online harms.
- Support the reduction or abolition of business and consumer restrictions relating to access to the US digital market.
- Ensure customs duties are not imposed on electronic transmissions.
- Promote a world-leading eco-system for digital trade that supports businesses of all sizes, across the UK.

Telecommunications

- Promote fair and transparent access to the US telecommunications market and avoid trade distortions.
- Secure greater accessibility and connectivity for UK consumers and businesses in the US market.

Financial services

- Expand opportunities for UK financial services to ease frictions to cross-border trade and investment, complementing co-operation on financial regulatory issues.

Investment

- Agree rules that ensure fair and open competition, and address barriers to UK investment across the US economy.
- Establish comprehensive rules which guarantees UK investors investing in the US the same types of rights and protections they receive in the UK, including non-discriminatory treatment and ensuring that their assets are not expropriated without due process and fair compensation.
- Maintain the UK's right to regulate in the national interest and, as the Government has made clear, continue to protect the NHS.

Intellectual Property (IP)

- Secure copyright provisions that support UK creative industries through an effective and balanced global framework.
- Secure patents, trade marks, and designs provisions that:
 - protect the UK's existing intellectual property standards and seek an effective and balanced regime which encourages and supports innovation;

- protect UK brands and design-intensive goods whilst keeping the market open to fair competition;
- do not lead to increased medicines prices for the NHS;
- ensure consumer access to modern technology;
- are consistent with the UK's existing international obligations, including the European Patent Convention (EPC), to which the UK is party.
- Secure provisions that promote the transparent and efficient administration and enforcement of IP rights, and facilitate cross-border collaboration on IP matters.
- Restate the UK's continued commitment to the Doha Declaration on Public Health and on the TRIPS Agreement, and agreed flexibilities that support access to medicines, particularly during public health emergencies in developing countries.
- Maintain effective protection of food and drink names in a way that reflects their geographical origins, getting the balance right for consumers to ensure they are not confused or misled about the origins of goods, and have access to a competitive range of products.

Competition

- Provide for effective competition law and enforcement that promotes open and fair competition for UK firms at home and in the US.
- Provide for transparent and non-discriminatory competition laws, with strong procedural rights for businesses and people under investigation.
- Ensure core consumer rights are protected.
- Promote effective co-operation between enforcement agencies on competition and consumer protection matters.

Industrial Subsidies

- Explore the scope for industrial subsidies provisions that promote open and fair competition for UK firms at home and in the US.
- Explore options for co-operation on multilateral and third country subsidies issues.

State-Owned Enterprises (SOEs) and Designated Monopolies

- Provide for open and fair competition between commercially oriented SOEs and private businesses by preventing discrimination and unfair practices.
- Secure transparency commitments on SOEs.
- Ensure that UK SOEs, particularly those providing public services, can continue to operate as they do now.

Government Procurement

- Secure access that goes beyond the level set in the World Trade Organization (WTO) Government Procurement Agreement (GPA) and is based on clear and enforceable rules and standards.
- Develop improved rules, where appropriate, to ensure that procurement processes are simple, fair, open, transparent and accessible for all procuring entities in a way that supports and builds on commitments in the WTO GPA.
- Ensure appropriate regard to public interests and services, including the need to maintain existing protections for key public services, such as NHS health services.

Sustainability

- Ensure parties reaffirm their commitment to international standards on the environment and labour.
- Ensure parties do not waive or fail to enforce their domestic environmental or labour protections in ways that create an artificial competitive advantage.
- Include measures which allow the UK to maintain the integrity, and provide meaningful protection, of the UK's world-leading environmental and labour standards.
- Secure provisions that support and help further the Government's ambition on climate change and achieving Net Zero carbon emissions by 2050, including promoting trade in low carbon goods and services, supporting research and development collaboration and maintaining both parties' right to regulate in pursuit of decarbonisation.
- Apply appropriate mechanisms for the implementation, monitoring and dispute resolution of environmental and labour provisions.

Anti-corruption

- Secure provisions that address the trade-distorting effects of corruption on global trade and fair competition to help maintain the UK's high standards in this area.
- Ensure appropriate mechanisms for the implementation, monitoring and dispute resolution of anti-corruption provisions.

Trade and Development

- Seek to ensure that relevant parts of the agreement support the Government's objectives on trade and development, including through co-operation on the monitoring of, and response to, the impact of FTAs on developing countries.
- Support the continued delivery of the Sustainable Development Goals.

Trade Remedies

- Ensure provisions support market access, uphold our WTO commitments, and are underpinned by transparency, efficiency, impartiality and proportionality.
- Secure provisions which facilitate trade liberalisation while protecting against unfair trading practices.

Dispute Settlement

- Establish appropriate mechanisms that promote compliance with the agreement and seek to ensure that state to state disputes are dealt with consistently, fairly and in a cost-effective, transparent and timely manner whilst seeking predictability and certainty for businesses and stakeholders.

Small and Medium-sized Enterprises (SMEs)

Support UK SMEs to seize the opportunities of UK-US trade by:

- Ensuring a dedicated SME chapter to facilitate co-operation between the UK and the US on SME issues of mutual interest.
- Ensuring that SMEs have easy access to the information necessary to take advantage of the trade opportunities generated by the agreement.
- Building on the successful US-UK SME Dialogue to strengthen co-operation between the UK and the US.
- Ensure that throughout the agreement SME-friendly provisions are included that support businesses exporting both services and goods.

Trade and Women's Economic Empowerment

- Seek to advance women's economic empowerment, and seek co-operation on this aim.
- Promote women's ability to access the benefits of the UK-US agreement in recognition of the disproportionate barriers that women can face in economic participation.

General Provisions

- Ensure flexibility for the Government to protect legitimate domestic priorities by securing adequate general exceptions to the agreement.
- Provide for prompt and open information sharing between the UK and the US, including via preference utilisation data sharing to support understanding of the usage and effectiveness of the agreement.
- Seek opportunities for co-operation on issues related to economic growth.

Territorial Application

- Provide for extension of the treaty to all four constituent nations of the UK, taking into account the effects of the Northern Ireland Protocol.
- Provide for further coverage of the agreement to the UK's Crown Dependencies and Overseas Territories as appropriate.

Chapter 3

Public consultation on trade negotiations with the United States: Government response



Included in this Chapter:

Introduction	15
Policy Response	16
Tariffs	17
Rules of Origin (RoO)	17
Customs Procedures	17
Services	18
Digital	18
Product Standards, Regulation and Certification	19
Sanitary and Phytosanitary (SPS) Measures	20
Competition	21
Government (Public) Procurement	21
Intellectual Property (IP)	22
Investment	23
Sustainability	23
Trade Remedies	24
Dispute Settlement	24
Small and Medium-sized Enterprise (SME) Policy	25
Other policy issues raised by respondents	25
Next steps	26

Introduction

Consultation Background

On 20 July 2018, the Department for International Trade (DIT) launched a public consultation seeking views on a potential Free Trade Agreement (FTA) with the United States (US). The public consultation closed on 26 October 2018 after 14 weeks.

There were 158,720 responses received in total on this consultation. 152,315 individual responses were submitted by campaigning groups, of these 54,118 respondents included specific individual comments in addition to the campaigns' proposed template response. The remaining 6,405 non-campaign respondents were categorised into five groups: (1) Individuals - 5,998 responses (2) Businesses - 234 responses (3) Business Associations - 90 responses (4) Non-Government Organisations (NGOs) - 61 responses and; (5) Public Sector Bodies - 22 responses. A full breakdown of responses, including those by specific campaign groups, can be found in DIT's *Public consultation on trade negotiations with the US: summary of responses*, which is annexed to this document.

Respondents identified a wide range of priorities for a future UK-US FTA and their feedback was summarised and grouped according to the 15 policy areas outlined in the consultation. An additional section entitled 'other policy issues' was also included to cover broader comments provided.

This report sets out the Government's response to the *Public consultation on trade negotiations with the US* with respect to our future trading relationship. All points raised were analysed and continue to inform the Government's overall approach to our future trading relationship with the US, including our approach to negotiating a future trade agreement. Points that might reveal the Government's negotiating position are not responded to in the Government's response. We will continue to draw on consultation responses to inform the Government's policies during negotiations with the US.

The Government is committed to pursuing a trade policy which is inclusive and transparent. Furthermore, we will continue to engage as collaboratively as possible with a wide range of stakeholders as we look ahead to commencing negotiations.

Policy Response

This section contains the Government's explanation of its policy in relation to the comments raised by respondents in the *Public consultation on trade negotiations with the US: summary of responses* document, outlining the Government's position on each of the 15 policy areas covered and how this has informed the negotiation objectives set out in Chapter 2. The *Public consultation on trade negotiations with the US: summary of responses* document has also been published as an annex within this publication and contains a full summary of what respondents said regarding the sections below. A reference to the page within this publication where the full summary can be found has been included in each of the policy response sections below.

The policy areas are:

- > Tariffs
- > Rules of Origin (RoO)
- > Customs Procedures
- > Services
- > Digital
- > Product Standards, Regulation and Certification
- > Sanitary and Phytosanitary (SPS) Measures
- > Competition
- > Government (Public) Procurement
- > Intellectual Property (IP)
- > Investment
- > Trade Remedies³
- > Dispute Settlement
- > Sustainability
- > Small- and Medium-sized Enterprise (SME) Policy
- > Other policy issues raised by respondents

Comments raised by respondents in the 'Summary of responses' under alternative headings.	The policy area containing the Governments response addressing the comments.
Public services including the National Health Service (NHS), Mutual Recognition of Professional Qualifications (MRPQs), Visas and mobility	Services
Product standards, product quality, levels of protection and labelling	Product Standards, Regulation and Certification
Food exports	Sanitary and Phytosanitary (SPS) Measures
Protection of industry and imports	Competition
Geographical Indications (GIs), source codes, safe harbours, copyright and algorithms	Intellectual Property (IP)
Investor State Dispute Settlement (ISDS)	Investment
Human rights	Other issues raised by respondents

During the consultation process respondents also noted that our negotiations with the US will take place alongside forging our new relationship with the European Union (EU).

Across all sets of negotiations, we will look to maximise global opportunities for the UK. The strengths and requirements of the UK economy will be a key driver of the Government's approach to both the US and EU negotiations. The Government is committed to upholding the UK's high standards for businesses, workers and consumers.

We will continue to listen and respond to our stakeholders' views on this as we develop both our independent trade policy and future relationship with the EU.

³ During the consultation, trade remedies and dispute settlement were considered within the same section. However, as these are different policy areas contained within different chapters of an FTA and, as distinct comments were received relating to these issues in the *Public consultation on trade negotiations with the US: summary of responses* document, the analysis of responses was separated. In this document, trade remedies and dispute settlement have their own dedicated policy explanation. Therefore, there are now 15 policy areas, as well as other comments provided by respondents, as opposed to the 14 outlined in the *Public consultation on trade negotiations with the US: summary of responses* document.

Tariffs

The summary of what respondents said regarding Tariffs can be found on page 21 of the *Public consultation of trade negotiations with the United States: Summary of responses annexed below*.

Policy explanation

Standing at £104.4 billion in the last year, trade in goods between the UK and the US is already significant, supported by low tariffs on a large number of UK and US exports. Respondents to the consultation highlighted that further reducing US tariffs across a number of sectors, such as automotive, ceramics, chemicals, industrially manufactured products, processed food and drinks and textiles could be highly beneficial. The Government shares the respondents' views that a further reduction or removal of US tariffs on UK products in these and other sectors can offer great opportunities for UK businesses.

In a UK-US FTA, we will seek to reduce or remove tariffs for UK exports, making them more competitive in the US market. Similarly, the US has indicated its intention to seek to reduce or remove UK tariffs on US exports in a UK-US FTA. Increased imports from the US could provide savings, a wider choice to consumers and cheaper inputs to UK businesses. However, concerns have also been raised about the impact of increased competition from cheaper US exports on the UK market. The Government will ensure a balanced approach to tariff negotiations that considers the interests of consumers, businesses, and industrial and agricultural producers potentially exposed to increased competition. We recognise concerns about the potential impact of tariff liberalisation on some sectors and some parts of the UK. We will consider how best to manage any adjustments that may be necessary.

Rules of Origin (RoO)

The summary of what respondents said regarding RoO can be found on page 22 of the *Public consultation of trade negotiations with the United States: Summary of responses annexed below*.

Policy explanation

RoO are a key component of any trade agreement, as they define what goods can benefit from the liberalisation achieved in the agreement.

They also ensure that only goods from countries which are party to the agreement benefit from lowered tariffs by preventing circumvention.

The Government shares respondents' views that RoO need to be prioritised in an agreement with the US. We will seek simple and modern rules that facilitate trade between the UK and US, while also addressing any unfair and unreasonable practices to circumvent tariffs or quotas. Equally, we will reflect UK industry requirements and consider existing (as well as opportunities for future) supply chains.

We note respondents' concerns over the complexity and cost of administrative arrangements to comply with RoO, and particularly recognise the case for RoO which are, as far as is feasible, simple and easy to understand.

Customs Procedures

The summary of what respondents said regarding Customs Procedures can be found on page 23 of the *Public consultation of trade negotiations with the United States: Summary of responses annexed below*.

Policy explanation

Ensuring that customs procedures at the border are as facilitative as possible makes importing and exporting easier. Reducing customs delays and costs could increase the ability of businesses, especially SMEs, to trade efficiently with the US. The Government recognises the views that customs procedures need to be efficient for both UK importers and exporters, and that, to ensure compliance burdens are minimised in customs, the UK should seek to be at the forefront of global customs policy and committed to reducing customs frictions.

In our negotiations with the US the Government recognises the case for seeking efficient, predictable and transparent customs procedures that reflect the needs of UK exporters and importers, promote supply chain security and advance customs co-operation in a way that minimises compliance burdens for businesses. The Government has taken note of the view that fees and charges related to customs should not act as an unnecessarily restrictive barrier to trade. Furthermore, comments made by respondents on the UK's customs arrangements with the EU will be discussed as part of the UK's future economic relationship with the EU.

Services

The summary of what respondents said regarding Services can be found on page 25 of the *Public consultation of trade negotiations with the United States: Summary of responses annexed below*.

Policy explanation

Services are the predominant driver of the UK economy, contributing 79% of GDP in 2018⁴, and account for 45% of total UK exports. The UK and US are the two largest services exporters in the world, with services trade between the two countries worth more than £116 billion in the last year. More than 24% of all UK services exports went to the US in the last year, more than to any other country⁵ and the Government recognises the substantial opportunities a UK-US FTA could offer the UK's services exporters. The interconnectedness of goods and services, for example through services incidental to manufacturing, also means that the benefits from the liberalisation of services trade under a UK-US FTA are likely to have positive spill-over effects on goods trade and vice-versa.

The Government wants to ensure that UK services businesses maintain their world-leading position. It recognises that this case will be strengthened by greater access for key UK export services sectors identified by respondents, including financial services, professional business services, and transport services, providing certainty and improved access to US services markets. Respondents raised the potential for barriers to UK exports in services at both the state and federal level and the Government has listened to the views of all respondents.

The Government acknowledges the case for an ambitious agreement on financial services and opportunities to ease transatlantic frictions in both trade and regulatory fora.

The Government recognises that temporary movement of people is part and parcel of cross-border trade in professional services between the UK and the US. As a result, we have noted the argument for increasing opportunities for UK service suppliers and investors to operate in the US by enhancing the opportunities for, and ease of, business travel and, where appropriate, supporting the recognition of professional qualifications.

The Government has listened to concerns on business mobility raised by UK respondents and will be looking at how best to address these concerns in an FTA. More broadly, it should be noted that the Government is already working to improve the travel environment in relation to business mobility, as, for example, since May 2019 eligible US passport holders have been able to use eGates at UK airports and Eurostar terminals, improving security and fluidity at the border for eligible business travellers.

The Government notes the concerns from respondents on protecting UK public services (respondents mentioned healthcare, defence, education, public broadcasting and social services) under a UK-US FTA. We have been clear that we will protect the UK's right to regulate and protect public services, including the NHS, in a future trade deal with the US.⁶

The Government's position is definitive: the NHS is not, and never will be, for sale to the private sector, whether overseas or domestic. When we are negotiating trade agreements, the NHS will not be on the table. The price the NHS pays for drugs will not be on the table. The services the NHS provides will not be on the table. The Government is fully committed to the guiding principles of the NHS – that it is universal and free at the point of need. The Government will ensure that no trade agreement will alter these fundamental facts and that decisions about public services are made by the Government, including the DAs, not our trade partners.

Digital

The summary of what respondents said regarding Digital can be found on page 27 of the *Public consultation of trade negotiations with the United States: Summary of responses annexed below*.

Policy explanation

Digital trade underpins the UK economy and is vital to both services and goods exporting businesses. In recognition of this fact, the Government will be giving priority to arriving at cutting-edge digital trade provisions, that could maximise opportunities across the UK economy. The objective would be to reduce the costs of international trade, facilitate the co-ordination of global value chains and help connect businesses and consumers, including mechanisms to support digital business models and contracts.

⁴ONS – GDP output approach – low-level aggregates.

⁵ONS – UK total trade: all countries, non-seasonally adjusted.

⁶ For example see the Government response to the e-petition "<https://eur02.safelinks.protection.outlook.com/>"

The Government has listened to responses from stakeholders on the desire for robust online protections for consumers and the need for provisions to support innovation and cyber co-operation. We also note comments regarding digital taxation and will consider this as part of our policy development. We have listened to the responses from stakeholders on the desire for robust protections for consumers online and agree that protecting an open internet is an important principle.

The Government notes stakeholders' responses regarding data protection and privacy standards in the UK and will ensure that robust protections for personal data are maintained. The UK will allow for the continued free flow of data to the EU on a transitional basis, subject to our own independent UK 'adequacy' arrangements being established, which will govern the transfer of personal data from the UK. In addition, it is the UK's intention to secure adequacy decisions from the EU to allow personal data to continue to flow freely from the EU/EEA to the UK. The Government has taken note of the UK's interest in facilitating the free flow of data and eliminating unjustified data localisation requirements. Cross-border data flows are an important facilitator of both digitally enabled and digitally delivered trade in goods and services. For example, it is estimated that more than 72% of UK services exports to the US (approx. £46 billion) were delivered remotely in 2018, the majority of which were due to cross-border data flows.⁷

The Government notes responses on the benefits of telecommunications trade for consumers and businesses, particularly regarding access to infrastructure and the need for increased transparency. The Government agrees that there is value in upholding the principle of fair, transparent and non-discriminatory access for UK telecommunications service providers.

The Government recognises the key role of the UK's Audio Visual (AV) and Creative Industries sectors to the UK economy and consumers. The UK AV sector exported more than £2.4 billion worth of services to the US in 2018, while the Creative Industries exported more than £9.9 billion worth of services to the US in the same year.⁸ The Government notes the strong case for ensuring both world-leading sectors are supported by a UK-US FTA.

Product Standards, Regulation and Certification

The summary of what respondents said regarding Product Standards, Regulation and Certification can be found on page 29 of the *Public consultation of trade negotiations with the United States: Summary of responses* annexed below.

Policy explanation

One of the main barriers to international trade, especially for SMEs, comes from differences between countries in what producers need to do to show that their products are safe and effective for that market. Trade agreements can help to overcome obstacles to trade, for example through bringing together experts to scrutinise different approaches and identify where these achieve the same levels of safety and performance. The Government agrees with respondents that there are opportunities in this area in a UK-US FTA, while also acknowledging that it is crucial to ensure that UK requirements for product safety and performance remain high. We further agree that there are opportunities to reduce administrative costs for UK businesses when exporting to the US and will seek to pursue such opportunities where possible. The Government will continue to ensure the safety and quality of products on sale in the UK, recognising the important role that international standards play.

The Government is fully committed to upholding the UK's high levels of consumer, worker and environmental protections in trade agreements. The UK's reputation for quality, safety and performance drives demand for UK goods and is key to our long-term prosperity. The Government has no intention of harming this reputation in pursuit of a trade agreement.

The UK is committed to the transparent and predictable development of regulation and will therefore seek provisions in a future FTA with the US that ensure good regulatory practices.

⁷ This excludes where a foreign company sets up a subsidiary abroad to supply services to foreign customers directly in that country (Mode 3). Modes of supply, [UK experimental estimates: 2018](#).

⁸ DCMS Sectors Economic Estimates 2017: Trade.

Sanitary and Phytosanitary (SPS) Measures

The summary of what respondents said regarding SPS can be found on page 31 of the *Public consultation of trade negotiations with the United States: Summary of responses* annexed below.

Policy explanation

The Government recognises respondents' concerns about food standards and animal welfare. Now we have left the EU, the UK will decide how we set and maintain our own standards and regulations and we have been clear that we will not compromise on our high standards of food safety and animal welfare. The UK's reputation for high quality food and agricultural products is recognised internationally and underpins our exports of these products. Any trade agreement with the US must work for UK consumers, farmers and companies and the Government will strongly defend our right to regulate in these areas in the public interest.

The Government's manifesto has made it clear that 'in all of our trade negotiations, we will not compromise on our high environmental protection, animal welfare and food standards'.

The UK's independent food regulators will continue to ensure that all food imports into the UK comply with those high standards. Without exception, imports into the UK will meet our stringent food safety standards - all food imports into the UK must be safe and this will not change in any future agreement. In line with responses from business, we recognise the opportunities through a trade agreement to streamline procedures for UK food exports into the US.

Competition

The summary of what respondents said regarding Competition can be found on page 32 of the *Public consultation of trade negotiations with the United States: Summary of responses* annexed below.

Policy explanation

The US and UK are both countries with robust competition rules, which allow businesses to compete freely and fairly to the benefit of consumers. The Government recognises respondents' concerns that UK businesses might face pressure from US competitors. The Government can see a sound case for an ambitious competition chapter that reflects and reinforces these strong regimes.

The Government can also see the case for exploring how best to address subsidies which have the potential to distort trade. Provisions for fair, effective and transparent competition rules could underpin liberalisation of trade between the UK and the US. The Government notes the potential advantage of seeking strong provisions for co-operation with the US on competition matters.

Government (Public) Procurement

The summary of what respondents said regarding Government (Public) Procurement can be found on page 34 of the *Public consultation of trade negotiations with the United States: Summary of responses* annexed below.

Policy explanation

In trade agreements, the Government will look to secure more extensive market access to international procurement markets, creating much greater opportunities for UK businesses. The US procurement market is valued at £1.4 trillion and we currently have access to over a third of this market via the World Trade Organization (WTO) Agreement on Government Procurement (GPA). Bilateral trade negotiations provide an opportunity for the Government to pursue the greater UK access that stakeholders have called for. During these negotiations, the Government will seek to maintain our high standards for businesses, workers, consumers and the environment.

There were some comments calling for the UK's international procurement obligations to favour UK domestic suppliers, but the UK's domestic regulations, which apply to Government procurement, require contracting authorities and contracting entities to treat suppliers equally and without discrimination. These principles will continue now the UK has left the EU.

The Government can endeavour to maximise UK access to US markets via a number of routes, ensuring that a UK-US FTA is mutually beneficial. This is likely to include seeking additional market access commitments from the US; addressing specific procurement trade barriers which the GPA does not already address to ensure greater access for UK businesses, for example the requirement to 'Buy America'; and ensuring that the procurement process in the US is simple, fair, open, transparent and accessible for all potential suppliers, especially SMEs.

The UK's obligations under the international Agreement on Government Procurement do not apply to the procurement of UK clinical healthcare services. Furthermore, they do not apply to the procurement of goods and services indispensable for national security or defence purposes. This will not change in any future trade deal. The Government will ensure that any commitments in a UK-US FTA have regard to areas of public interest, whilst ensuring that we remain in line with our existing international commitments under the GPA. Nor will these commitments undermine our ability to maintain the high standards for goods and services that are procured for the public sector, including where these reflect environmental or safety considerations.

Intellectual Property (IP)

The summary of what respondents said regarding IP can be found on page 35 of the *Public consultation of trade negotiations with the United States: Summary of responses* annexed below.

Policy explanation

A balanced and effective IP regime is an essential element of a vibrant and creative economy and an effective global trading system, providing confidence and protection for entrepreneurs, inventors, creators and investors, to turn new ideas and innovations into products and services, contributing to economic growth. At the same time, it ensures consumers are clear about the origins and quality of products and services that they buy. The UK and the US are widely recognised as global benchmarks for innovative economies supported by effective IP regimes; the World Intellectual Property Organization (WIPO) has consistently placed both our economies in the top ten of their Global Innovation Index.

Respondents recognised the UK as a world-leader and were clear that they wanted the UK to maintain its balanced and effective IP regime, while using the FTA as an opportunity for both countries to learn from each other's best practice. The Government agrees and sees a UK-US FTA as an opportunity to build on our global leadership in this area to develop a world-class IP chapter, supporting national growth and innovation, and fostering an environment that further enhances trade between our countries.

Geographical Indications (GIs) were also highlighted as an area of interest to respondents. The Government will endeavour to maintain effective protection of food and drink names in a way that genuinely reflects their geographical origins. The Government will ensure consumers are not misled about the origins of a product, balanced against the need to ensure fair competition and consumer choice. In addition, the Government will continue to work with industry on how best to protect UK food and drink brands abroad.

There was concern about how we strike the right balance in the level of IP protections, particularly in the areas of pharmaceuticals and patents. The Government recognises that an effective global IP system needs to strike a balance between supporting research and innovation through the incentives created by the patent system and reflecting wider public interests such as the dissemination and affordability of medicines. In negotiating the UK-US FTA, we are committed to maintaining this balance. The UK and US are already committed to the international Doha Declaration and the UK will continue to support it having left the EU. The Doha Declaration allows the world's least developed countries, who are members of the WTO, to remain exempt from patents on pharmaceuticals until 2033 if they so wish. Additionally, the Government is committed to ensuring that patients have access to the medicines they need at prices that are affordable to the NHS. The Government has recently agreed a deal with the pharmaceutical industry to ensure medicines remain affordable to the NHS, whilst supporting a positive environment for the life sciences industry.

Respondents raised concerns around the future compatibility with international obligations the UK is already party to, such as the European Patent Convention (EPC). The Government recognises the importance of the UK continuing to be party to the EPC. The Government notes that there are clear benefits for countries seeking a trade agreement with the UK to have access to patent protection in the UK and other EPC parties through the European Patent Organisation (EPO).

Respondents also identified the need to maintain the UK's balanced and effective copyright framework, which encourages growth and supports creativity and innovation, whilst ensuring there is an appropriate balance between creators being fairly remunerated for their work and providing fair access to that content. The Government will seek a balanced outcome for creators, producers, performers, users and consumers through the FTA with the US. There were also calls for the UK to export its world-leading IP enforcement mechanisms, particularly in respect of copyright.

The Government is committed to the transparent and effective administration, use and enforcement of IP rights. The UK-US FTA provides an opportunity to ensure provisions on IP are able to take account of emerging opportunities and challenges in the digital age.

Investment

The summary of what respondents said regarding Investment can be found on page 36 of the *Public consultation of trade negotiations with the United States: Summary of responses annexed below*.

Policy explanation

The Government recognises the importance of maintaining and increasing UK-US foreign direct investment. In 2018, the UK had £295.1 billion invested in the US, accounting for around 21% of the UK's total outward investment stock. UK investors who invest overseas are able to access new markets, increase their financial returns and contribute to both the UK and foreign economies. Foreign investment into the UK provides capital for major projects, helps to fund start-ups and generates economic growth. The Government recognises the desirability of consolidating certainty in investment.

The Government notes the interest that UK businesses have in guaranteeing that a UK-US FTA ensures that UK investors operating in the US receive the same standard of treatment as US investors investing in the UK. The Government also notes the range of perspectives regarding the potential inclusion of investment protection and an associated Investor State Dispute Settlement (ISDS) mechanism. It considers that if it is deemed that a legal mechanism is appropriate for resolving investment disputes, it must reflect modern practice, deliver fair outcomes of claims, require high ethical standards for arbitrators and include transparent proceedings. In any case, the Government will ensure that the right to regulate in the public interest, including for environmental and other public purposes, is maintained through any agreement and will also ensure that public services, such as the NHS, continue to be protected.

Sustainability

The summary of what respondents said regarding Sustainability, covering Labour and Environment, can be found on page 38 of the *Public consultation of trade negotiations with the United States: Summary of responses* annexed below.

Policy explanation

The Government is firmly committed to maintaining high standards of environmental protection in trade agreements and the responses to the consultation made clear that the public strongly shares these views. We aim to reaffirm and maintain our commitments to international environmental standards and protections accordingly. The UK is a world leader on climate action and we will look to use our FTAs to support delivery of the UK's strong environmental and climate commitments.

Respondents were equally clear in their desire for upholding the UK's high labour standards. The UK has one of the most dynamic, flexible and supportive labour frameworks in the world, with important protections for individuals. We are also world-leading in our pursuit of the elimination of all forms of forced labour and modern slavery. The Government has noted the priority accorded to ensuring that any agreement should be consistent with upholding and enforcing those standards and objectives.

We will apply appropriate mechanisms for implementation and monitoring labour and environment provisions.

Trade Remedies

The summary of what respondents said regarding Trade Remedies can be found on page 40 of the *Public consultation of trade negotiations with the United States: Summary of responses* annexed below.

Policy explanation

Trade remedies act as a safety net to protect UK businesses from injury caused by unfair trading practices, such as dumping and subsidies, or injury caused by unforeseen surges in imports. The UK has developed a new trade remedies framework which will help to ensure fair competition for UK industries so they can compete with overseas producers that benefit from unfair practices.

We recognise respondents' desire for the UK to promote free and fair trade in a way that is transparent, proportionate, in-line with our existing commitments in the WTO, and in a way that ensures appropriate protection for industries where necessary. As a result, the Government is committed to seek trade remedy provisions in FTAs which support market access, uphold our WTO commitments, and aim to ensure trading relationships encourage alignment with the key principles underpinning the new UK trade remedies regime of transparency, efficiency, impartiality and proportionality.

The UK will seek to negotiate trade remedy commitments which facilitate trade liberalisation, act as an appropriate safety net for industries threatened by import surges and protect industries against unfair trading practices. We recognise respondents' concerns over the use of measures by the US under section 232 of the Trade Act (1972) and have already expressed disappointment in relation to these tariffs and engaged with the US on this matter. We will be pressing the US for the swift removal of these unjustified tariffs.

Dispute Settlement

The summary of what respondents said regarding Dispute Settlement can be found on page 41 of the *Public consultation of trade negotiations with the United States: Summary of responses* annexed below.

Policy explanation

Dispute settlement is commonly used in reference to the formal state-to-state mechanism for resolving disputes where one or more parties consider that there has been a breach of obligations under the relevant international trade agreement and it has not been possible to resolve the dispute informally.

The Government considers an effective dispute settlement mechanism to be an appropriate part of an FTA. Effective dispute settlement mechanisms give the parties and stakeholders the confidence that commitments made under the agreement can be upheld, and that any disputes will be addressed fairly and consistently.

The Government recognises that respondents want a dispute settlement mechanism that is robust, transparent, and based on existing international mechanisms such as those found at the WTO and under many existing FTAs.

Some respondents stated that businesses, particularly SMEs, should, where possible, be involved in the dispute settlement process. The Government recognises the importance of this issue and is interested in engaging with businesses on this further. Respondents were also clear that they did not want lengthy or costly dispute settlement in a future FTA with the US. The Government recognises this and sees the case for establishing appropriate dispute mechanisms that enable disputes to be resolved in a timely manner, while also providing predictability and certainty for businesses and stakeholders.

Small and Medium-sized Enterprise (SME) Policy

The summary of what respondents said regarding SME Policy can be found on page 42 of the *Public consultation of trade negotiations with the United States: Summary of responses* annexed below.

Policy explanation

SMEs are an integral part of the UK economy. Over 99% of private sector businesses in the UK are SMEs but only 9.5% of all UK (excluding Northern Ireland) SMEs export abroad. Barriers to trade disproportionately affect smaller firms, even stopping them from exporting altogether. The Government is committed to seeking an FTA that reduces potential barriers to trade so as to benefit the 30,000 SMEs that already export to the US and create opportunities for new SME exporters. The Government recognises the varied views around the opportunities and risks for SMEs. We will want to discuss further with stakeholders on how even SMEs with limited organisational capacity can best take advantage of the benefits achieved through the agreement as regards to a potential specific SME chapter and SME-friendly provisions throughout the agreement. This can support businesses exporting both services and goods. We will also prioritise making information about rules relating to trade and investment more transparent and easily accessible, and to co-operate with the US on trade issues beneficial to SMEs.

Other policy issues raised by respondents

The summary of what respondents said regarding other policy issues can be found on page 43 of the *Public consultation of trade negotiations with the United States: Summary of responses* annexed below.

Policy explanation

Anti-corruption

Respondents were clear in their desire to see provisions related to anti-corruption within the FTA, which aligns with the aims of the Government. The UK has led the way in tackling corruption through the UK Bribery Act 2010 and we will want to build on our expertise and global leadership in this area.

Trade and Women's Economic Empowerment

We recognise that gender equality is an important issue for the public. We further recognise that the distributional impacts of trade can be gendered, and that women continue to face barriers in accessing the opportunities of free trade.

The UK is committed to exploring trade policy best practice in order to develop our own approach to advancing women's economic empowerment through trade. We will also explore opportunities with our partners to reflect this in our future FTAs. We will seek to build our evidence-base on how the impacts of trade vary by gender, including by exploring options for conducting gender-focused trade analysis.

Human Rights

We recognise that a number of respondents highlighted the protection of human rights more generally, including specifically Lesbian, Gay, Bisexual, Transgender (LGBT) rights, as a part of their concerns. We work closely with the US bilaterally and in a range of international fora to promote democracy and human rights. The UK has a strong history of protecting human rights and promoting our values globally, including for the LGBT community, and continues to encourage all countries to uphold international human rights obligations.

Trade and Development

Some respondents raised issues that specifically addressed the Government's commitment to support developing countries to reduce poverty through trade enshrined in the 2017 White Paper *Preparing for our future UK trade policy*.

To deliver on our public commitment to ensure our trade and development policies remain mutually reinforcing, we will assess the impacts of trade agreements on developing countries and consider measures to address risks and maximise opportunities for development.

Next steps

As we have been developing our independent UK trade policy, DIT has been consulting with stakeholders through both informal and formal mechanisms. These have included dialogues with the Secretary of State for International Trade, Ministers and Officials.

We will ensure that our new agreements and our future trade policy work for the whole of the UK and its wider UK family. Parliament, devolved administrations, local Government, business, trade unions, civil society and the public from every part of the UK will have the opportunity to engage and contribute.

This will be delivered by:

- > open public consultations, to inform our overall approach and the development of our policy objectives;
- > use of the Strategic Trade Advisory Group (STAG), to seek informed stakeholder insight and views on relevant trade policy matters;
- > use of Expert Trade Advisory Groups (ETAGs), to contribute to our policy development at a detailed technical level;
- > engagement outreach events across the UK nations and regions.

The STAG's principal purpose is for the Government to engage with stakeholders on trade policy matters as we shape our future trade policy and realise opportunities across all nations and regions of the UK through high level strategic discussions. The STAG's remit extends across the breadth of trade policy. Current membership of the STAG can be found on the [Strategic Trade Advisory Group](#) page on GOV.UK.

The objective of the ETAGs is to enable the Government to draw on external knowledge and experience to ensure that the UK's trade policy is backed up by evidence at a detailed level and is able to deliver positive outcomes for the UK. We will draw on the expertise of these groups to gather intelligence to inform the Government's policy positions.

DIT is committed to ensuring we have appropriate mechanisms in place during negotiations to inform the Government's position. As we move forward, we will review our approach to engagement, and consider whether existing mechanisms are fit for purpose.

The Government is committed to ensuring that our trade policy is transparent and subject to appropriate parliamentary scrutiny. During negotiations, the Government will publish regular updates on negotiations.

After launching negotiations, we will be working closely with our US partners to agree a high-quality and mutually beneficial trade agreement which furthers the UK's key interests. Throughout this process we will reflect on the responses to the public consultation conducted in 2018 and work closely with our domestic partners, including the devolved administrations, and stakeholders to deliver high quality agreements for the whole of the UK.

Chapter 4

Scoping Assessment
for a bilateral Free
Trade Agreement
between the United
Kingdom and the
United States

Included in this chapter

	Summary	31
1.	Background	34
2.	Rationale for a Free Trade Agreement with the United States	35
2.1.	Policy objectives	35
2.2.	Overview of the US economy and trade policy	36
2.3.	Overview of existing trade and investment relationship	37
2.4.	Further scope to maximise trade and investment potential (UK-US barriers)	42
2.5.	Previous US trade agreements	47
3.	Approach to assessing the potential impact of a Free Trade Agreement with the United States	49
3.1.	Tools of analysis	49
3.2.	Inputs and assumptions	51
4.	Overall impact of a UK-US trade agreement	56
4.1.	UK macroeconomic impacts	57
4.2.	UK impacts on sector gross value added (GVA)	60
4.3.	Impact on GVA in UK nations and regions	63
4.4.	Macroeconomic impacts on the US	64
4.5.	Impact on Developing Countries	64
5.	Detailed impacts by main groups	65
5.1.	Impacts on UK businesses	65
5.2.	Impacts on UK consumers	68
5.3.	Impacts on UK workers	69
5.4.	Preliminary assessment of implications for protected groups in the labour market	71
6.	The Environment	74
6.1.	Background – US and UK Environmental Policy and Performance	74
6.2.	Potential Implications of Free Trade Agreements on the Environment	75
6.3.	Summary of Environmental impacts	78
7.	Labour standards	79
7.1.	Labour issues and Free Trade Agreements	79
7.2.	Potential impacts of a UK-US FTA	80
8.	Sensitivity analysis, analytical limitations and risks	80
8.1.	Alternative scenarios	80
8.2.	Alternative baseline	80
8.3.	Analytical Limitations	81
8.4.	Investment channel sensitivity	82
8.5.	Areas not modelled	82
8.6.	Risks	82

Contents		
9.	Summary of analysis and next steps	83
9.1	Next steps	84
Technical Annexes		
10.	Annex A: Description of Computable General Equilibrium model	85
10.1.	Model features	85
10.2.	Key assumptions on model structure	85
10.3.	Monte Carlo analysis	86
10.4.	Sectors	87
11.	Annex B: Derivation of modelling inputs	88
11.1.	Methodology	88
12.	Annex C: Methodology and results for preliminary assessment of impacts on production in the regions and nations of the UK	90
12.1.	Methodology	90
12.2.	Results	92
12.3.	Limitations	92
13.	Annex D: Methodology and results for preliminary assessment of potential impacts on businesses, including small and medium-sized enterprises (SMEs)	93
13.1.	Calculating the scale of improved market access for businesses and cheaper production inputs owing to tariff liberalisation	93
13.2.	Impact on small and medium-sized enterprises (SMEs)	95
13.3.	Business administration costs for goods trade	98
14.	Annex E: Methodology and results for preliminary assessment of potential impacts of various groups in the labour market	100
14.1.	Methodology	100
14.2.	Descriptive Statistics	102
14.3.	Limitations	104
15.	Annex F: Methodology and results for preliminary assessment of impacts on UK CO₂ emissions, transport emissions and U.K agricultural land use	105
15.1.	Methodology	105
15.2.	Results	107
15.3.	Limitations	108

The Department for International Trade (DIT) is preparing for negotiations with the United States (US). This Scoping Assessment provides a preliminary assessment of the potential long run impacts of a Free Trade Agreement (FTA) between the UK and the US prior to the launch of negotiations.

Summary

The importance of trade and investment links between the UK and the US

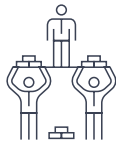
The US is the UK's largest bilateral trading partner and largest single export market – total trade between the two countries was worth over £190 billion in 2018. Services represent a particularly important and growing part of the trading relationship. Total services trade with the US has almost doubled in the last decade, from £49 billion in 2007 to £94 billion in 2018, representing around half of all bilateral trade.⁹

UK Businesses and UK Jobs

In 2018, 37,000 VAT registered businesses exported goods to the US, employing 6 million people. 44,000 businesses, supporting 8 million jobs, imported goods from the US.



37,000
UK business export



6 million
Employees work in these businesses

Goods trade

The UK's largest good export to the US is cars and trucks. The UK's largest imported good from the US is turbojets.



£6.8 billion
Car & Truck exports



£5.3 billion
Turbojet imports

Services trade

Finance is the UK's largest service export to the US. The UK's largest service import from the US is in trade-related business.



£11.8 billion
Financial services exports



£6.8 billion
Trade-related business imports

Source: HMRC and ONS data, 2016-18 annual averages.

UK and US imports are important to the value and quality of each other's domestic production and the competitiveness of each other's exports. This can be seen in the trade in value added data, which demonstrates the degree to which UK and US supply chains are interlinked in sectors such as transport.

There are also important investment links between the UK and US, with over £700 billion stock invested in each other's economies in 2018. According to US statistics, in 2017 1.7 million people worked for US majority-owned companies operating in the UK and 1.3 million people worked for UK majority-owned companies based in the US.

Scope to further enhance trade and investment

While there are strong trade and investment links between the UK and the US, evidence on trade and investment barriers between the two countries suggests that there is scope to further enhance this relationship. Several sources of evidence on trade barriers, including case studies on UK businesses who have traded with the US, indicate there are barriers which could be liberalised through an FTA.

US FTAs have sought to cover a broad range of measures to liberalise bilateral trade with partner countries, including the reduction of tariffs and provisions on services, technical barriers to trade, intellectual property and, most recently, ambitious provisions addressing potential barriers to digital trade.

⁹ ONS (2019) UK total trade: all countries, non-seasonally adjusted.

The potential impact of a UK-US FTA

International evidence suggests that FTAs can reduce the costs of trade and investment by eliminating tariffs and reducing non-tariff measures and regulatory restrictions to services trade. The analysis in this Scoping Assessment draws on robust evidence and the best tools available for assessing the impacts of an FTA. The results should be interpreted with caution due to inherent uncertainty and should not be considered as an economic forecast for the UK economy.

As the final details of the negotiated FTA are not yet known, ahead of negotiations the modelling is based on two plausible scenarios representing different depths of an agreement. Scenario 1 represents substantial tariff liberalisation and a 25% reduction in the levels of actionable non-tariff measures affecting goods trade and regulatory restrictions affecting services trade between the UK and the US. Scenario 2 represents a deeper trade agreement, with full tariff liberalisation and a 50% reduction in actionable non-tariff measures and regulatory restrictions to services.

Scenario 1: Substantial tariff liberalisation and a 25% reduction in non-tariff measures

Scenario 2: Full tariff liberalisation and a 50% reduction in non-tariff measures



Source: DIT modelling; central estimates for welfare and GDP impacts.
£ values in 2018 terms

A trade agreement with the US could increase UK GDP in the long run by around 0.07% (within a range of between 0.02% and 0.15%) or 0.16% (between 0.05% and 0.36%) under scenario 1 and scenario 2 respectively.¹⁰ This is equivalent to an increase of £1.6 billion or £3.4 billion compared to its 2018 level. This increase reflects changes to the underlying economy brought about by a reduction in barriers with the US through an FTA. These reduced costs for firms and consumers result in changes to domestic specialisation and the composition of imports. Productivity gains are driven by resources moving to where they are more productive, including between sectors and industries, as well as between firms within sectors.

In the long run, almost all UK sectors are estimated to increase output suggesting productivity gains from further specialisation are likely within sectors through the reallocation of resources to more productive firms. Resource reallocation also occurs between sectors, with some sectors reducing employment as workers reallocate to other growing sectors. However, almost all of these sectors still increase their output, demonstrating productivity gains. In both scenarios, workers are expected to experience increases in real wages.

UK goods and services are expected to become relatively more competitive in the US, and exports to the US are expected to increase by 4% or 8%, depending on the scenario. Firms would be able to expand trade as a result of the reduction in trade costs on both imported inputs and exported outputs to the US, generating productivity gains. This could also lead to an increase in the global competitiveness of UK firms as exports to other countries outside of the agreement are estimated to grow.

Imported goods and services from the US facing lower trade costs could drive efficiency gains for UK businesses relying on or switching to inputs from the US. UK consumers may also benefit if cheaper consumer goods become available. In the long run prices adjust to higher demand, but under both scenarios imports from the US increase by 4% in scenario 1 and 9% in scenario 2.

The modelling estimates an increase in the long run level of the average real wage in the UK of around 0.11% (£1.0 billion) in scenario 1 and 0.20% (£1.8 billion) in scenario 2.

The UK economy is expected to grow as a result of a UK-US FTA. Based on the distribution of sectoral value added, a UK-US FTA has the potential to increase long run output across all nations and regions of the UK. Scotland, Wales, the North East, the East Midlands and the West Midlands expand the most in the scenarios set out here.

The lowering of tariffs through a UK-US FTA could reduce both the price of imported consumer goods and of imported intermediate goods (used as inputs for domestic production) from the US. Both consumers and importing businesses may directly benefit from lower tariffs, with total annual tariffs on US imports estimated to be between £341 million and £493 million per year. Non-tariff trade cost reductions can drive import prices even lower, creating further direct benefits captured in the macroeconomic analysis above.

The economic impacts of a UK-US FTA are expected to have wider social and environmental implications. A preliminary assessment of the implications on groups within the labour market finds that the representation of protected groups (in relation to gender, ethnicity and disability) in sectors where employment falls relative to the baseline, is largely in line with the general population of the workforce. Workers within any of these sectors may be presented with employment opportunities within expanding sectors. The extent to which the UK-US FTA impacts the environment is dependent on the negotiated outcome, which will determine changes in the pattern of trade and economic activity. Changes in the UK's production and global trading patterns could favour UK sectors which are currently more or less emissions-intensive and could impact transport emissions. This Government is committed to ensuring that a UK-US FTA will not threaten the UK's ability to meet its environmental commitments, or its membership of international environmental agreements, and will pursue opportunities to further environmental and climate policy priorities.

Finally, GDP in the US is expected to increase by 0.03% or 0.05% in scenario 1 and 2 respectively, equivalent to an increase of £3.9bn or £7.5bn compared to its 2018 level, demonstrating that a UK-US FTA can drive economic gains for both countries.

Next steps

Following the conclusion of negotiations and once the text of a UK-US agreement is known, a full impact assessment will be published prior to implementation. The final impact assessment will update and refine the preliminary estimates of the scale and distribution of impacts outlined in this Scoping Assessment.

¹⁰ All ranges have been generated by a Monte Carlo statistical process. This draws several thousand input values, covering a range of structural and policy parameters, from their full distributions. The central estimates are not necessarily the midpoint of the range. See technical Annex A for more details. The results can be interpreted as an estimation of the long-term economic impact of the FTA relative to a baseline, with the long-term generally assumed to mean 15 years from the implementation of the agreement..

1. Background

A Free Trade Agreement (FTA) is an international agreement which seeks to increase trade and investment between its signatories by removing or reducing tariffs, non-tariff measures and regulatory restrictions to services prohibiting trade and investment between partner countries.¹¹

Trade and investment barriers make it more difficult and costlier to trade or invest overseas. By removing or reducing them, FTAs can make it easier for businesses to export, import and invest. FTAs can also benefit consumers by providing a more diverse and affordable range of imported products.

The Government is committed to a transparent, inclusive and evidence-based approach to trade policy. A public consultation on a potential FTA between the UK and the US was held between July and October 2018.

The aim of the Scoping Assessment is to provide Parliament and the public with a preliminary assessment of the broad scale of the potential long run impacts of an eventual FTA between the UK and the US prior to the launch of negotiations. The content of any eventual FTA is not yet known. Once the provisions of the agreement have been negotiated, the Government will publish a full impact assessment based upon the provisions of the agreement.

This Scoping Assessment includes the rationale for an FTA with the US, a description of the approach used for assessing its potential impacts, the results from modelling two scenarios for a UK-US FTA, and sensitivity analysis.

¹¹ Further background on FTA can be found in the Information Note for the public consultation on a bilateral FTA between the UK and the US (DIT, July 2018). <https://www.gov.uk/Government/consultations/trade-with-the-us>

2. Rationale for a Free Trade Agreement with the United States

This section provides an overview of the current UK-US trade and investment relationship and sets out the rationale for further trade liberalisation by highlighting tariff and non-tariff measures that exist in goods trade and regulatory restrictions to services trade.

The US is the UK's largest bilateral trading partner and largest single export market – total trade between the two countries was worth over £190 billion in 2018. There are also important investment links between the UK and US, with over £700 billion invested in each other's economies in 2018.

UK and US imports are important to the value and quality of each other's domestic production and the competitiveness of each other's exports. This can be seen in the trade in value added data, which demonstrates the degree to which UK and US supply chains are interlinked in sectors such as transport, where almost 10% of the value of the 'other transport' sector in the UK comes from US inputs.

While there are strong trade and investment links between the UK and the US, evidence on trade and investment barriers between the two countries suggests that there is scope to further enhance this relationship. Several sources of evidence on trade barriers, including case studies from UK businesses who have traded with the US, indicates there could be benefits from an FTA which addressed such barriers. A recent DIT survey found that around 60% of the UK public support the UK establishing an FTA with the US.

US FTAs have sought to cover a broad range of measures to liberalise bilateral trade with partner countries, including the reduction of tariffs, and provisions on services, technical barriers to trade, intellectual property and most recently ambitious provisions addressing potential digital barriers to trade.

2.1. Policy objectives

An FTA with the US represents an opportunity to strengthen the economic relationship between the UK and US.

Specific policy objectives for negotiations with the US are set out in Chapter 2 of this document. The overarching objectives are to:

- Agree an ambitious and comprehensive Free Trade Agreement (FTA) with the United States (US) that strengthens the economic relationship with our largest bilateral trading partner, promoting increased trade in goods and services and greater cross-border investment.
- Increase UK GDP by opening up opportunities for UK businesses, including Small and Medium-sized Enterprises (SMEs) and investors, and facilitating greater choice and lower prices for UK producers and consumers.
- The Government has been clear that when we are negotiating trade agreements, the National Health Service (NHS) will not be on the table. The price the NHS pays for drugs will not be on the table. The services the NHS provides will not be on the table. The NHS is not, and never will be, for sale to the private sector, whether overseas or domestic.
- Throughout the agreement, ensure high standards and protections for UK consumers and workers and build on our existing international obligations. This will include not compromising on our high environmental protection, animal welfare and food standards.
- Futureproof the agreement in line with the Government's ambition on climate and in anticipation of rapid technological developments, such as Artificial Intelligence (AI).
- Secure an agreement which works for the whole of the UK and takes appropriate consideration of the UK's constitutional arrangements and obligations.
- Secure appropriate provisions to promote open and fair competition between our businesses.

2.2.1 Economy

The US provides a large potential market for UK exporters.

The US is the largest economy in the world and is forecast to grow by around 11% by 2024.¹² It is the third most populated country in the world (after China and India) with its population expected to grow to over 340 million people in the next five years.¹³

There are over 155 million people working in the US who spend their income on household goods and services.¹⁴ The average US consumer spent \$60,100 (£46,600) on these goods and services in 2017.¹⁵

2.2.2 Business

US businesses have the potential to provide a wide variety of goods and services for UK consumers.

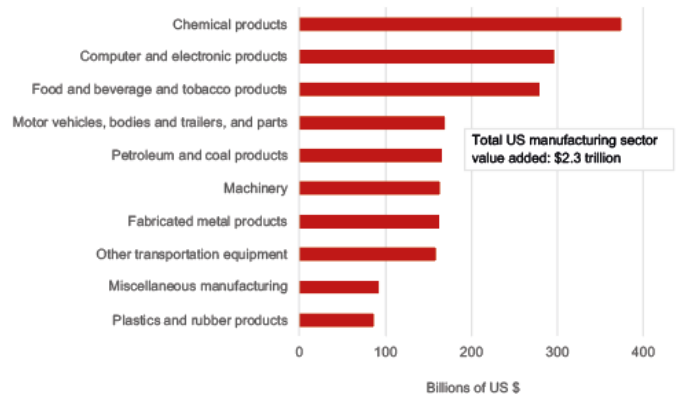
According to the Statistics of US Businesses (SUSB) there were around 6 million firms in the US, employing over 126 million people in 2016.¹⁶ The service sector contributes around 81% of the value of the US economy. The main service sectors are real estate, rental and leasing, and Government services.¹⁷

The manufacturing sector contributes around 11% to the US economy. Here, the main manufacturing sectors include chemicals, computer and electronics, and food, beverage and tobacco products.

Charts 1 and 2 show the top 10 US manufacturing sectors and service sectors contributing the greatest value added to the US economy. This illustrates the variety of US goods and services that may be available to consumers and businesses in the UK through trade.

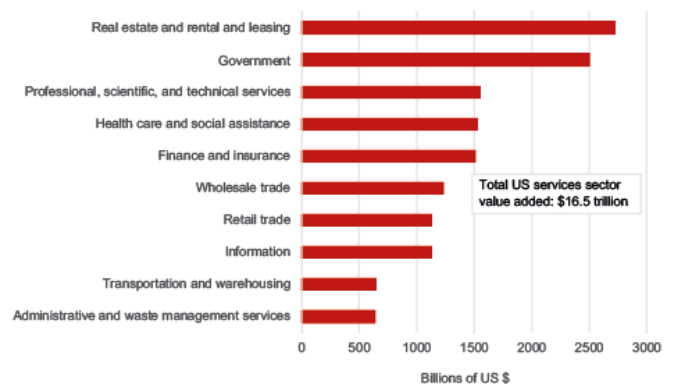
2.3. Overview of existing trade and investment relationship

Chart 1: US manufacturing sector value added, 2018, top 10 sectors



Source: US Bureau of Economic Analysis.

Chart 2: US services sector value added, 2018, top 10 sectors



Source: US Bureau of Economic Analysis.

The US has a favourable environment for businesses, ranking 8th out of 190 countries in the World Bank Ease of Doing Business rankings.¹⁸

¹²GDP Forecast (Constant Prices), IMF World Economic Outlook Database, April 2019.

¹³IMF World Economic Outlook Database, 2024 total population, April 2019.

¹⁴US Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, 2018.

¹⁵Ibid.

¹⁶US Census Bureau, Statistics of US Businesses (SUSB), 2018.

¹⁷US Bureau of Economic Analysis, 2019.

¹⁸World Bank Ease of Doing Business Rankings, 2019.

The US is the UK’s largest bilateral trading partner and the largest source of inward investment.

Total UK trade (exports plus imports) with the US accounted for 15% of all UK trade and UK exports to the US accounted for 19% of all UK exports in 2018. Total bilateral trade between the UK and the US in 2018 was over £190 billion.¹⁹

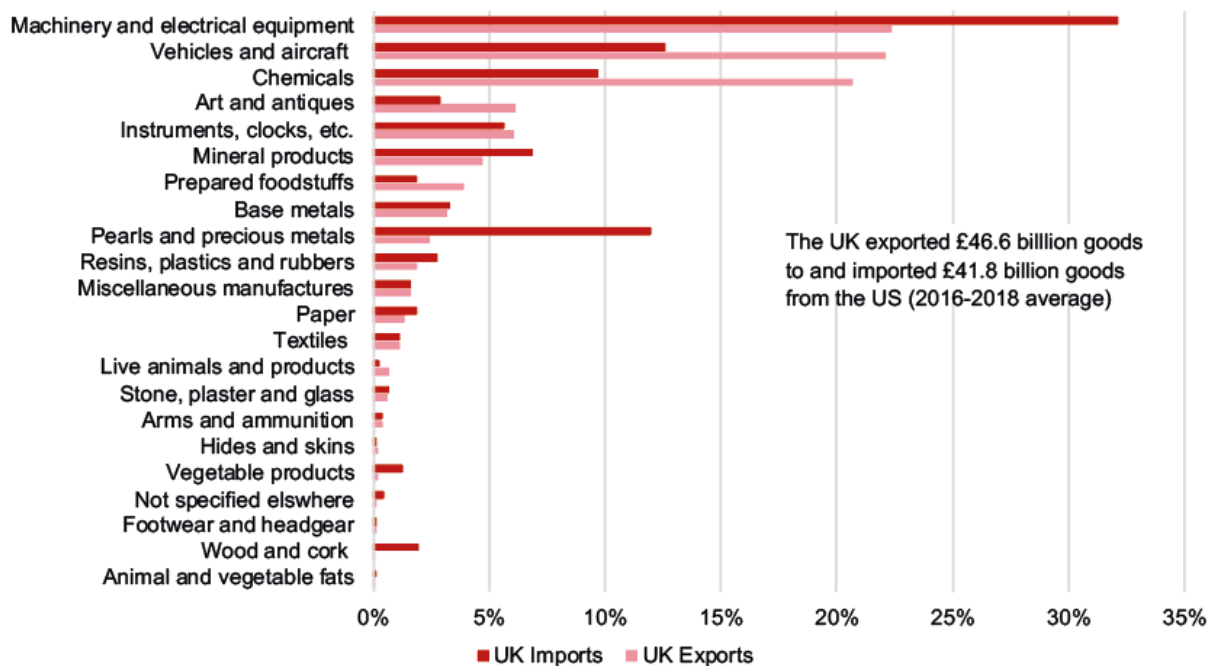
In 2018 the US was the top recipient of UK Foreign Direct Investment (FDI) (accounting for 21% of outward UK FDI stock) and the top investor in the UK (accounting for 27% of inward UK FDI stock).²⁰

According to US statistics, in 2017 1.7 million people worked for US majority-owned companies operating

in the UK and 1.3 million people worked for UK majority-owned companies based in the US.²¹

The UK and the US export fairly similar goods to one another, reflecting similar specialisation in the structure and production patterns of the UK and US economies. Main goods traded across the UK and US include machinery and electrical equipment, vehicles and aircraft and chemicals.²²

Chart 3: Sector shares of UK goods exports and imports to/from the US as a proportion of total goods exports and imports to/from the US (annual average shares 2016-18)



Source: HMRC trade statistics by commodity code. Sectors classified according to Harmonised System Sections. Data uses an average from 2016 to 2018.

¹⁹ ONS (2018), UK total trade: all countries, non-seasonally adjusted.

²⁰ ONS, Foreign direct investment involving UK companies: 2018.

²¹ Bureau of Economic Analysis, Activities of U.S. Multinational Enterprises and Activities of U.S. Affiliates of Foreign Multinational Enterprises.

²² HMRC trade statistics by commodity code. Sectors classified according to Harmonised System Sections. Data uses an average from 2016 to 2018.

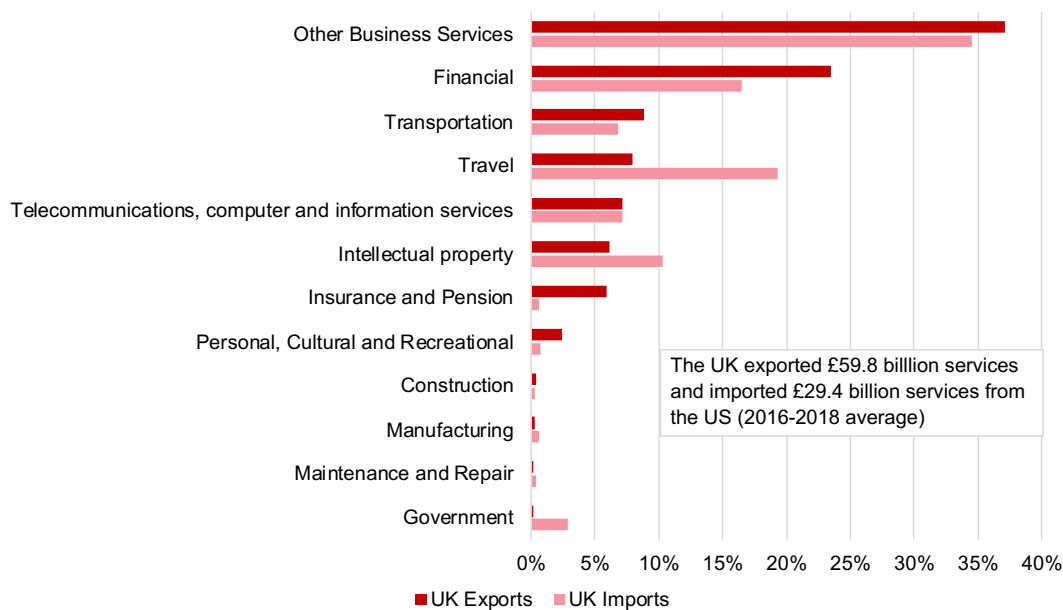
More than half of UK exports to the US are in services. The UK’s total services trade with the US (imports plus exports) has almost doubled in the last decade from £49 billion in 2007 to £94 billion in 2018.²³ Chart 4 below shows that the most important services for bilateral trade between the UK and US are ‘other business services’, finance and transportation services. ‘Other business services’ captures professional services including architecture and engineering.

Supply chains are an important feature of UK-US trade and could provide extra gains from liberalisation.

Supply chains – where imported goods and services are used in the production of goods and services which are either consumed domestically or exported again – are an increasingly important feature of international trade. Reductions in UK-US trade barriers (tariff, non-tariff measures and regulatory restrictions to services) can facilitate and reduce the cost of trade in these intermediate goods, with the gains passed on to other businesses and final consumers.

According to UN Comtrade data, 62% of all US goods imported into the UK and 42% of all UK goods exported into the US were in intermediate goods (Table 1).

Chart 4: Sector shares of UK services exports and imports to/from the US as a proportion of total services exports and imports to/from the US (annual average shares 2016-18)



Source: ONS (2019), UK trade in services: service type by partner country, non-seasonally adjusted.

²³ ONS (2018), UK total trade: all countries, non-seasonally adjusted.

Table 1: Value of UK-US trade in goods according to end-use, 2016-2018 average²⁴

	Intermediate goods	Capital goods	Consumer goods	Unclassified
UK imports from US	£28.2 billion (62%)	£10.0 billion (22%)	£6.4 billion (14%)	£1.2 billion (3%)
UK exports to the US	£20.1 billion (42%)	£7.1 billion (15%)	£18.8 billion (39%)	£2.0 billion (4%)

Source: DIT analysis, UN Comtrade data.

Supply chains can also be measured using “trade in value-added” data which measures the proportion of UK exports containing goods or services that were initially imported from the from the US, and vice versa. As set out in Table 2, the UK sectors with the highest amount of US value-added in exports are “other transport equipment” (excluding vehicles), basic metals, electrical equipment, and machinery and equipment.

Table 2: US value-added in UK exports by exporting sector, 2015²⁵

Exporting sector	Proportion of US value added in UK exports	
	Services value added ²³	Agriculture and industry value added ²⁴
Other transport equipment	4.1%	5.7%
Basic metals	2.1%	2.0%
Electrical equipment	1.8%	1.5%
Machinery and equipment	1.7%	1.4%

Source: DIT analysis, OECD Trade in Value Added.

US sectors with the highest amount of UK value-added in exports are transport equipment (motor vehicles and other transport equipment), rubber and plastics, and machinery and equipment (less than 1% of the value of these US exports originate from the UK).

Table 3: UK value-added in US exports by exporting sector, 2015

Exporting sector	Proportion of UK value added in US exports	
	Services value added	Agriculture and industry value added
Motor vehicles	0.4%	0.3%
Rubber and plastics	0.3%	0.3%
Other transport equipment	0.3%	0.3%
Machinery and equipment	0.3%	0.2%

Source: DIT analysis, OECD Trade in Value Added.

US exporting sectors with the highest amount of UK value-added are transport equipment (motor vehicles and other transport equipment), rubber and plastics, and machinery and equipment (less than 1% of the value of these US exports originate from the UK).

²⁴ United Nations, Classification by Broad Economic Categories Rev.5, 2018 (passenger motor vehicles have been included within the consumer goods category).

²⁵ The TiVA database only provides data up to 2015, with preliminary projections to 2016 for select indicators.

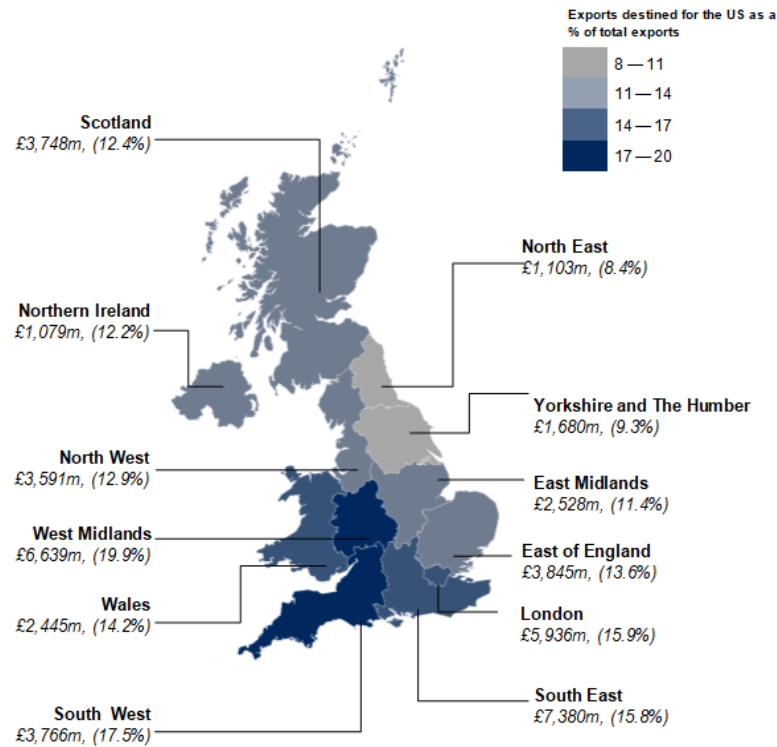
²⁶ Service sector includes construction.

²⁷ Industry sector includes mining, manufactures and utilities.

The US is an important export destination for all nations and regions of the UK.

In 2018, the regions with the highest proportion of their goods exports destined for the US were the West Midlands, the South West, London, and the South East. Chart 5 displays the percentage of each region's goods exports that were destined for the US. For the four regions listed above, the US accounted for between 16% and 20% of the region's total goods exports.²⁸

Chart 5: UK nations and regions goods exports to the US as a share of total goods exports, 2018



Source: HMRC regional trade statistics.

Table 4 below highlights the importance of the US for each UK nation by top goods sectors. This highlights the diversity between exports in different UK nations to the US.

Table 4: Top three UK goods exports to the US by nation (annual average 2016-18)

Nation	Goods exported	Values £billions
England	Road vehicles	£7.4
	Miscellaneous manufactured articles (for example, pens, pencils, brushes)	£3.7
	Power generating machinery & equipment	£3.4
Northern Ireland	Medicinal and pharmaceutical products	£0.6
	Furniture and parts thereof	£0.2
	Machinery specialised for particular industries	£0.2

²⁸ HMRC Regional trade statistics, 2018. Data on services not available.

Nation	Goods exported	Values £billion
Scotland	Beverages	£1.0
	Power generating machinery and equipment	£0.4
	Petroleum, petroleum products and related materials	£0.3
Wales	Petroleum, petroleum products and related materials	£0.7
	Power generating machinery and equipment	£0.4
	Medicinal & pharmaceutical products	£0.2

Source: HMRC regional trade statistics.

Trade with the US is also important for a wide range of UK businesses, including small and medium-sized enterprises (SMEs).

SMEs (firms employing less than 250 employees) are important to the UK economy. In 2018 these firms made up over 99% of the total number of private sector businesses, representing 60% of private sector employment and 52% of private sector turnover.²⁹ UK SMEs play an integral role in engaging with the international economy. SMEs are increasingly international traders in their own right. For example, in 2018, 97% of businesses exporting goods were SMEs, representing 28% of our total exports.³⁰ SMEs also form a key part of the supply chain for larger UK and global firms, by producing intermediate goods used to manufacture other goods.

A wide range of UK firms already export to and import from the US, across many industries. Table 5 below sets out the UK industries which trade goods with the US, identifying the industries which are particularly reliant on goods trade with the US. Over 70% of importing and exporting aerospace firms traded with the US. Over 50% of electronics firms that exported in 2018 sent goods to the US. Almost 50% of importing pharmaceutical and electronics firms bought goods from the US in 2018. A large proportion of UK businesses exporting to and importing from the US are in the services sector.

Table 5: Number of UK VAT registered /businesses trading with the US, 2018

UK Sector	Number of Businesses Importing from the US	% of Importing Businesses which Import from the US	Number of Businesses Exporting to the US	% of Exporting Businesses which Export to the US
Agriculture and Food	1,446	11%	1,580	21%
Mining, Petroleum products and Waste	439	21%	409	24%
Chemicals	598	38%	665	43%
Pharmaceuticals	131	48%	101	42%
Electronic and Electrical equipment	2,005	47%	2,191	54%
Other Machinery and equipment	1,309	41%	1,545	47%
Motor vehicles, transport equipment (excluding aerospace)	464	33%	484	36%
Aerospace and related machinery	140	76%	134	74%

²⁹ BEIS Business Population Estimates (BPE, 2018).

³⁰ HMRC, UK Trade in Goods by Business Characteristics 2018; estimates based on HMTC OTS and ONS IDBR data.

UK Sector	Number of Businesses Importing from the US	% of Importing Businesses which Import from the US	Number of Businesses Exporting to the US	% of Exporting Businesses which Export to the US
Other manufacturing	3,123	23%	4,322	33%
Services	31,108	17%	23,088	20%
Unknown	3,528	20%	2,342	29%
Total	44,291	18%	36,861	24%

Source: HMRC, UK Trade in Goods by Business Characteristic 2018.

Trade with the US can also help both new and established UK businesses. Nearly 30% of importing firms and nearly 25% of exporting firms have existed for less than ten years.

2.4. Further scope to maximise trade and investment potential (UK-US barriers)

While there are strong trade and investment links between the UK and the US, evidence on trade and investment barriers between the two countries suggests that there is scope to further enhance this relationship.

DIT has consulted widely on stakeholders' priorities for an FTA with the US. The evidence gathered from these exercises includes:

- > Responses from DIT's public consultation
- > DIT's Public Attitudes to Trade Tracker
- > Targeted stakeholder engagement across UK nations and regions.

2.4.1. Responses from DIT's public consultation

In July 2018, the Government launched an online consultation for members of the public, businesses, trade experts and any other interested organisations to submit their views on an FTA with the US.³¹ A summary of responses to that consultation, outlining the views of the public was published on 18 July 2019.³²

Public Attitudes to Trade Tracker

In September 2018, DIT commissioned a nationally representative survey of the UK public to examine public attitudes towards trade and to understand the public's priorities as they relate to trade policy, and how these may change over time.³³ This found that 62% of the UK public support the UK establishing an FTA with the US (the remaining 27% said they "don't know" or "neither oppose or support", and 12% said they "opposed" or "strongly opposed" an FTA with the US).

2.4.2. Evidence on barriers in UK-US trade in goods

The average tariff on UK-US goods trade is relatively low but varies by type of good. WTO data suggests that Sanitary and Phytosanitary measures (SPS) and Technical Barriers to Trade (TBT) are the most prevalent non-tariff measures on goods trade.

³¹ Public consultation on a bilateral FTA between the UK and the United States (DIT, July 2018). <https://www.gov.uk/Government/consultations/trade-with-the-us>

³² Summary of responses to public consultation on a bilateral FTA between the UK and the United States (DIT, July 2019). <https://www.gov.uk/Government/consultations/trade-with-the-us>

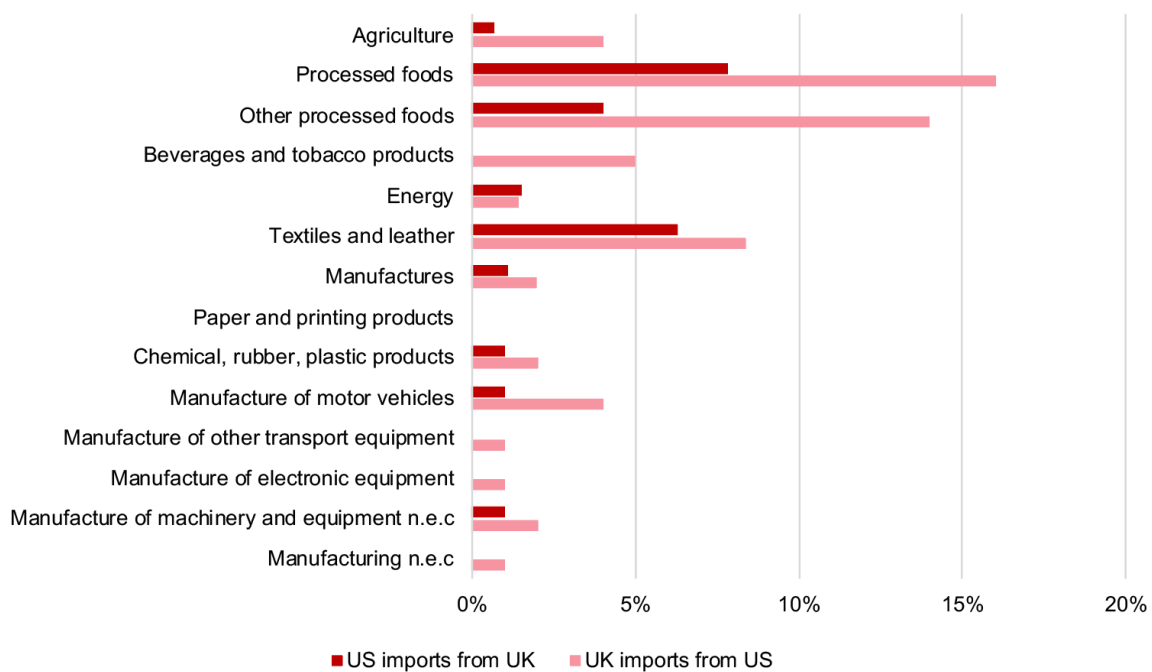
³³ [DIT](#), Public attitudes to trade tracker: wave 1, 2019

2.4.2.1. Tariffs

The Government is currently developing its new UK MFN tariff schedule. The simple average applied tariff on US goods imported into the UK is 6%, based on MFN currently by the UK. For UK goods exported to the US, this tariff is 4%. However, on a trade-weighted basis (which accounts for the specific value of bilateral UK-US trade in different sectors), the average tariff is 2% in both directions.³⁴

The above headline figures contain a variety of applied tariffs, which vary across different types of goods. The current UK average tariffs across broad categories vary from 0% on vegetable plaiting materials to around 35% on sugars and confectionary. US tariffs vary from 0% on ores to around 30% on tobacco (see Chart 6). The chart below presents an average across each sector and doesn't show the full range of tariffs that may exist within each sector.

Chart 6: Most Favoured Nation Applied Rate of US and UK (EU) tariffs



Source: GTAP database 2011 data.

Case study 1: Tariffs and non-tariff measures on goods trade, response to DIT consultation

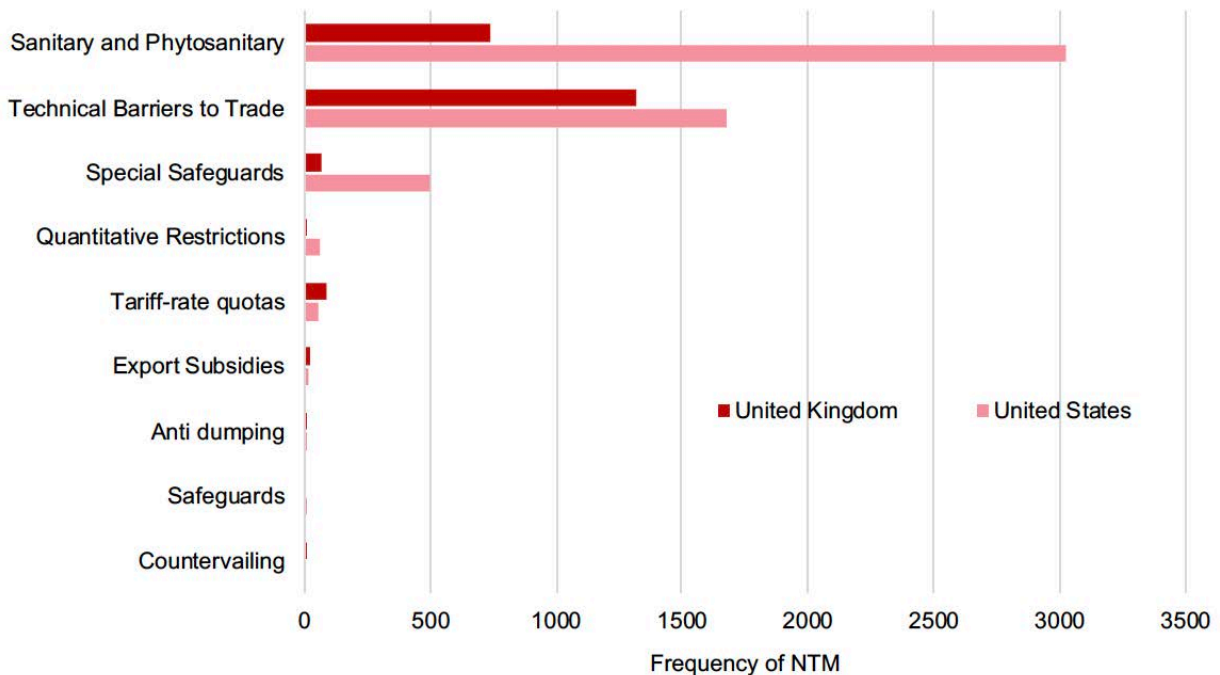
A US manufacturer of industrial machinery, a significant employer across the UK, has an interest in a UK-US FTA. The company is a significant exporter of their UK manufactured products. The manufacturer says they currently face several tariffs on their exports. Examples include a 2.7% EU tariff on generators and a corresponding 2.5% US tariff on the same product and a 4.2% EU tariff on diesel engines. This UK-based US business wants to see some or all tariffs eliminated in a new UK-US FTA. The manufacturer also highlighted a number of non-tariff measures they face, including drawback rules, rules of origin, regulatory cooperation and standard setting.

³⁴ Simple average tariffs represent the unweighted average mean across all tariff lines. A trade-weighted tariff accounts for patterns of trade. See footnote 18 for further description. World Integrated Trade Solution database, MFN, 2017. Small adjustment made using International Trade Centre MacMap data.

2.4.2.2. Non-tariff measures on goods

Non-tariff measures (NTMs) are defined as all barriers to goods trade that are not tariffs. This includes customs controls and differences in national regulatory regime. Evidence from the WTO's Integrated Trade Intelligence Portal (I-TIP) suggests that most NTMs faced in the US fall under the categories of Sanitary and Phytosanitary measures (SPS) and Technical Barriers to Trade (TBT).³⁵ SPS is a category which covers any standards a country applies to ensure food safety, animal health or plant health standards. TBT measures refer to mandatory technical regulations and voluntary standards that define specific characteristics that a product should have, such as its size or shape (see Chart 7).

Chart 7: Non-tariff measures (NTMs) in the UK and the US, by frequency³⁶



Source: WTO, Integrated Trade Intelligence Portal (I-TIP). NTMs either initiated or in force.

Case study 2: Technical barriers to trade: Differences in classification, labelling and packaging requirements

According to a multinational chemical manufacturer with operations in the UK, EU and the US, differences in classification, labelling and packaging requirements can pose a significant barrier to trade between the UK and the US.

They say that there can be high costs associated with changing labels and packaging and the associated risk of accidental non-compliance. They believe that seeking alignment on the basis of the consistent building-block approach set out in UN Globally Harmonized System of Classification and Labelling of Chemicals (GHS) and achieving harmonisation of classifications, would improve market access and reduce costs.

³⁵ Comparisons of the I-TIP data across countries may not be accurate due to reporting methods (e.g. not all measures in partner countries are notified by reporting countries).

³⁶ There is a possibility that some NTM types (TBT and SPS) may be double counted. Due to the fact that a single measure may have to be notified to various WTO committees (e.g. a measure on chemicals might be notified to both TBT and SPS committees), any aggregate of the different types of notified NTMs is likely to be marginally overestimated.

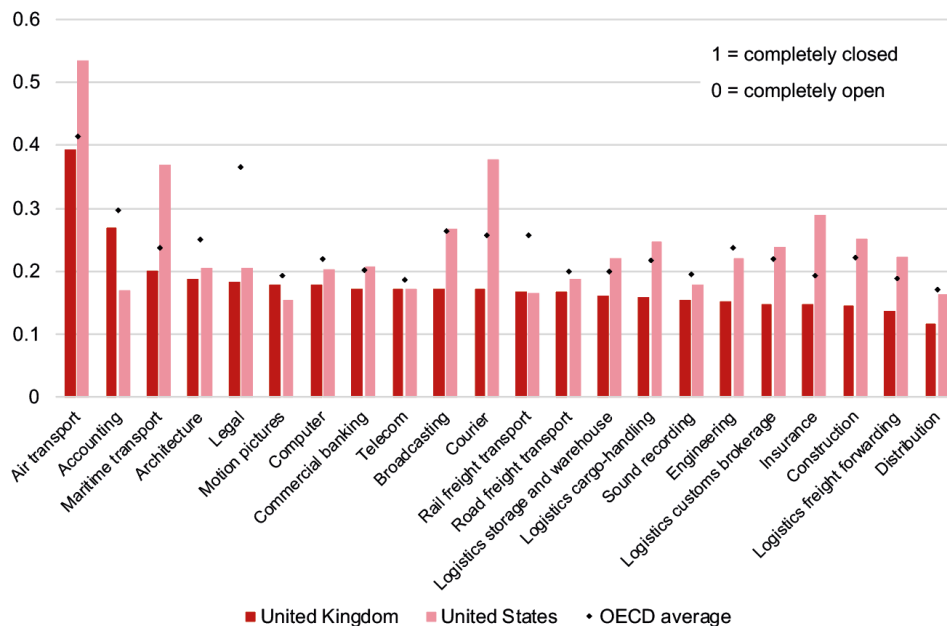
2.4.3. Evidence on barriers in UK-US trade in services

Trade in services is important for both countries. Data from the OECD highlights the restrictions that are in place that affect foreign providers of services, including digital services trade.

In 2018, more than half of UK exports to the US were in services. The UK’s total services trade with the US – imports plus exports – has almost doubled in the last decade from £52 billion in 2008 to £94 billion in 2018.³⁷

The OECD’s Services Trade Restrictiveness Index (STRI) provides a measurement of regulatory restrictions to trade in services barriers across 22 sectors, with 0 representing a sector which is completely open to foreign service suppliers and 1 representing a sector which is completely closed. The sectors with the highest levels of restrictiveness in the US are in air transport, courier services and maritime transport. By type of restriction, the restrictions in the US are highest for its transparency of regulation (for example visa processing times) and barriers to competition (for example legislation favouring domestic firms over foreign firms).

Chart 8: UK and US Services Trade Restrictiveness Index (STRI)



Source: OECD Services Trade Restrictiveness Index (STRI), 2018. US indices based on the State of New York, services trade restrictiveness levels may vary across states.

Case study 3: Regulatory restrictions affecting services, response to DIT consultation

A body representing financial and related professional services outlined their interests in a UK-US FTA. They represent firms that have a presence in both the US and the UK.

They highlighted that the US is the UK’s largest services trading partner. They point out that US and UK are also each-others’ largest foreign direct investors with total US corporate assets in the UK standing at approximately \$5 trillion in 2016. The figure for the UK investment in the US was \$2 trillion.

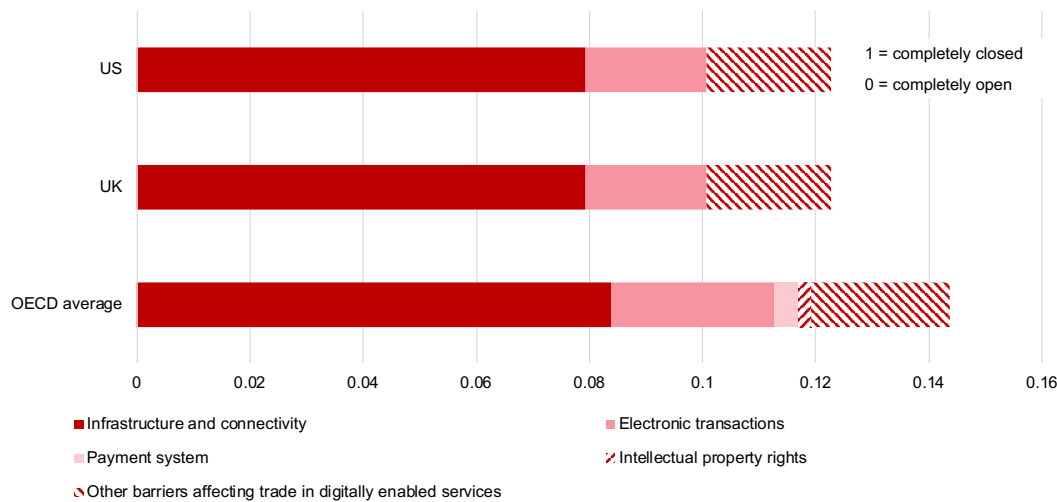
The organisation outlined a number of their priorities for a UK-US FTA, these included regulatory coherence, improving mutual market access, and equivalence of standards. The body also highlighted an interest in digital trade. Specifically, in laws regarding the location of where data is held. The body also wants to see laws on the transfer of data and the development of common standards for data.

³⁷ ONS (2018), UK total trade: all countries, non-seasonally adjusted.

2.4.3.1. Evidence on barriers in UK-US trade in digitally enabled services

The OECD’s Digital Services Trade Restrictiveness Index (Digital STRI) builds on the STRI by identifying cross-cutting barriers that affect all types of services traded digitally across five broad categories. The index shows that the US is relatively more open to foreign trade in digitally traded services than other OECD countries on average (see Chart 9). The majority of the US’ digital trade restrictiveness falls under the category of ‘infrastructure and connectivity’ – that is, restrictions related to communication infrastructure essential to engaging in digital trade, for example cross-border data flows.

Chart 9: UK and US Digital STRI, by type of restriction

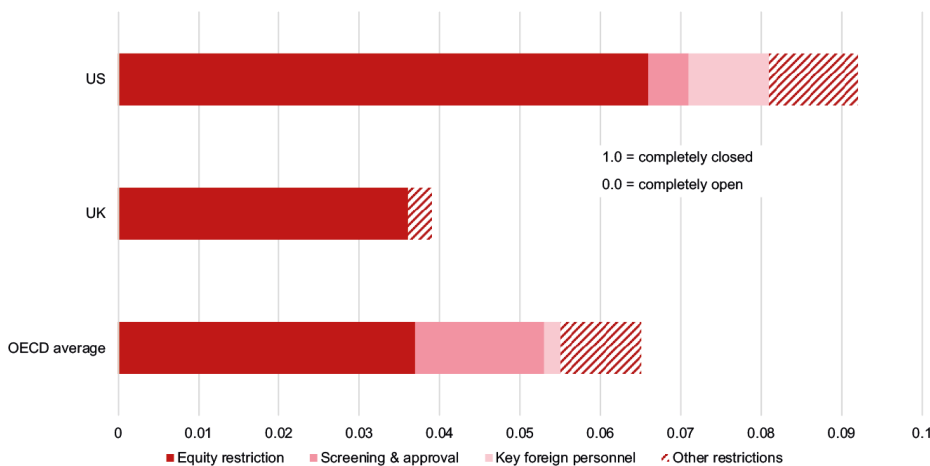


Source: OECD Digital Services Trade Restrictiveness Index (Digital STRI), 2018. US indices based on the State of New York, digital services trade restrictiveness levels may vary across states.

2.4.4. Evidence on barriers in UK-US investment

The OECD’s FDI Regulatory Restrictiveness Index assesses the restrictiveness of a country’s foreign direct investment (FDI) rules across the four main types of restrictions. The index shows that the US is relatively more restrictive to FDI than other OECD countries on average (see Chart 10). The majority of US FDI barriers fall under the category of ‘equity restrictions’ – that is, restrictions on the proportion of a business that can be owned by individuals who are not US citizens.

Chart 10: UK and US investment restrictiveness, by type of restriction



Source: OECD FDI Regulatory Restrictiveness Index, 2018. US indices based on the State of New York, FDI regulatory restrictiveness levels may vary across states.

Overall, the evidence on existing UK-US trade barriers suggests that that there is scope to further enhance the trading relationship, to maximise the trade and investment potential of the two countries.

2.5. Previous US trade agreements

US trade agreements seek to liberalise trade in goods.

The World Bank has estimated that the trade-weighted US tariff rate has fallen from around 3.9% in 1989 to around 1.7% in 2017.³⁸ The last four bilateral agreements signed by the United States (Panama, Colombia, Korea and Peru in 2009 to 2012) have introduced preferential tariff rates averaging 0.1-0.5% on 60-70% of all tariff lines (using a 6-digit Harmonised System of classification).³⁹

US trade agreements have also consistently covered a wide range of provisions beyond tariffs on goods.

A report by the United States International Trade Committee (USITC) on the impact of previous US trade agreements notes that its trade agreements extend beyond tariff liberalisation and seek to address other important issues, such as non-tariff measures in trade of manufactured goods, the opening of market access in the provision of services, the reduction of technical barriers to trade and the promotion of bilateral investment (see Box 1 below).⁴⁰

Box 1 Previous US bilateral trade agreements

In **agriculture**, US FTAs have aimed to eliminate tariffs and tariff rate quotas (TRQs) on most tariff lines but they can retain some protection for sensitive sectors (which may be country-specific, for example excluding sugar from the US-Australia FTA in 2005). From 2000 to 2006, the US set TRQs for a consistent set of products, regardless of whether the partner exported that product. Since 2006, TRQs have been mostly set on products that are both import sensitive and might be competitively supplied by partner countries (examples include sugar, milk, cheese and meat).

In **manufactured goods**, US FTAs have generally built upon commitments under the General Agreement on Tariffs and Trade (GATT) 1994 (including national treatment and most-favoured nation (MFN) obligations), offering more tariff elimination and reduction on a preferential basis, but with more stringent rules of origin. US FTAs have also sought to eliminate non-tariff measures in trade of manufactured goods, such as import and export restrictions, import licensing, administrative fees and export taxes (with coverage and depth of these varying by partner country).

On **services**, US agreements have built upon the General Agreement on Trade in Services (GATS) where those general provisions apply to all services (with the exception of those provided by the Government). Beyond GATS, chapters on general services trade in US FTAs tend to include provisions covering market access (national treatment and MFN obligations), barring parties from requiring service providers to establish a commercial presence in their territory (provision of services through a commercial presence is covered within investment chapters) and an obligation requiring regulatory transparency. Existing US FTAs are mostly “negative list agreements”, where provisions apply to all industries unless specific exceptions or non-conforming measures (NCMs) are listed. These exceptions are listed in their schedules of NCMs.

On **technical barriers to trade (TBTs)**, existing US FTAs since Chile 2004 have built upon the foundations of the WTO TBT Agreement, introducing specific provisions in more recent agreements, such as mechanisms to facilitate the acceptance of conformity assessment results (US-Chile 2004 to Panama 2012, excluding US-Singapore 2004) and requiring an explanation of rationale in any TBT regulation notifications (from US-Australia 2005 to Panama 2012).

On **intellectual property rights (IPR)**, the US has been a strong proponent of IPR protections in its trade agreements, following negotiating objectives contained in Trade Promotion Authority legislation. US FTAs have reaffirmed provisions included in the WTO’s Trade-Related Aspects of Intellectual Property Rights (TRIPS). But US FTAs have gone beyond TRIPS to reflect IPR objectives set out in the US TPA Act

³⁸ This measure weighs each tariff by the share of total imports in that import category. Thus, if a country has most of its imports in a category with very low tariffs but has many import categories with high tariffs and virtually no imports, then the trade-weighted average tariff would indicate a low level of protection. Source: World Bank database.

³⁹ DIT calculations from the World Integrated Trade Solution (WITS) database.

⁴⁰ U.S. International Trade Commission (USITC), Economic Impact of Trade Agreements Implemented Under Trade Authorities Procedures, 2016 Report.

3. Approach to assessing the potential impact of a Free Trade Agreement with the United States

The approach used to assess the impacts of a UK-US FTA is discussed below.

Tariff data and estimates of non-tariff measures and regulatory restrictions to services from econometric modelling are used as inputs into the Government's Computable General Equilibrium (CGE) model. This is a stylised model of the world economy capturing links between countries and sectors within those countries. The text of an agreement has not yet been negotiated, so scenarios have been created to illustrate the possible impacts of an agreement under different degrees of liberalisation. These two illustrative scenarios represent alternative depths of potential reductions in tariff, non-tariff measures and regulatory restrictions to services, and are used to model a range of long-term impacts on the economy. Other analytical approaches are used to assess the impacts on UK nations and regions, protected groups and the environment.

3.1. Tools of analysis

The tools used to estimate the impacts in this Scoping Assessment include econometric modelling, Computable General Equilibrium (CGE) modelling and techniques to explore potential impacts on UK nations and regions, businesses, protected groups and the environment.

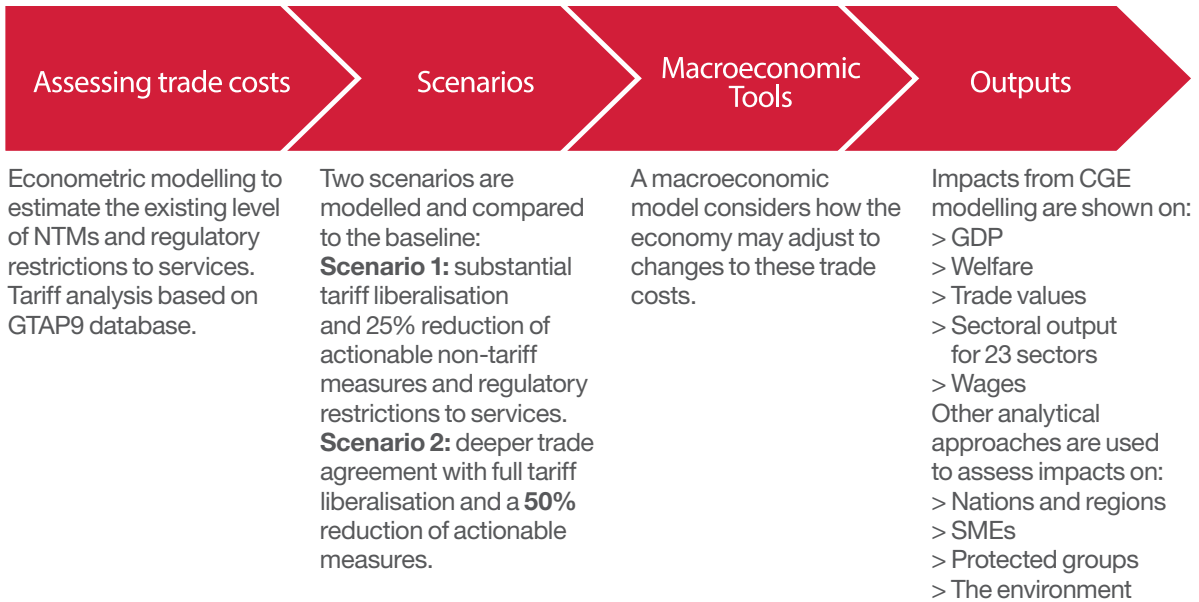
International evidence suggests that FTAs reduce the costs of trade and investment, through eliminating tariffs, reducing non-tariff measures (NTMs) or reducing regulatory restrictions to services. In doing so, FTAs can have a wide range of macroeconomic, social and environmental impacts while also having important distributional consequences across economic sectors, groups and individuals. This report employs a suite of economic tools to assess these impacts:

- a) Econometric modelling, NTM and tariff analysis:** As NTMs and regulatory restrictions to services are not directly observable, gravity modelling techniques are used to estimate the existing level of NTMs and regulatory restrictions to services for a given country. For tariffs, the GTAP9 database was investigated to understand the current mix of tariffs across sectors.⁴³ These estimates are transformed into scenario inputs, which feed into the Computable General Equilibrium (CGE) model. Annex B provides further details on the calculation of inputs and econometric specification.
- b) Computable General Equilibrium modelling:** The primary tool of macroeconomic analysis used in this report is the Government's Computable General Equilibrium (CGE) trade model, GETRADE. The model is a stylised representation of the global economy and trade linkages that capture long-term economic responses to changes in trade policy. It can be used to assess macroeconomic variables, such as output, wages, and trade both at the sectoral and economy-wide level. Annex A provides further detail on the model structure and methodology.
- c) Impacts on UK nations, regions and main groups:** A range of tools are used to further assess the CGE outputs and to explore the potential impacts on UK nations and regions, businesses, protected groups, and the environment. Annexes B, C, D, E, and F describe the methodologies used for these in further detail.

⁴³ The Global Trade Analysis Project (GTAP) database is a fully documented, publicly available, global database which contains complete bilateral trade information along with transport and protection linkages. This is combined with data on production, consumption and intermediate use of goods and services to provide a representation of the world economy. Aguiar, A., Narayanan, B. and McDougall, R., 'An overview of the GTAP 9 data base', *Journal of Global Economic Analysis*, 1(1), pp.181-208, 2016.

The results of the overall approach can be interpreted as an estimation of the long-term economic impact of the FTA relative to a baseline, with the long-term generally assumed to mean 15 years from the implementation of the agreement.

Chart 12: Summary of modelling approach of a UK-US FTA



Box 2: CGE models and the economic impacts of trade policy

CGE modelling is a standard method for assessing the impact of FTA used by trade economists and international organisations. The modelling allows for an assessment of the economic impacts across different sectors, nations and regions of the UK and agents. This approach provides the long-term impacts resulting from trade liberalisation, capturing the supply chains between sectors as well as the wider economic interactions between households, firms, and Government.

The impacts of trade policy are captured through trade cost reductions in the form of changes to tariffs, non-tariff measures and regulatory restrictions to services (see Box 3 for more information). The model calibrates to an initial equilibrium based on the underlying data, simulates the assumed changes to trade costs, and subsequently adjusts to a new equilibrium accounting for the wider economic impacts from these changes. The adjustment path to the new equilibrium is not modelled but it is typically assumed that the economy adjusts over a 15-year period. A comparison of the initial with the new equilibrium provides the long run economic impact of the trade policy change.

Application to sectors

The sectoral results presented in the next chapter are estimates derived from CGE modelling, which is typically conducted at a high level of sectoral aggregation. This implies that the results cannot provide a full account for impacts on granular sub-sectors and so while a CGE sector may be showing a particular outcome, it is uncertain as to whether all of its component sectors would experience the same direction of impact.

An alternative modelling approach is Partial Equilibrium (PE) modelling. This allows for more granular levels of analyses targeted at sub-sectors and more complex tariff or NTM structures – this is often used for investigating the impacts on specific agricultural commodities and other specific industrial goods. However, it does not consider the wider economic impacts and the potential knock-on effects that may occur as a result of changes to trade policy. Consequently, when comparing the two approaches, PE modelling results are often referred to as the “first round” impacts while CGE impacts are associated with the longer-term economic impacts capturing the wider feedback effects across the economy (for example reallocation of resources across sectors).

3.2. Inputs and assumptions

The CGE model in this Scoping Assessment combines an assumption for the UK's future trading relationship with the EU (baseline) with two illustrative scenarios for the 'depth' of a potential UK-US FTA, as measured by reductions in tariffs, non-tariff measures on goods trade and regulatory restrictions in services trade.

3.2.1. Baseline

The baseline represents the state of the economy in the absence of a UK-US FTA. For the purposes of this analysis, stylised assumptions are made to represent a trading relationship between the UK and EU based on a hypothetical FTA, with zero tariffs and an increase in non-tariff measure costs based on historical FTAs.⁴⁴ These assumptions about the long run relationship are required to establish a baseline for modelling new trade agreements, but do not represent Government policy. The modelling does not explicitly take account of any impacts arising from the Protocol on Ireland/Northern Ireland (to the Withdrawal Agreement).

Because we do not yet know the future relationship with the EU we have also estimated the impacts against an alternative baseline where the UK trades with the EU under WTO MFN rules.⁴⁵ This is to illustrate the potential effects of a UK-US FTA in this context, but again does not reflect Government policy. This is assessed in the "Sensitivity Analysis and Limitations" section of this document.

3.2.2. Scenarios

As details of the potential FTA between the UK and the US are not yet known, two core scenarios have been defined to estimate impacts for a range of potential outcomes. These illustrative scenarios are used to generate the potential magnitudes of impacts, but should not be interpreted as specified options for a future agreement. In line with the literature, the provisions within the FTA are modelled as reducing the costs associated with trading between the UK and the US.

- **Scenario 1** assesses the impact of substantial, but not full, bilateral tariff liberalisation by the UK and the US combined with a **25%** reduction in the levels of actionable non-tariff measures affecting goods and regulatory restrictions affecting services trade between the UK and the US.⁴⁶
- **Scenario 2** represents a deeper trade agreement. It assesses the impact of full bilateral tariff liberalisation, combined with a **50%** reduction in the levels of actionable non-tariff measures affecting goods and regulatory restrictions affecting services trade between the UK and the US.

The scenarios do not reflect or assume the presence or otherwise of any specific provisions contained in an eventual UK-US agreement. The scenarios are intended to reflect a range of plausible outcomes relating to the depth of an eventual agreement to demonstrate the varying impacts associated with varying degrees of depth.

⁴⁴ The details of the modelled average FTA scenario is described in the Government's publication on the long-term economic analysis of EU Exit. This represents a hypothetical FTA between the UK and EU in the long run. HMG (2018), "EU Exit: Long-term economic analysis".

⁴⁵ This is the modelled no deal scenario in the HMG (2018).

⁴⁶ It is common in FTAs for some tariffs and tariff rate quotas to remain after negotiations, particularly in agricultural sectors. Scenario 1 assumes existing treatment is maintained for typically sensitive sectors including beef, lamb, dairy, fruit and vegetables, cereals and sugar.

In light of the uncertainties surrounding the scenarios, the results should be interpreted as providing indicative orders of magnitudes for the expected impacts of a UK-US FTA.⁴⁷

The impacts of additional scenarios and alternative baseline assumptions are outlined in the sensitivity section.

For further details on non-tariff measures, regulatory restrictions to services and actionability, and their derivation see Box 3 and Annex B.

Box 3: NTMs, regulatory restrictions to services and actionability

NTMs and regulatory restrictions to services

Non-tariff measures include all barriers to goods trade that are not tariffs. This includes customs controls, differences in national regulatory regime and restrictions on the international movement of people. These only capture barriers to trade flows, not to investment or policy measures affecting domestic productivity.

Services trade is not subject to tariffs. However, services trade can be subject to a range of regulatory restrictions which raise the costs associated with trade in services.

Levels and actionability

As typically assumed in modelling exercises, only a portion of initial NTM levels and regulatory restrictions to services are assumed to be ‘actionable’⁴⁸ in a trade agreement. The definition of ‘actionability’ in this context is taken to be the proportion of non-tariff measures which can feasibly be addressed through trade policy measures.

Evidence relating to actionability is limited, but in line with assumptions widely applied in the literature, 50% of the initial levels of NTMs affecting goods are assumed to be actionable. Evidence suggests that regulatory restrictions to services affecting trade in services can be less actionable than those affecting goods. For this reason, a third of the initial levels of regulatory restrictions to services in services sectors are therefore assumed to be actionable.⁴⁹

In reality, actionability for individual goods or services may be either higher or lower than the levels assumed within this modelling. The provisions within the FTA are modelled as reducing the costs associated with trading between the UK and the US – i.e. reducing the “ad valorem equivalent” of tariff, non-tariff measures and regulatory restrictions to services which currently exist between the two countries.

Annex B sets out the data and methodology used to estimate the initial levels of non-tariff measures affecting trade in goods and regulatory restrictions affecting trade in services and how these are converted to “ad valorem equivalents” for the purpose of modelling.

The implications of each scenario for the assumed reductions in tariff and non-tariff trade costs for each sector are shown in Charts 13, 14 and 15.⁵⁰ Box 4 sets out some indicative examples of how various FTA provisions can result in trade cost reductions between countries.

⁴⁷ Modelling assumptions will be updated as negotiations progress and the content of the agreement become known.

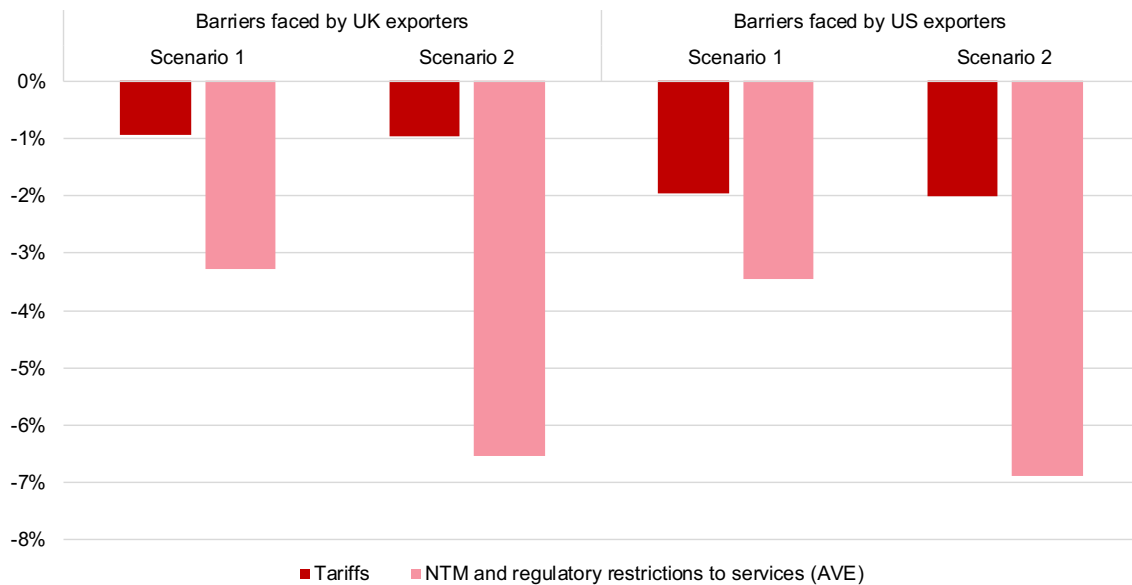
⁴⁸ This assumption is often known as the “actionability” assumption – the proportion of total barrier that could be actioned upon to reduce in a FTA. For examples and discussion, see Ecorys (2009) or Ciuriak (2018).

⁴⁹ Petri, P. A. and Plummer, M. G., ‘The Economic Effects of the Trans-Pacific Partnership: New Estimates’, Peterson Institute for International Economics Working Paper 16-2 (2017).

⁵⁰ The estimates of the initial levels of non-tariff measures described in Annex B.

Chart 13 shows that the reductions in non-tariff measures are larger than the reductions in tariff barriers facing both UK and US exporters. It also shows potential tariff reductions faced by US exporters are expected to be higher than for UK exporters, whilst the expected reductions in NTMs and regulatory restrictions are relatively similar. Overall, the reduction in trade costs in scenario 2 illustrate a deeper trade agreement than in scenario 1.

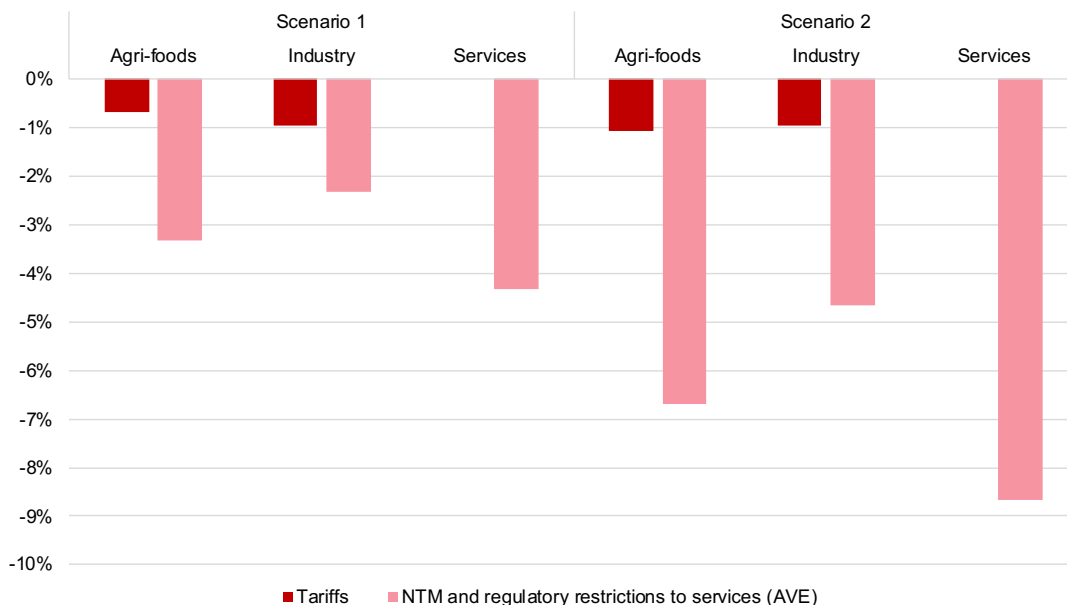
Chart 13: Weighted average trade cost reductions in each scenario, percentage point change⁴⁹



Source: DIT estimates (2020).

Chart 14 shows that UK exporters would experience the greatest tariff reductions in industrial sectors in scenario 1 and agri-food sectors in scenario 2, when additional agricultural tariff liberalisation takes place.⁵¹ The overall reduction in the barriers to trade are greatest in service sectors under both scenarios as the initial estimated level of regulatory restrictions is highest.⁵²

Chart 14: Weighted average change in trade costs in each scenario, barriers faced by UK exporters, by sector⁵³



Source: DIT estimates (2020).

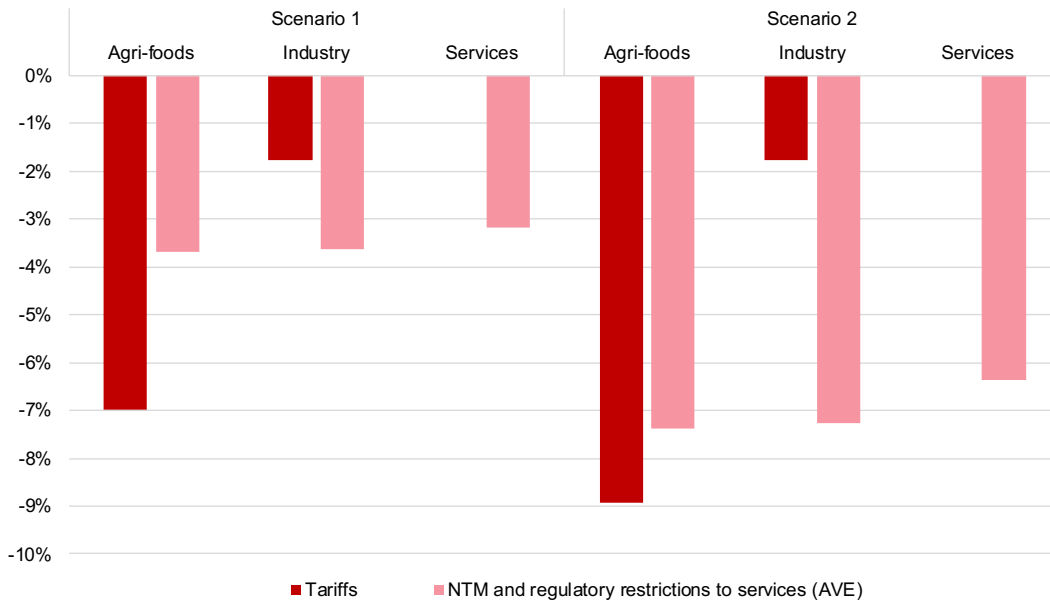
⁵¹ Trade costs include tariff and non-tariff measures and regulatory restrictions to services

⁵² Note that service sectors do not attract tariffs. There is therefore no changes in tariff barriers in service sectors under either scenario modelled

⁵³ See Annex B for further detail of how initial NTM levels are estimated.

Chart 15 shows that for US exporters, the assumed reduction in tariffs is greatest for agri-foods under both scenarios. The overall reduction in trade barriers is expected to be highest in agri-foods under both scenarios.

Chart 15: Weighted average change in trade costs in each scenario, barriers faced by US exporters, by sector⁵⁴



Source: DIT estimates (2020).

The weighted average reduction in trade costs are higher for US exporters relative to their UK counterparts. This is due to higher UK (EU) baseline tariffs compared to the US.

The approach set out above is not an assessment of specific provisions of an agreement, as these are not yet known. As such the results should be interpreted as providing an indicative range of expected impacts depending on the depth of a UK-US FTA.⁵⁵ Box 4 below explains the types of FTA provisions that change the cost of trading internationally.

⁵⁴Trade costs include tariff and non-tariff measures and regulatory restrictions to services

⁵⁵ Modelling assumptions will be updated as negotiations progress and the content of the agreement is known.

Box 4: FTA provisions which reduce the costs of trading internationally

Charts 13 to 15 describe the scenarios relating to the assumed scale of trade cost reductions resulting from the trade agreement. The actual trade cost reductions will be determined by the provisions within the eventual agreement. This box describes examples of the types of provisions within an FTA which can reduce the costs of trading goods and services.

Reductions in costs associated with trading agricultural and industrial goods

The tariff reductions in Charts 14 and 15 reflect the reduction or removal of tariffs on goods trade. The reductions in non-tariff measures reflect generalised assumptions of ambition and do not attempt to model any specific provisions. These could include:

- providing greater certainty to goods traders (for example removing or reducing the gap between maximum tariffs countries have committed to in their WTO schedules and the tariffs they apply in practice).
- providing greater ease for goods traders (for example streamlining customs procedures, reducing administrative costs and reducing delays at the border).
- addressing 'behind-the-border' barriers to goods trade (for example improving bilateral or international cooperation on non-tariff measures).

The CGE modelling does not account for rules of origin compliance which may affect estimated impacts

Reductions in costs associated with trading services

Services trade is not subject to tariffs. However, services trade can be subject to a range of regulatory restrictions which raise the costs associated with trading services. The trade cost reductions in Charts 14 and 15 reflect the reduction or removal of these regulatory restrictions.

From an economic perspective, it is assumed FTAs can reduce the costs associated with trading services by introducing provisions which:

- lower barriers and ensure fair competition (thereby allowing greater market access for foreign service suppliers),
- provide greater certainty to service suppliers by 'locking-in' current levels of market access,
- reduce policy uncertainty on digital trade and flows of data which may positively impact a wider range of industries.

4. Overall impact of a UK-US trade agreement

This section presents estimates of the long run impacts of a UK-US FTA on welfare, GDP, trade, and sectoral output in the UK.

A trade agreement with the US could increase UK GDP in the long run by 0.07% (within a range of between 0.02% and 0.15%) in scenario 1 or 0.16% (between 0.05% and 0.36%) in scenario 2,⁵⁶ which would be sustained over time. This is equivalent to an increase of £1.6 billion or £3.4 billion compared to its 2018 level.⁵⁷ This increase reflects changes to the underlying economy brought about by a reduction in barriers with the US. The reduced costs for firms and consumers result in changes to domestic specialisation and the composition of trade. Productivity gains are driven by resources moving where they are more productive, including between sectors and industries, as well as between firms within sectors. The long-term is generally assumed to mean 15 years from implementation of the agreement.

In the long run, almost all sectors are estimated to increase output (as measured by Gross Value Added), suggesting productivity gains from further specialisation taking place within sectors, through the reallocation of resources to more productive firms. There is some resource reallocation between sectors, with several sectors reducing employment as workers find employment in other sectors. However, many of these sectors still experience increased output due to productivity gains. In both scenarios, workers are expected to experience increases in real wages overall.

UK goods and services could become relatively more competitive in the US with exports to the US estimated to increase by 4% or 8%. UK firms could expand production to meet increased demand from the US, experiencing productivity gains from increasing returns to scale. The productivity gains from a UK-US FTA also result in increased exports from the UK to the rest of the world.

Imported goods and services from the US will also initially become cheaper in the UK. This could drive further efficiency gains for UK businesses relying on or switching to inputs from the US. UK consumers can also gain in the short run through cheaper imported consumer goods. In the long run prices could adjust to higher demand, but a long run increase in imports from the US of 4% or 9% is expected.

Welfare gains of around £0.9 billion or £2.0 billion are driven by better paid jobs and changes to the prices and variety of goods and services available to households and firms. Ranges are estimated around the central point estimates to account for uncertainty, giving increases in UK welfare of between £0.1 billion and £1.9 billion in scenario 1 and £0.4 billion and £4.8 billion in scenario 2. The modelling estimates an increase in the long run level of the average real wage in the UK of around 0.11% (£1.0 billion) in scenario 1 and 0.20% (£1.8 billion) in scenario 2.

Based on the changes to output by sector, a UK-US FTA has the potential to increase long run output across all nations and regions of the UK. Scotland, Wales, the North East, the East Midlands and the West Midlands expand the most, while London, the South West and the East of England expand the least.

Finally, the impacts on GDP in the US and countries outside the agreement are also presented. GDP in the US is expected to increase by 0.03% or 0.05% depending on the scenario, demonstrating a UK-US FTA can bring substantial economic gains to both parties.

⁵⁶All ranges have been generated by a Monte Carlo statistical process. This draws several thousand input values, covering a range of structural and policy parameters, from their full distributions. The central estimates are not necessarily the midpoint of the range. See technical Annex A for more details

⁵⁷ Values (in 2018 terms) are used to provide an illustrative pound impact. They do not account for changes in baseline or forecast GDP over 15 years. We do not currently have agreed forecasts for UK GDP over the next 15 years and the CGE model does not produce forecasted pound values.

4.1. UK macroeconomic impacts

Results from modelling a UK-US FTA show long-term increases in the UK's GDP, trade, welfare and wages.

In the long run, theory and evidence suggests that international trade increases output and raises living standards through four key channels:

- > Domestic specialisation allows for each country to place more resources into what it is best at producing, leading to higher productivity and real wages.
- > Greater variety of inputs and products for businesses and consumers, increased competition and lower prices leads to more efficient production for businesses, better value for money and increased consumer choice.
- > Access to new markets allows firms to expand their production leading to efficiency improvements where there are increasing returns to scale.
- > Exposure to competition leads to demand shifting away from the least competitive firms while the most productive firms gain new opportunities.

The macroeconomic impacts estimated using the CGE model are summarised in Table 6.

While the analysis draws on robust evidence and the best tools available for this type of analysis, there is inherent uncertainty in the results. Results should be interpreted with caution and not considered economic forecasts for the UK economy.

The impacts indicate that a combination of increased competitiveness of UK exports to the US, increased competition from US firms and price changes are expected to drive productivity gains in the UK. These can in turn lead to an expected long run increase in GDP, welfare and trade with the US and the rest of the world.

Table 6: Summary of UK macroeconomic impacts, long run change on baseline

	Scenario 1	Scenario 2
Change in GDP	0.07% (0.02% to 0.15%)	0.16% (0.05% to 0.36%)
	£1.6 billion (£0.5bn to £3.1 billion)	£3.4 billion (£1.0 bn to £7.7 billion)
Change in UK exports to US	4.3%	7.7%
Change in UK imports from US	4.1%	8.6%
Change in total UK exports	0.7%	1.3%
Change in total UK imports	0.1%	0.2%
Change in real wages	0.1% (£1.0 billion)	0.2% (£1.8 billion)

Source: DIT modelling; central estimates and ranges for welfare and GDP impacts. £ values in 2018 terms.⁵⁸

⁵⁸ Welfare gains explained in more detail in Section 4.1.2

⁵⁹ All ranges have been generated by a Monte Carlo statistical process. This draws several thousand input values, covering a range of structural and policy parameters, from their full distributions. The central estimates are not necessarily the midpoint of the range. See technical Annex A for more details

4.1.1. Real GDP

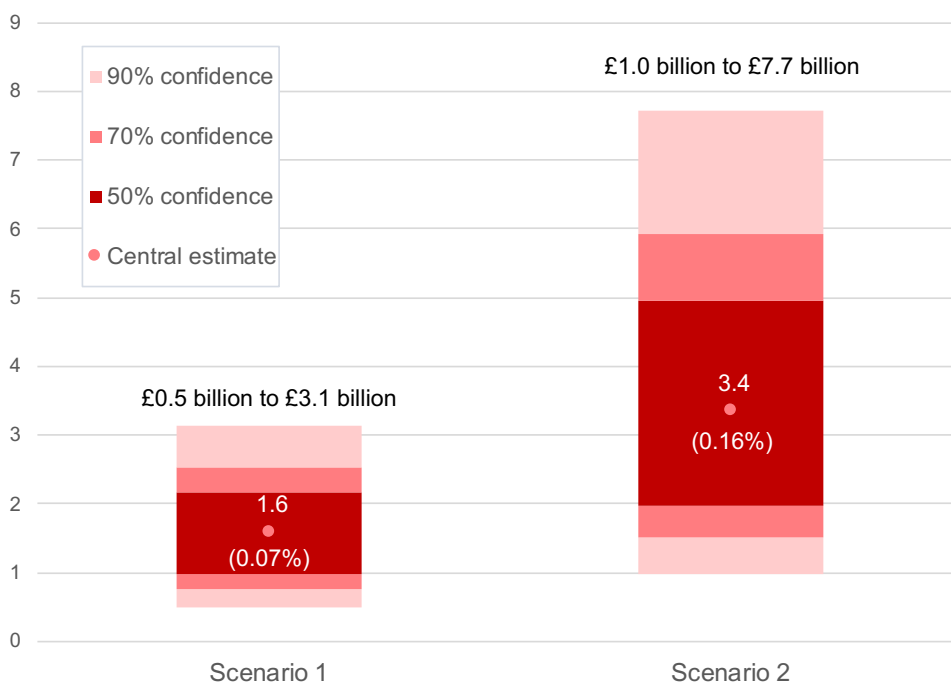
Gross domestic product (GDP) can be defined as either:

- the total value of goods and services produced domestically,
- total domestic expenditure, or
- total income from domestic production.

Equivalent variation and real GDP measure different aspects of the potential impacts of the trade agreement. The former focuses on welfare and the latter looks at the wider economic effects on a country's domestic production value.

Increases to long run GDP in the CGE model are driven by changes to the relative cost of materials and factor inputs (labour and capital) which are influenced by reductions in the cost of imports and exports (through lower tariffs, non-tariff measures and regulatory restrictions to services). The increases in GDP derive from a more efficient allocation of resources across the economy. Further, higher returns to capital can also increase investment and productivity can also contribute to higher long run GDP.

Chart 16: Long run annual impact on GDP, £ billions



Source: DIT modelling (2020).

A UK FTA with the US is estimated to increase the UK's long run annual GDP by 0.07% in scenario 1 and 0.16% in scenario 2. In 2018, the GDP of the UK was around £2.12 trillion.⁶⁰ This increase would apply to the UK's future GDP, rising in monetary value as the economy grows. Applied to 2018 GDP levels (£2.12 trillion), it translates into a £1.6 billion or £3.4 billion increase, depending on the scenario.

These are central estimates. To account for uncertainty in the modelling, a range of estimates using 90% confidence intervals shows that the long run annual increase in UK GDP could vary by 0.02% to 0.15% in scenario 1 and 0.05% to 0.36% in scenario 2. Using 2018 GDP data, this implies a range of estimates for the increase in UK GDP of £0.5 billion to £3.1 billion in scenario 1 and £1.0 billion to £7.7 billion in scenario 2.

The long-term is generally assumed to mean 15 years from implementation of the agreement.

⁶⁰ONS Gross Domestic Product at market prices, Seasonally Adjusted.

The GDP result can be disaggregated by its components, covering spending by consumers and Government, business investment and net trade (the value of exports minus imports). This is summarised in Table 7.

Table 7: Impact on UK GDP, by expenditure components of GDP, long run percentage point change

Percentage point change in component	Scenario 1	Scenario 2
Consumption expenditure	0.05	0.11
Investment	0.03	0.06
Government expenditure	0.00	0.00
Net trade (exports minus imports)	-0.01	-0.01
UK GDP	0.07	0.16

Source: DIT modelling (2020).

The modelled trade cost reductions are set out in section 3.2, which show that under both scenarios the estimated reductions for non-tariff measures and regulatory restrictions to services are larger than for tariffs. The exact magnitude of the increase in GDP from an FTA is uncertain and will depend upon the actual trade cost reductions achieved through negotiations.

4.1.2. Trade

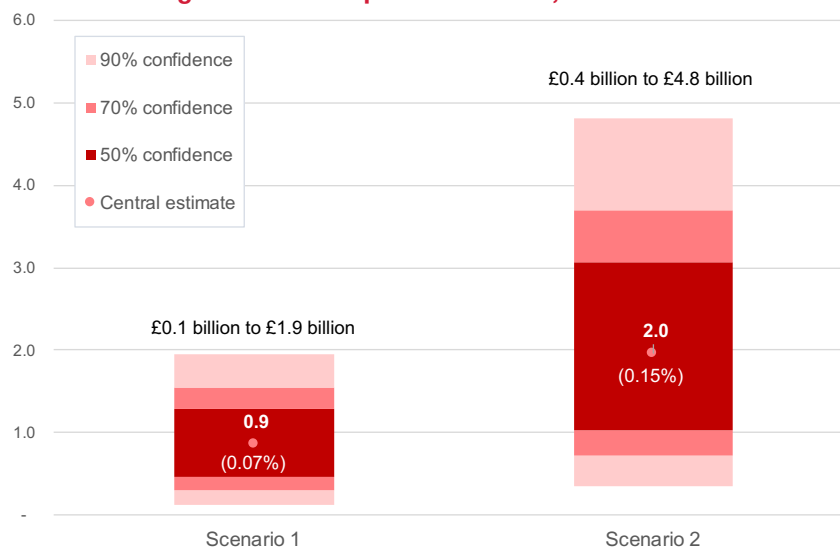
UK exports to the US are estimated to increase by 4.3% in scenario 1 and 7.7% in scenario 2. Using UK trade data for 2018,⁶¹ this would imply an increase in UK exports to the US of £5.1 billion in scenario 1 and £9.1 billion in scenario 2.

UK imports from the US are estimated to increase by 4.1% in scenario 1 and 8.6% in scenario 2. Using UK trade data for 2018, this would imply an increase in UK imports from the US of £3.0 billion in scenario 1 and £6.2 billion in scenario 2.

4.1.3. Welfare

The impact of a UK-US FTA on overall welfare in the UK is driven by better paid jobs but also changes to the prices and variety of goods and services available to consumers and firms. Welfare in the CGE model is calculated using “equivalent variation” which estimates the change in income that, in the absence of the agreement, would have given households the same increase in wellbeing.

Chart 17: Long run annual impact on welfare, £ billions



Source: DIT modelling (2020).

⁶¹ ONS (2018), UK total trade: all countries, non-seasonally adjusted.

A UK FTA with the US is estimated to increase in welfare in the UK by 0.07% in scenario 1 and 0.15% in scenario 2. Using 2018 data, this implies a long run annual increase in welfare in the UK of around £0.9 billion in scenario 1 and £2.0 billion in scenario 2.⁶²

These are central estimates. To account for uncertainty in the modelling, a range of estimates using 90% confidence intervals shows that the long run annual increase in welfare could vary from 0.01% to 0.15% in scenario 1 and 0.03% to 0.38% in scenario 2. Using 2018 data, this implies a range of estimates for the increase in welfare in the UK of £0.1 billion to £1.9 billion in scenario 1 and £0.4 billion to £4.8 billion in scenario 2.

4.2. UK impacts on sector gross value added (GVA)

Overall output for the UK is expected to increase. Almost all sectors (as aggregated within the model) are estimated to increase output, suggesting productivity gains from further specialisation within sectors and the reallocation of resources to more productive firms.

Gross Value Added (GVA) is a measure of economic output.⁶³ The sectoral pattern of changes to GVA can depend on a variety of effects including the scale of assumed trade cost reductions in each scenario, the existing sector trade flows, the relative competitiveness of the sector in relation to trade partners, and the reliance on other sectors' products in their own production.

The results in this Scoping Assessment provide an indication of the potential changes from assumed reductions in tariffs, non-tariff measures and regulatory restrictions to services across all sectors. These results are direct outputs of the CGE model (for discussion on sectoral analysis using CGE modelling, see Box 2). The actual pattern of changes to sectoral GVA resulting from implementation of an agreement will depend heavily upon the provisions of the eventual agreement, which will determine the pattern of trade cost reductions across sectors. Therefore we may see changes in sectoral results (and other analysis such as the regional results that rely on the sectoral figures) between the Scoping Assessments and final impact assessments.

Under scenario 1, the largest percentage increases in GVA are estimated to be in the energy, motor vehicles and the chemicals, rubber, and plastics sectors. A small reduction in GVA relative to the baseline is estimated in the financial services sector.

Under scenario 2, the largest increases in GVA are estimated in the energy, motor vehicles, other services (transport, water and dwellings), and chemical, rubber and plastic products sectors. Most other sectors also see increases, with GVA in 21 out of 23 sectors estimated to increase.

A small fall in output relative to the baseline is estimated in the financial services sector. However, trade liberalisation in the financial services sector still contributes to positive gains for UK GDP. The modelling suggests higher productivity in the financial services sector and a positive impact for consumers derived from lower prices and increased consumption. However, the small fall in GVA (relative to the baseline) is driven by a reallocation of resources (capital and labour) away from the financial services sector to other sectors of the economy that are growing more in response to the FTA.

As the details of a potential FTA between the UK and the US are not yet known, potential impacts have been estimated for broad scenarios. These impacts illustrate a range of potential outcomes. The scenarios do not reflect any specific provisions that could be contained in an eventual UK-US agreement. Additionally, at this stage prior to negotiations beginning, the analysis does not attempt to capture the impacts of reducing barriers to foreign direct investment or changes to regulations governing the temporary movement of service workers across borders, which could have a positive impact on the financial services sector.

⁶² Note that £ values are provided to illustrate the potential magnitude of the deal in cash terms in 2018. These do not reflect the actual value of the FTA in long run (approximately 15 years).

⁶³ GVA is an alternative measure of economic output to GDP. At a sector level, it is the output of that sector minus the value of intermediates that have been used to produce the goods and services in that sector. At the national level, GVA is also the equivalent of the value of GDP plus Government subsidies, minus taxes.

A small increase in output is estimated in the agriculture, semi-processed and processed foods sectors. This is due to the increased availability of cheaper intermediate inputs imported from the US, as well as an increase in demand from other sectors of the UK economy, which is estimated to grow overall.

Box 5: Impacts on the energy sector

The impact of a UK-US FTA on the energy sector is uncertain.⁶⁴ The specific provisions of the FTA have yet to be negotiated. Moreover, over the last decade, the UK has significantly increased the proportion of energy which comes from low carbon sources⁶⁵ and is planned to continue to do so throughout the lifecycle of this agreement, breaking the link between energy use and carbon emissions.

CGE modelling is a standard methodology used for assessing the impact of trade agreements. The energy sector is subject to specific production and policy constraints which are not reflected in the modelling used in this Scoping Assessment, such as the UK's legally binding commitment to reduce emissions steadily to achieve Net Zero by 2050. More generally, the modelling uses the GTAP 2011 dataset which does not take account of significant recent changes in each country's energy production profile, recent changes in energy trade between the UK and the US, or the falling energy intensity of UK sectors (particularly the energy sector itself). As a result, the estimated impact of a UK-US FTA in the energy sector is subject to uncertainty.

In general, there are two main channels through which a UK-US FTA might impact the energy sector:

- **Direct impacts on trade:** The UK and US already trade via well-established global energy markets and this trade currently faces limited barriers. Therefore, we do not expect significant change. However, if there are some increases to bilateral trade, this is most likely to be the redirecting of some existing UK exports to third nations to trade with the US. The scale of this is uncertain.
- **Indirect impacts via changing UK energy demand:** Energy is an important input into all sectors of the UK economy. Therefore, any impact of a UK-US FTA on UK economic activity will also impact the energy sector through changes in energy demand. The scenarios in this scoping assessment suggest a UK-US FTA could result in greater energy demand. Any increase in demand could be met by either increased domestic production or increased imports, depending on the energy source. The energy sector includes both high and low carbon production and the model does not distinguish between the two. Over the next 15 years the proportion of energy that is low carbon is expected to increase significantly. An increase in the energy sector GVA therefore does not necessarily mean that carbon emissions will rise.

Box 6: Impacts on the Financial Services Sector

The impact of a UK-US FTA on the financial services sector is uncertain and these initial results should be treated with caution. The specific financial services provisions of the FTA have yet to be negotiated. As is the case with other sectors, the modelling is based on a range of indicative scenarios of reductions in non-tariff barriers. It should not be taken to reflect the level of ambition expected in financial services in the FTA or any financial regulatory agreements or arrangements which could be negotiated separately to an FTA.

Initial modelling indicates that long-run financial services GVA is slightly lower (<0.5%) under a UK-US FTA than it would be in the absence of this FTA. This reflects a reallocation of resources towards other sectors in the economy as they expand following the FTA. It does not indicate that the financial services sector would be smaller in the long run than it is today. Despite the slight reallocation of resources away from the financial services sector, these results suggest that the financial services sector will be more productive. It should also be noted that initial modelling has not attempted to capture many of the channels through which a UK-US FTA may affect the financial services sector. Financial services trade data does not capture international activity undertaken through local establishment, subsidiaries or branches. As such, a significant portion of international activity in financial services is undertaken through forms of activity not directly captured in the trade data.

⁶⁴ The energy sector within the modelling for this scoping assessment covers the following sub-sectors from the GTAP data: coal mining, oil extraction, electricity production/distribution, gas extraction/distribution, petroleum and coke, and other mining.

⁶⁵ For example, the share of electricity produced from low-carbon sources has increased from 29% in 2011 to 53% in 2018.

Box 6: Impacts on the Financial Services Sector cont'd

Reduced barriers to foreign direct investment (FDI) could have a positive impact on financial services output not captured in the initial results. The model also does not capture any changes to regimes for movement of services workers across borders, which may have a beneficial impact on the financial services sector.

More generally, the modelling uses GTAP 2011 data, and therefore will not reflect significant recent changes to the composition and operational models of the financial sector in each country, largely as a result of policy and regulatory developments and innovation-led change.

Table 8: Changes in UK output (GVA, long run % change)

		Sector GVA Share ⁶⁶	Scenario 1	Scenario 2
Agri-food	Agriculture	<1%	+	+
	Beverages and tobacco products	<1%	+	+
	Processed foods	1%	+	+
	Semi-processed foods	<1%	+	+
Industry	Chemical, rubber, plastic products	2%	+	+
	Electronic equipment	1%	+	+
	Energy	3%	++	++
	Manufactures of materials	2%	+	+
	Motor vehicles and parts	1%	+	++
	Other machinery and equipment	<1%	+	+
	Other manufacturing	<1%	+	+
	Other transport equipment	<1%		
	Paper and printing products	1%	+	+
	Textiles, leather and wearing apparel	<1%	+	+
Services	Business services	23%	+	+
	Communications	1%	+	+
	Construction	6%	+	+
	Financial services	6%	-	-
	Insurance	<1%	+	+
	Other services (transport, water, dwellings)	12%	+	+
	Personal services	4%	+	+
	Public services	19%	+	+
	Wholesale and retail trade	14%	+	+

Key

Above 0.5% (++)	0.05 to <0.5% (+)	-0.05 to <0.05%	-0.05 to <-0.5% (-)	Below -0.5% (--)
-----------------	-------------------	-----------------	---------------------	------------------

Source: DIT modelling (2020).

⁶⁶ DIT calculations using ONS GVA output approach (2018 prices)

4.3. Impact on GVA in UK nations and regions

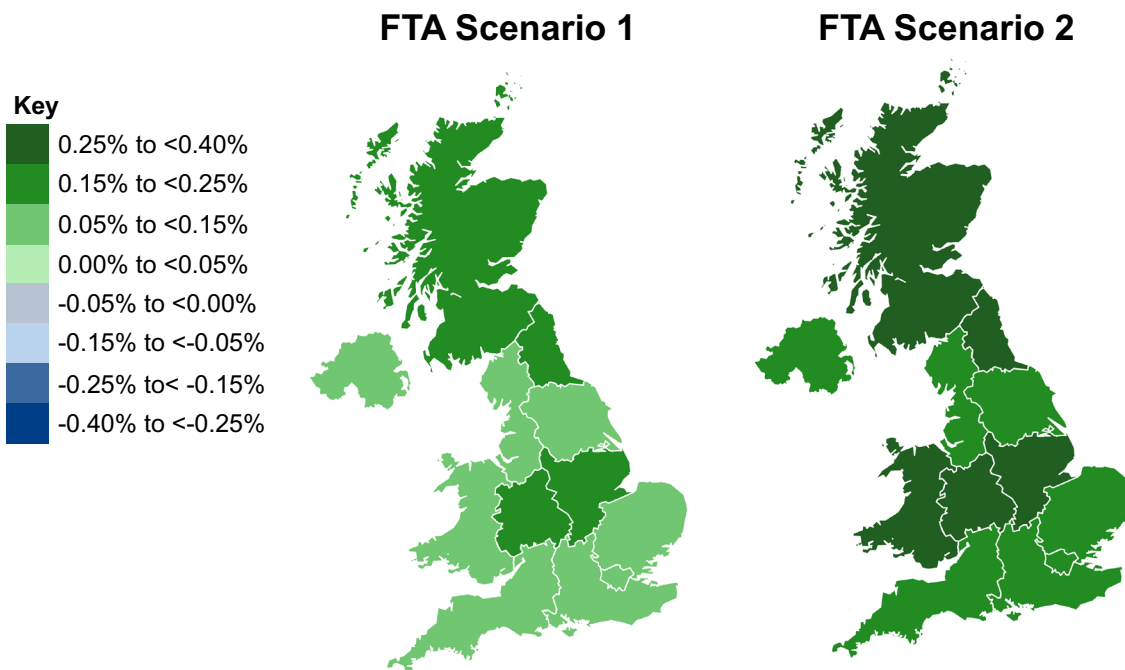
A UK-US FTA has the potential to increase long run output across all nations and regions of the UK.

International evidence suggests that trade agreements and trade liberalisation more generally have the potential to affect various nations and regions within an economy differently.⁶⁷ This is because trade agreements affect sectors differently and the sectoral composition of output and employment vary systematically across regions.

As explained further in Annex C, the preliminary assessment in Chart 18 apportions the UK-wide results to the nations and regions of the UK based upon the sectoral composition of employment in each area, accounting for some second-round effects where a sector is particularly important (or not) for a region.⁶⁸

Based upon the pattern of estimated sectoral GVA changes in Table 8, the results suggest that an FTA with the US could increase GVA in all nations and regions of the UK (represented in Chart 18). Scotland, Wales, the North East, the East Midlands and the West Midlands expand the most, while London, the South West and the East of England expand the least.⁶⁹

Chart 18: Changes in UK Nations and Regions Value Added, long run % change



Source: DIT modelling (2020).

⁶⁷ See, for example: 'Making Trade Work for All' (OECD 2017) and 'Making Trade an Engine of Growth for All' (IMF/World Bank/WTO 2017) for an overview of the international evidence.

⁶⁸ To take account of these second-round effects, the impacts on each nation and region are impacted by a location quotient (explained in detail in Annex C). The location quotient-weighted approach amplifies positive and negative regional results, but for most nations and regions of the UK the difference is small. In both scenarios the methods agree on which nations and regions increase or decrease their output relative to the baseline. To acknowledge the uncertainty around the apportionment approach, the maps in Chart 18 use the mid-point of the two methods.

⁶⁹ The modelling does not explicitly take account of any impacts arising from the Protocol on Ireland/Northern Ireland (to the Withdrawal Agreement).

4.4. Macroeconomic impacts on the US

Results from modelling a UK-US FTA show a long-term increase to US GDP.

As a result of a UK-US FTA, US annual GDP is estimated to increase by 0.03% in scenario 1 and 0.05% in scenario 2. Using US GDP values for 2018, this would equate to an increase in US GDP of £3.9 billion in scenario 1 and £7.5 billion in scenario 2. Summary results for the impact on the US economy are set out in the table below.

Table 9: Summary of estimated long run impacts on the US

Impact	Metric	Scenario 1	Scenario 2
GDP	Change in GDP	0.03%	0.05%
Trade	Change in exports to UK	4.1%	8.6%
	Change in imports from UK	4.3%	7.7%
	Change in total exports	0.1%	0.3%
	Change in total imports	0.1%	0.2%

Source: DIT modelling (2020).

4.5. Impact on Developing Countries

Developing countries with a higher share of their trade with the UK and US, including countries in the Caribbean, are more likely to be impacted.

A UK-US trade agreement could affect output in other countries outside of the agreement. On the one hand, increased UK-US economic activity may positively affect other countries through increases in the size of the UK and the US as export markets.⁷⁰ On the other hand, consumers and businesses may shift their demand for imports from other countries, preferring cheaper imports from the UK and the US.⁷¹ The CGE modelling results indicate that there would be a negligible impact on the long run GDP of developing countries.

At this stage, it is not possible to identify the specific countries that are most likely to be impacted. However, Table 10 presents developing countries' dependency on UK-US goods trade.⁷² The analysis highlights the Caribbean to be the region most likely to be affected by a UK-US FTA. This is likely due to the geographic closeness of the Caribbean to the US and the long-standing relationship between Caribbean countries and the UK.

Table 10: Developing countries' share of goods trade with the UK and the US⁷³

High dependency (top 20)	Antigua and Barbuda, The Bahamas, Barbados, Belize, Chad, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Federated States of Micronesia, Nicaragua, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Trinidad and Tobago
Low dependency (bottom 20)	Burkina Faso, Cape Verde, Comoros, East Timor, Eritrea, Guinea-Bissau, Kyrgyz Republic, Lao PDR, Mali, Marshall Islands, Mongolia, Nauru, occupied Palestinian territory, South Sudan, Sudan, Swaziland, Syrian Arab Republic, Tajikistan, Tuvalu, Uzbekistan

Source: UN Comtrade database.

⁷⁰ Other positive spill over effects may include increased foreign direct investment, higher remittances payments, reduction in compliance costs from harmonising to US and UK regulation standards.

⁷¹ Other negative spill over effects may include the diversion of economic activity of firms from other countries to the UK and/or the US (preference erosion), increased compliance costs to adjust to changes in regulations and customs arrangements in the UK and the US.

⁷² The direction of the impact depends on a variety of factors, including the extent to which FTA partners compete in each other's markets with third countries.

⁷³ 114 countries are included in the analysis. Countries are listed in alphabetical order. High refers to the top 20 countries with the greatest share of goods trade with the UK and the US, with the highest value recorded for St Kitts and Nevis, where 58% of goods trade in 2015-2017 was with the UK (3%) and the US (55%). Low refers to the 20 countries with the smallest share of goods trade with the UK and the US, with the lowest value recorded for Syria, where less than 1% of goods trade was with the US or the UK. Analysis based on UN Comtrade (2015-2017).

5. Detailed impacts by main groups

This section provides an initial assessment of impacts on UK businesses, consumers, and workers.

UK businesses may benefit from the opportunity to expand into the US market by exporting more and increasing business investment in the US in response to increased returns from investment. As output in most sectors of the UK is estimated to expand, the positive gains from the FTA will be distributed across the economy. Analysis of the distribution of SMEs across sectors does not provide any evidence that SMEs would be disproportionately impacted by the FTA.

Total annual tariffs on US imports were estimated to be between £341 million to £493 million per year:

- Businesses could face tariff savings from liberalisation of intermediate goods of between £168 and £271 million.
- Cost savings due to tariff liberalisation on final goods are expected to be between £173 million and £222 million, which could be passed to consumers.

Workers of all skill types are expected to benefit from increased real wages. The modelling suggests only a small reallocation of employment across sectors, equivalent to between 6 and 10 in every 10,000 employees. This does not account for labour adjustment as the model assumes that in the long run the overall employment level is unaffected by changes in trade costs. A preliminary assessment of the labour impacts finds that the representation of protected groups (in relation to age, gender, ethnicity and disability) within sectors where employment is estimated to fall relative to the baseline, is largely in line with the general population of the workforce. In both modelled scenarios, however, there is expected to be a higher proportion of 16-24 year olds in these sectors.

5.1. Impacts on UK businesses

A UK-US FTA could positively impact on business in the UK and the US, through export and investment growth, potential tariff savings, and gains for SMEs

FTAs can generate a range of opportunities and challenges for businesses. Existing exporters and importers can benefit from the new trade opportunities offered by tariff liberalisation and reductions in non-tariff measures and regulatory restrictions to services, while firms that do not currently export may be more incentivised to do so.⁷⁴

FTAs can also benefit businesses by expanding access to cheaper and increased varieties of imported inputs. Greater access to global supply chains are an important source of competitive advantage for businesses.

Some businesses may experience greater competition from imports from US exporters. The evidence shows that competition from trade promotes business innovation and growth. Some businesses may expand, creating more jobs, but some businesses may be adversely affected due to the increased competition.

⁷⁴ Annex D provides more detail on the methodology used to provide a preliminary assessment of the scale of the potential impacts of a UK-US FTA on UK businesses.

5.1.1. Business growth

FTAs can help businesses expand their presence in a market into which they export. As well as increasing turnover, this can allow businesses to benefit from economies of scale which lower their operating costs and raise profitability. This can help them attract investment and expand further.

The modelling results estimate a 0.22% increase in business investment in the UK in scenario 1 and an 0.42% change in scenario 2. The increase in investment is driven by the FTA's impact on the returns to capital.

The modelling results also estimate a 4.3% increase in UK exports to the US under scenario 1 and a 7.7% increase under scenario 2. This demonstrates that expanded market access to the US could create opportunities for UK exporters.

5.1.2. Cost savings due to tariff liberalisation on UK imports of intermediates and capital goods

By reducing tariffs on imports, FTAs can reduce costs and expand the choice of imported inputs for UK businesses. This can help to raise their competitiveness.

The extent to which UK firms (and consumers) benefit from reduced tariffs depends on whether importers or exporters bear the burden of the tariff when goods are traded across borders. Although the academic evidence is inconclusive,⁷⁵ it is generally accepted that importers in a country bear the cost associated with tariffs.⁷⁶

The magnitude of potential tariff savings for UK businesses that trade in goods with the US can be calculated by considering the impact on tariffs levied on intermediate goods entering the UK, shown in Table 11. The Government is currently developing its new UK MFN tariff schedule. For the purposes of this analysis, the MFN rates assumed are those that are currently applied by the UK.

Table 11: Potential scale of tariff reductions owing to tariff liberalisation on UK imports of goods from the United States, £million per year

	Scenario 1		Scenario 2	
	Lower Bound	Upper Bound	Lower Bound	Upper Bound
Intermediate goods	167.6	269.9	168.8	271.1
Final goods	173.4	206.7	188.5	222.0
Total Reduction	341.0	476.6	357.3	493.1

Source: DIT internal analysis, annual average 2017-18.

Note: the upper bound shows the average value of trade that entered the UK from the US as "MFN Non-Zero" (thereby paying some tariff) between 2017 and 2018). The lower bound accounts for the percentage of trade which claimed some of duty relief for inward or outward processing between 2017 and 2018. Due to lack of data, we assume a 100% duty relief for this lower bound estimate. Tariff reductions are also subject to Rules of Origin. UK consumers and UK businesses which use components imported from the FTA partner will only benefit from cheaper imports if the goods being imported meet Rules of Origin requirements. See Annex D for more details.

Scenario 1 assumes that the UK retains tariffs in sensitive sectors; this leads to smaller tariff savings of around £168 million-£270 million.⁷⁷ Scenario 2 represents the complete elimination of tariffs on goods imports from the US, and tariff savings are estimated to be around £169 million-£271 million.

⁷⁵ A discussion of the literature can be found in Annex D.

⁷⁶ In some instances, the exporting business may absorb the cost of the tariff, for example when there is a considerable domestic supply of a product, foreign firms may be forced to absorb tariff costs in order to remain competitive in the market or may not trade at all.

⁷⁷ It is common in FTAs for some tariffs to remain after negotiations, particularly in agricultural sectors. Scenario 1 assumes existing treatment is maintained for typically sensitive sectors including beef, lamb, dairy, fruit and vegetables, cereals and sugar.

5.1.3. Cost savings due to tariff liberalisation on UK exports

UK exporters could benefit from the removal or reduction in tariffs on UK goods exported to the US, resulting in increased competitiveness for UK products in the US market. Increased competitiveness in the US market is expected to result in UK firms expanding production and trade.

Although it is generally accepted that tariffs are paid by importers, tariff liberalisation in the US is likely to result in decreased costs for US consumers and UK exporters. For example where UK exporters operate under “Delivered Duty-Paid agreements”,⁷⁸ decreases in tariffs may not change the prices that are paid by US importers but may directly reduce costs for UK exporters. Even if goods are not under Delivered Duty-Paid, lower tariffs will make UK goods more attractive to US importers.

According to data published by the United States International Trade Commission, estimated tariff duties paid on UK exports suggests that there were around £451 million of tariffs levied on UK exports to the US annually in recent years (an average of 2017 and 2018). As such, the potential annual reduction in tariff costs in scenario 2 is £451 million and is slightly lower in scenario 1, at £447 million, when tariffs on sensitive sectors are retained. Of the £451 million, £173 million were tariffs paid on intermediate goods and £278 million on exports of final goods.

5.1.4. Small and medium-sized enterprises (SMEs)

SMEs may be defined as:

- > Firms employing fewer than 50, and fewer than 250 employees respectively; and
- > Firms not exceeding either (a) £44 million in annual turnover or (b) an annual balance-sheet total of £38 million.

SMEs play an integral role in engaging with the international economy. They are increasingly international traders in their own right. The data suggest that 97% of businesses exporting goods in 2018 were SMEs, accounting for 28% of total UK goods exports.⁷⁹ Moreover, SMEs form a key part of the supply chain for larger UK and global firms, by producing intermediate goods used to manufacture other goods.

Non-tariff barriers to trade addressed in FTAs may have a greater impact on SMEs than on larger businesses. This is because SMEs may have more limited financial and human resource capacities than larger businesses. They may be less equipped to overcome the challenges posed by different regulatory frameworks, have less access to information to help them navigate through trade regulations and absorb the financial risks associated with international trade. This means that FTA provisions which reduce the fixed costs of exporting can provide particular benefits for small and medium enterprises. This can raise the number of smaller firms which find it profitable to export, helping to spur innovation and increase productivity.

Using Business Population Estimates turnover data, Annex D shows the distribution of SMEs across the 23 sectors included in the CGE model.

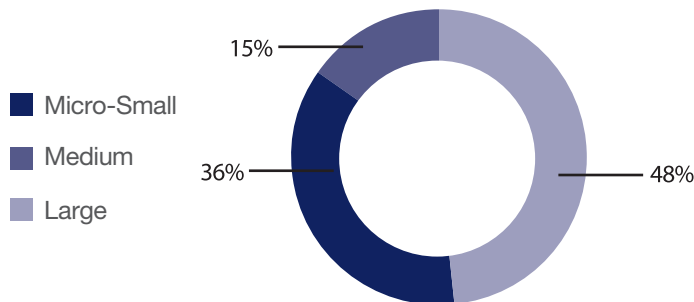
Overall, sectoral impacts from the CGE model suggest that under both scenarios, most sectors are estimated to expand (as measured by GVA). This suggests that the positive gains from the FTA will be distributed across the economy, so there is no evidence to suggest a disproportionate impact on SMEs (note that turnover data is not available for financial services or insurance sectors). Under both scenarios, small (including micro) and medium businesses account for around 51% of total UK business turnover across all expanding sectors, in line with the general business population (see Annex D next page).⁸⁰

Some businesses may experience greater competition from imports from US exporters than others. At this stage we are not able to compare the impacts on SMEs compared to other businesses in the UK economy.

⁷⁸ Delivered Duty-Paid agreements are those in which exporters are contracted to pay for all potential costs, including tariffs and insurance risks, rather than these being paid by the buyer of a product. For an explanation, please see: <https://www.incotermsexplained.com/the-incoterms-rules/the-eleven-rules-in-brief/delivered-duty-paid/>

⁷⁹ HMRC, UK Trade in Goods by Business Characteristics 2018; estimates based on HMTc OTS and ONS IDBR data.

⁸⁰ This includes “micro”-sized firms which are included in “small” firms in the data.

Chart 19: Share of Total Business Turnover by Firm Size⁸¹

Source: DIT Analysis, calculations based on BEIS Business Population Estimates, 2018.

5.2. Impacts on UK consumers

Lowering tariff and non-tariff trade measures through a UK-US FTA could benefit consumers directly through increased consumer choice, better product quality and lower prices for imported goods.

Lower consumer prices for a given quality of product (known as quality-adjusted prices), can result from reductions in tariffs and regulatory barriers which reduce the costs associated with cross-border trade. Consumers can also benefit indirectly from the lower costs and greater variety of imported intermediate goods that are used by firms to produce final consumption goods and services.

As a result of higher real wages for workers, the modelling estimates show that real consumer expenditure in the UK (a component of GDP) increases by 0.07% under scenario 1 and 0.15% under scenario 2.

5.2.1. Consumer savings owing to tariff liberalisation on UK imports

As shown in Table 12, UK imports of final goods from the US attracted tariff costs of around £188m - £222 million annually, based upon the pattern of UK-US trade flows between 2017-18 and tariffs in 2018. These represent the broad magnitude of potential savings for UK consumers resulting from the complete elimination of tariffs on goods imports from the US under scenario 2 set out above. As previously discussed, the evidence of the extent to which UK consumers, as opposed to US exporters and UK importers, will benefit from these tariff reductions is inconclusive.

Scenario 1 assumes that the UK retains tariffs in sensitive sectors (for example on certain agricultural products). In sectors which are liberalised, it is estimated that tariff costs of around £173 million-£207 million are levied annually on final goods. Table 12 below presents the estimates for these scenarios.

Table 12: Potential scale of tariff reductions owing to tariff liberalisation on UK imports of goods from the US, £million per year

	Scenario 1		Scenario 2	
	Lower Estimate	Upper Estimate	Lower Estimate	Upper Estimate
Intermediate goods	167.6	269.9	168.8	271.1
Final goods	173.4	206.7	188.5	222.0
Total savings	341.0	476.6	357.3	493.1

Source: DIT internal analysis.

If the savings are passed onto consumers, then consumers may also benefit from reductions in the cost of intermediate goods imported by business in the form of lower prices. However, not all of the tariff reductions will pass through into consumer prices as some businesses may absorb the benefit from the reduced tariff cost on intermediate goods. Calculated in this way, consumer savings when importing final goods are equivalent to the reduction in tariff revenues accruing to the UK Exchequer.

⁸¹ Figures may not sum up due to rounding.

5.3. Impacts on UK workers

Workers can benefit from an FTA through higher incomes and more opportunities for employment. Modelling suggests that the small reallocation of employment across sectors represents a very small proportion of the total UK labour force.

Workers can benefit from FTAs through a variety of channels.

Higher incomes and wages - Where FTAs boost productivity within firms and sectors, and across the economy, this is likely to increase employment opportunities and worker incomes. Where FTAs lower consumer prices, this is likely to benefit workers in the form of higher real wages, meaning that they can purchase more even if wages were constant.

Changes to the composition of employment - Trade liberalisation can affect the structure of the economy over time. Workers may move between jobs and sectors, as changes in the pattern of trade cause some sectors to expand and others to decline. The UK has one of the most dynamic and flexible labour markets in the world, which helps to facilitate adjustment and reduce transition costs for workers.⁸²

The CGE model estimates long-run impacts (with the long-run interpreted as the period of time taken for the economy to fully adjust to the FTA). Therefore, the model does not provide estimates of the magnitude of any potential short-run impacts, such as the impact on unemployment associated with workers moving jobs within or across sectors or within and across geographical nations and regions of the UK economy.

As is common in CGE modelling exercises, the CGE model assumes that both the supply of labour and overall rates of employment and unemployment in the economy are fixed in the long-run (i.e. they are assumed to be unaffected by the FTA). This is appropriate as over the long term, the labour market would be expected to adjust over the timeframe and FTAs would not be expected to influence the underlying drivers of the long-run employment rate.

These mean that the results below show estimates of the impacts on wages (5.3.1) and the composition of employment across sectors over the long-run (5.3.2), but do not provide estimates of any potential impacts on the short or long-run employment and unemployment rates.

5.3.1. Impacts on wages

The modelling estimates an increase in the long run level of the average real wage in the UK (nominal wages adjusted for the impact of inflation) of around 0.11% (£1.0 billion) in scenario 1 and 0.20% (£1.8 billion) in scenario 2.⁸³

The real wage changes can be broken down into type of occupations, which vary in their skill levels (Table 13). The results show that all skill types benefit from increasing liberalisation.

Table 13: Change in wages by occupation, %

	Scenario 1	Scenario 2
Managers	0.11	0.21
Technicians	0.11	0.20
Clerks	0.10	0.19
Service workers	0.10	0.19
Labourers	0.12	0.22

Source: DIT modelling (2020).

⁸² For example, the UK is rated in the top 10 most efficient labour market in the world in the World Economic Forum's Global Competitiveness Report 2019.

⁸³ Values were calculated by converting \$ to £ using the 2011 exchange rate and then using a GDP inflator to convert to 2018 prices. For comparison, an alternative methodology using the percentage change applied to the total compensation of employees (S1D11 in national accounts), was also used and arrives at the same values to two decimal places.

5.3.2. Impact on sectoral employment

This section presents indicative estimates of long run impacts on the composition of employment in UK sectors.⁸⁴

Under scenario 1, there is some change in the sectoral composition of UK employment by sector, with energy seeing the greatest employment increase.

Under scenario 2, the energy sector is also expected to experience the greatest increase in employment following an FTA with the US, followed by the motor vehicles and chemical, rubber and plastics sectors. Employment is estimated to fall in some sectors such as financial services in the long run, compared to the baseline. The modelling assumes no overall changes in UK employment, so this represents a movement of labour between sectors.

Table 14: Long run changes in employment (long run % change)

		Scenario 1	Scenario 2
Agri-food	Agriculture		-
	Beverages and tobacco products		
	Semi-processed foods		+
	Processed foods		
Industry	Chemical, rubber, plastic products	+	+
	Energy	++	++
	Electronic equipment		+
	Motor vehicles and parts	+	+
	Other machinery and equipment	+	
	Other transport equipment	-	-
	Manufactures of materials		
	Other manufacturing		-
	Paper and printing products		-
	Textiles, leather and wearing apparel		+
Services	Business services		-
	Communications	-	-
	Construction	+	+
	Financial services	-	--
	Insurance	-	-
	Other services (transport, water, dwellings)	+	+
	Personal services	-	-
	Public services		
	Wholesale and retail trade	-	-

Key

Above 0.5% (++)	0.05 to <0.5% (+)	-0.05 to <0.05%	-0.05 to <-0.5% (-)	Below -0.5% (--)
-----------------	-------------------	-----------------	---------------------	------------------

Source: DIT modelling (2020).

⁸⁴ Employment is according to the ILO definition as specified by the relevant LFS indicator (ILODEFRR). That is, a person is considered employed if they are 16 or over/16-64 and have been engaged for at least one hour within a 7-day reference period in any activity to produce goods or services. This also includes employed persons "not at work" i.e. those who did no work in the reference period due to temporary absence or working patterns

Modern dynamic economies change continuously in response to global developments. This causes an ongoing process of worker and job transition in the labour market. Lower trade barriers and greater import competition could accelerate this ongoing process.

Overall, the modelling suggests that the small reallocation of employment across sectors represents an estimated 0.06% of the labour force in scenario 1 and 0.10% in scenario 2.⁸⁵ In other words, between 6 and 10 in every 10,000 jobs may be expected to move between sectors as a result of this agreement in the long run. However, it is important to note that this does not necessarily represent the movement of individuals and that the magnitudes are small in comparison with regular changes in the labour market.

These results show the change in the composition of employment across sectors over the long-run, but do not provide estimates of any potential impacts on total employment or unemployment rates. The model assumes that both the supply of labour and overall rates of employment and unemployment in the economy are fixed in the long-run (i.e. they are assumed to be unaffected by the FTA). This is appropriate, as over the long term, the labour market would be expected to adjust, and FTAs would not be expected to influence the underlying drivers of the long-run employment rate.

The transition of employment across sectors has the potential to generate long run gains for workers, for example leading to higher wages. However, some workers may also incur short-term adjustment costs and periods of transitional unemployment. The UK has a dynamic and flexible labour market, helping to facilitate adjustment and reduce the transition costs for workers. It is, however, important to ensure that the potential for adjustment costs are not concentrated disproportionately among certain groups of the labour market.

5.4 Preliminary assessment of implications for protected groups in the labour market

The representation of protected groups, in relation to age, gender, ethnicity and disability, within sectors affected by a UK-US FTA are estimated to be largely in line with the general population of the workforce

The pattern of potential long run changes to the sectors where workers are employed may affect different groups in the labour market differently. This is because the characteristics, such as gender, age, ethnicity and disability status, of workers differ across sectors (see table 24).

Annex E provides descriptive statistics describing the characteristics of workers located in sectors where employment is expected to fall relative to the baseline as a result of the agreement.

Workers currently located in sectors where employment is estimated to be lower than would otherwise be the case (as a result of the agreement) cannot be assumed to be adversely affected by the FTA. For example, in some cases, workers who remain in the sector stand to benefit from increases in wages, owing to higher productivity in the sector. In addition some of the adjustment may take place as workers leaving the labour market are not replaced, with new entrants more likely to find employment in sectors where employment is higher. Any workers who do transition across sectors may incur short-term adjustment costs or periods of transitional unemployment but could also benefit from the creation of higher wage jobs in other sectors of the economy. The analysis is based on the structure of the UK workforce from 2015-17, whereas the CGE modelling results reflect the global economy in the long run when the composition of the workforce may have changed.

In summary, the descriptive statistics show no evidence of a disproportionate impact of an FTA with the US on protected groups in the UK. The only exception to this are 16-24 year olds who are disproportionately concentrated in sectors where employment is estimated to fall relative to the baseline in both scenarios 1 and 2.

With regards to this group, the government has announced increased funding in education for 16-19 year olds, new technical education qualifications ("T levels"), and additional funding in the Industrial Strategy for STEM, technical and digital skills.

⁸⁵ Calculated as the absolute change in employment between sectors (divided by two) as a percentage of total employment.

Gender

- 47% of those in employment in the UK are female and 53% are male.⁸⁶
- In scenario 1, 48% of the workforce in sectors where employment is estimated to fall relative to the baseline are female and 52% are male. This is in line with the total workforce and therefore does not present a disproportionate impact.
- In scenario 2, 44% of the workforce in sectors where employment is estimated to fall relative to the baseline are female and 56% are male.

Ethnicity

- 12% of those in employment in the UK are from an ethnic minority group and 88% report that they are white.
- In scenario 1, 13% of the workforce in sectors where employment is estimated to fall relative to the baseline are from an ethnic minority background and 87% are white. This is in line with the total workforce.
- In scenario 2, 12% of the workforce in sectors where employment is estimated to fall relative to the baseline are from an ethnic minority background and 88% are white. This is in line with the total workforce.

Age

- 12% of those in employment in the UK are aged 16-24, 85% are 25-64 and 4% are over 65.
- In scenario 1, the proportion of workers in sectors where employment is estimated to fall relative to the baseline which are aged 16-24 is around 21%. The proportion of workers in sectors where output is estimated to fall relative to the baseline which are aged 65+ make up around 3%.
- In scenario 2, the proportion of workers in sectors where employment is estimated to fall relative to the baseline which are aged 16-24 is around 16%. The proportion of workers in sectors where output is estimated to fall relative to the baseline which are aged 65+ make up around 4%.

Disability

- Around 12% of those in employment in the UK report that they have a disability (as defined by the Equalities Act 2010).⁸⁷
- In scenarios 1 and 2, the proportion of workers in sectors where employment is estimated to fall relative to the baseline which have a disability is estimated to be around 12% and those without a disability are estimated to be around 88%. This is in line with the total workforce.

⁸⁶ According to DIT Analysis of the ONS three-year pooled Annual Population Survey (2015-17).

⁸⁷ It is possible that non-response to this question in the Annual Population Survey affects the estimated proportion.

6. The environment

This section presents current environmental policy in the UK and the US and the potential implications of a UK-US FTA on the environment, including a preliminary assessment of the potential implications on UK CO₂ emissions, trade-related transport emissions, biodiversity, natural resources and air pollution.

Changes in the UK's production and global trading patterns as a result of the UK-US FTA could favour more or less emissions-intensive sectors and could change levels of transport emissions. However, the extent of the environmental impacts – positive or negative – is dependent on the negotiated outcome of the agreement, which will determine changes in the pattern of trade and economic activity. This Government is committed to meeting its environmental commitments, as the first major economy to set a legally binding commitment to reach net zero greenhouse gas emissions, and as set out in the 25 Year Plan to Improve the Environment. This agreement may provide opportunities to further environmental and climate policy priorities.

6.1. Background – US and UK Environmental Policy and Performance

Both the UK and the US are party to a range of Multinational Environmental Agreements and have domestic legislation in place to protect the environment.

FTAs have the potential to impact the environment, by changing patterns of production, the types of goods and services that are traded and the commitments made by countries in respect of environmental policies and outcomes.

Sustainable development is a key objective of the Government, highlighted across the UK's Industrial Strategy,⁸⁸ Clean Growth Strategy,⁸⁹ Bioeconomy Strategy,⁹⁰ and 25 Year Environment Plan.⁹¹ The Climate Change Act commits the Government by law to reducing greenhouse gas emissions by at least 100% of 1990 levels (net zero) by 2050, and to set legally-binding 'carbon-budgets' to act as stepping stones towards the 2050 target.⁹² The UK has met its first (2008-12) and second (2013-17) carbon budgets and is on track to outperform its third (2018-2022).⁹³ In the United States there are a range of federal laws that enshrine efforts to promote protection of the environment in US law, including the Clean Air Act and the Endangered Species Act.

The UK is party to a range of Multilateral Environmental Agreements that aim to improve global environmental conditions across a broad range of issues, such as air pollution, chemicals and waste, fisheries, terrestrial ecosystems and biodiversity and species.⁹⁴ The UK is also a member of international agreements related to the prevention of Climate Change.⁹⁵ The US is also signed up to a range of multilateral environmental agreements.⁹⁶

⁸⁸ The Industrial Strategy highlights the importance of harnessing cleaner growth and becoming a world leader in the development, manufacture and use of low carbon technologies, systems and services.

⁸⁹ The Clean Growth Strategy sets out the UK's reaffirmed ambition to promote the ambitious economic and environmental policies to mitigate climate change and deliver clean, green growth.

⁹⁰ <https://www.gov.uk/Government/publications/bioeconomy-strategy-2018-to-2030>

⁹¹ The 25 Year Environment Strategy sets out Government action to help the natural world regain and retain good health, calling for a new approach to industry which highlights the importance of sustainable land use and resource efficiency.

⁹² <https://www.theccc.org.uk/tackling-climate-change/the-legal-landscape/the-climate-change-act/>

⁹³ The Committee on Climate Change. Available here: <https://www.theccc.org.uk/tackling-climate-change/reducing-carbon-emissions/how-the-uk-is-progressing/>

⁹⁴ Annex 3 of HMG's 25 Year Environment Plan sets out a non-exhaustive selection of international agreements that the UK is party to which seek to improve the international environment. Available here: https://www.gov.uk/Government/uploads/system/uploads/attachment_data/file/678681/25-env-plan-Annex3.pdf

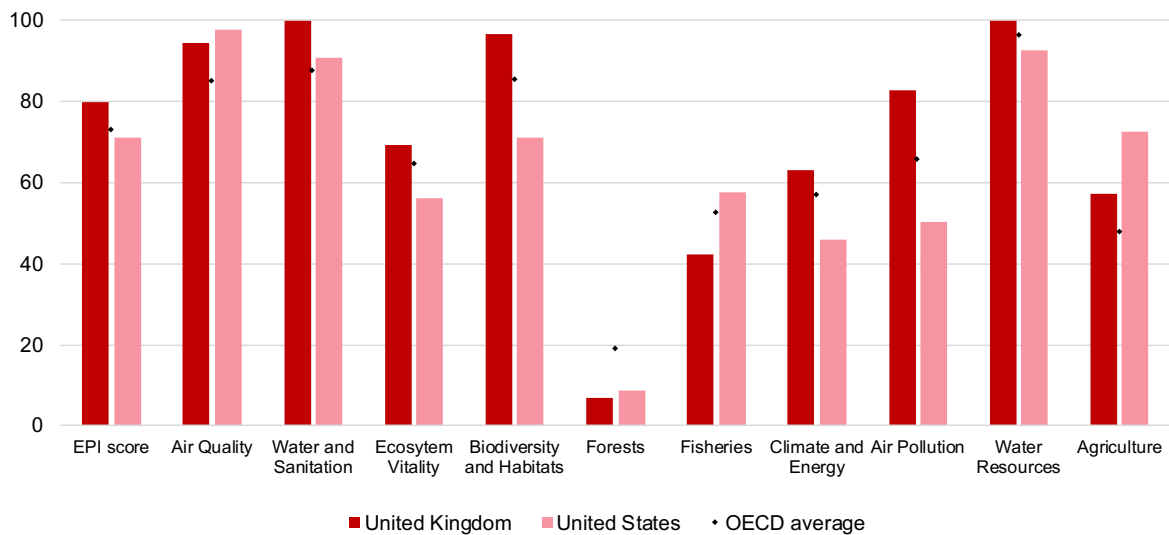
⁹⁵ Including the Kyoto Protocol (1997) and the Paris Agreement (2016).

⁹⁶ For a selection related to trade, please see <https://ustr.gov/issue-areas/environment/multilateral-environmental-agreements>. The US announced its intention to withdraw from the Paris Agreement in June 2017.

The findings from the Department for International Trade's public consultation were published in the Government's response on 18th July 2019, and highlighted a number of priorities and concerns related to FTAs and the environment.⁹⁷ A preliminary assessment of the environmental impacts of a future UK-US trade agreement has been undertaken.

The Environmental Performance Index (EPI), an internationally comparable index of environmental variables, is used to outline each country's environmental performance. The EPI score reflects how close countries are to the best environmental outcomes for a given measure – a score of 100 indicating a world leading performer. As shown in Chart 20, the UK is better performing than the OECD average in all measures apart from forestry and fishing. The US performs better than the OECD average in 4 of 11 selected measures.

Chart 20: Environmental Performance Index Scores for UK and United States of America, 2018⁹⁸



6.2. Potential implications of FTAs on the environment

This Government is committed to meeting its environmental commitments, as the first major economy to set a legally binding commitment to reach net zero greenhouse gas emissions, and as set out in the 25 Year Plan to Improve the Environment. This agreement may provide opportunities to further environmental and climate policy priorities. The overall environmental impact of FTAs is difficult to assess, but environmental impacts – positive or negative – could arise due to the resulting changes in production and trade volumes, shifting of economic activity across different sectors and efficiency gains.

Further economic integration of the UK and US economies through an FTA could be used to foster greater cooperation on addressing these environmental issues, both bilaterally and globally.⁹⁹

Assessing the impact of any future environmental provisions in FTAs is challenging for two reasons: (a) the content of the environmental provisions is not yet agreed, and (b) the currently available empirical studies have not robustly concluded whether provisions in FTAs intended to protect the environment have had a significant effect.¹⁰⁰ This is particularly true when an agreement is between two high income economies, such as the UK and US, where high existing environmental standards are expected to already be enforced.

⁹⁷ DIT, [Trade with the US consultation](#), 2019.

⁹⁸ Source: EPI 2018 <https://epi.envirocenter.yale.edu/> EPI is used to illustrate relative performance, there are other international indices which may measure additional environmental performance metrics and give different scores.

⁹⁹ HM Government (2018), *A Green Future: Our 25 Year Plan to Improve the Environment*

¹⁰⁰ OECD (2018), "Assessing the Effectiveness of Environmental Provisions in Regional Trade Agreements". The OECD found a positive relationship between membership of regional trade agreements and improved environmental quality for two out of three pollutants treated as a proxy for environmental quality. However, the extent to which environmental provisions specifically contributed to the improvement could not be concluded with statistical certainty.

However, the economic changes resulting from FTAs have the potential to affect some aspects of the environment including, for example, greenhouse gas emissions, air pollution, water quality and land use. Impacts on the environment may occur:

- > as a direct result of greater volumes of bilateral and world trade (for example, from increased production and transport emissions)
- > as economic activity shifts between sectors with different levels of emissions (a ‘composition effect’)
- > as economic activity shifts between countries with differing levels of environmental protection¹⁰³
- > as increased trade leads to the transfer and adoption of new and potentially more environmentally friendly technologies as well as production methods (a ‘technique effect’).

Further, an ambitious and comprehensive trade agreement is expected to bring income gains in both countries, which could be used to pay for measures to mitigate negative environmental impacts, while leaving an economic surplus. However, distributional policies to reallocate benefits towards mitigating measures are outside the scope of this FTA.

6.2.1. CO2 emissions from UK production

The impact of a UK-US FTA on CO2 emissions is uncertain but potential changes may result from a shift in economic output between more and less CO2-intensive sectors. This will also be determined by other factors such as efficiency gains, the potential adoption of new technologies, the design of the final agreement or future carbon pricing policies.

A simple preliminary and partial assessment of the potential implications of the estimated shifts in economic activity across sectors for UK CO2 emissions and land is outlined in Annex F.

The results of the preliminary assessment suggest that under both scenarios 1 and 2, the resulting shift in sectoral output will marginally move the composition of UK output from sectors that are relatively less CO2-intensive towards sectors which are, on the whole, more CO2-intensive. However, this result is heavily dependent on the CGE result for the energy sector, and should be considered in the context of the explanation of the energy result given in section 4.2. In the UK, power and heat generators, energy-intensive industrial sectors, and aircraft operators must pay for the carbon they emit under the EU Emissions Trading System and will continue to do so under its proposed UK replacement. For these sectors, expansion may translate into greater costs to business which is not captured in the modelling.¹⁰¹

The assessment does not account for potential efficiency gains or the potential adoption of new technologies and production techniques resulting from the agreement (which would change the CO2 intensity of output within sectors). It also does not account for the impacts of any specific environmental provisions in the agreement. Nor instances where increases in domestic output displaces output in third countries (where emissions could be higher or lower) due to trade diversionary effects.

6.2.2. Transport emissions

The impact of a UK-US FTA on transport emissions is uncertain but potential changes may result from the change to the volume of trade, the distance goods are transported and the composition of goods traded.

International transport is estimated to be responsible for 33% of world-wide trade-related emissions,¹⁰² with shipping freight alone accounting for at least 3% of global greenhouse gas emissions.¹⁰³ The extent to which trade affects transport emissions is dependent on three variables, namely: the type of good being traded, the mode of transport and the distance travelled by those goods. For example, different modes of transport vary greatly in their carbon intensity; one kilogram of cargo flown on a plane generates approximately 100 times the emissions of a kilogram of cargo transported by ship (over the same distance).¹⁰⁴

¹⁰¹ The pollution haven hypothesis (PHH) predicts that trade liberalisation will lead to the relocation of pollution-intensive production to countries with lower environmental protections, where firms face lower costs of compliance with environmental regulations. This could in theory encourage a ‘race to the bottom’ where Governments lower environmental protections to give domestic firms a competitive advantage over foreign competitors. However, with harmonised environmental regulations FTAs can reward the most efficient, therefore low-cost producers which have the smallest environmental impacts. The evidence on the PHH is mixed, although recent credible studies find some support for it (see Broner, Bustos and Carbalho, 2012; Millimet and Roy, 2016; Martínez-Zarzoso, Vidovic and Voicu, 2016).

¹⁰² These sectors do not map exactly on to the modelled sectors but are likely to account for the majority of emissions from the ‘Energy’, ‘Chemicals, rubber and plastics’ and ‘Manufactures’ sectors

A UK-US FTA is expected to increase the value of total UK goods trade (exports plus imports). As such, we can expect several potential changes to the level of transport emissions, resulting from:

- > scaling impacts to transport emissions from increased trade,
 - > increased UK-US bilateral trade displacing trade with partners that are geographically closer to the UK, which could increase the distance travelled by transported goods (or vice versa),
 - > a change in the types of goods traded between the UK and the US and the modes of transport used.
- Transport emissions are aligned with the weight, rather than value of trade. Shifts between sectors where the £ per kg ratio is low, such as agriculture and energy, to sectors where it is high, such as electronic equipment, could reduce transport emissions. Shifts between sectors may also impact transport emissions by changing the overall proportion of goods that are travelling by sea and air freight.

Therefore, despite knowing that an FTA will result in goods being transported across greater distances, we cannot state the extent to which total carbon emissions will be affected. A simple preliminary assessment of the impact of transport emissions from bilateral goods trade as well as simple descriptive statistics are outlined in Annex F.

6.2.3. Air pollution

Increased trade could result in air pollution from additional production and trade-related transport, however, there is also evidence that membership of Regional Trade Agreements (RTAs) is linked to better air quality.

Air pollution negatively affects human health and productivity as well as ecosystem integrity and function. Unlike carbon emissions, many of the impacts of air pollution can be localised and depend on both the source of the emissions, the scale of the population in the affected areas and the ecosystems affected. The US has experienced declining national air pollutant concentration averages over the last decade,¹⁰⁵ supported by actions to implement the Clean Air Act. The UK has also experienced declining national air pollutant concentrations, supported by the UK Department for Environment, Food and Rural Affairs (DEFRA), Clean Air Strategy.¹⁰⁶

In most places where industrial and domestic pollutant sources impact on air quality, effects tend to be steady or improving over time. Traffic pollution problems buck this trend and are generally worsening world-wide.¹⁰⁷ Air pollution from traffic has been reducing in the UK, but at a slower rate than air pollution from other sources.¹⁰⁸ Air pollution is not captured in the CO₂ emissions modelling, but increased trade could increase pollution from production and trade-related transport. As explained above for CO₂ emissions, the impacts would depend the volume of goods and transport modes used.

There is evidence that membership of Regional Trade Agreements (RTAs) both with and without environmental provisions is linked with improvement in two measures of air quality: concentrations of sulphur dioxide and nitrogen oxides.¹⁰⁹ The study does not find a definite causal link, but academics have suggested that rising incomes as a result of free trade increase demand for environmental protections.¹¹⁰ If this is the case, rising incomes from a UK-US FTA could help improve air quality.

The government has published its Clean Air Strategy which includes new and ambitious goals, legislation, investment and policies. Building on the commitments set out in the Clean Air Strategy, the government has introduced air quality measures in the Environment Bill, which delivers key parts of the Strategy. Emissions of nitrogen oxides have fallen by 33 per cent since 2010 and are at their lowest level since records began.

¹⁰³ For example, see A. Cristea, et al., "Trade and the greenhouse gas emissions from international freight transport", *Journal of Environmental Economics and Management* (2012), <http://dx.doi.org/10.1016/j.jeem.2012.06.002>.

¹⁰⁴ T. Smith, et al., "CO₂ emissions from international shipping: Possible reduction targets and their associated pathways," UMAS (2016), http://www.lowcarbonshipping.co.uk/files/ucl_admin/DSA_2016_Co2_emissions_in_shipping.pdf

¹⁰⁵ For more information on transport carbon emissions, see BEIS greenhouse gas reporting conversion factors (2018). The mode of transport used will be influenced by the type of good being exported, in particular whether it is perishable or part of a supply process that requires rapid delivery of intermediate products, and the proximity of the export destination to an airport, seaport or rail network.

¹⁰⁶ U.S. EPA Air Quality System

6.2.4. Biodiversity, land and water use

Modelling shows an increase in trade and production which may result in increased use of resources, in particular due to expansion of the energy and agriculture sectors.

Species population sizes have seen a 60% decline between 1970 and 2014 globally,¹¹¹ highlighting the urgency of action needed to prevent further decline. Some of main dangers worldwide include those arising from invasive alien species, climate change, nutrient loading, pollution, and ecosystem changes. Habitats which are important for ecosystem services, including in particular water-related ecosystem services, continue to be lost and degraded.¹¹¹ As mentioned, the UK is committed to tackling these threats as a member of the Convention on Biological Diversity¹¹² and within the 25-Year Environment Plan. In the US, the 1973 Endangered Species Act is the primary statute under which biodiversity is governed. Both parties are committed to Multilateral Environmental Agreements (MEAs) such as the Convention on International Trade in Endangered Species of Wild Fauna and Flora.

All the scenarios modelled predict an increase in bilateral trade and increases in UK and US output and total trade. Additional production will result in increased use of resources – water, land and raw materials - and production of waste products. The modelling also estimates an increase in the output of the energy sector, and to a lesser extent, all agricultural sectors. These are typically land and resource intensive production activities, which could negatively affect biodiversity through climate change, nutrient loading and pollution and ecosystem changes. However, if increased production is already supported by or results in good farming and industrial practices these negative impacts could be mitigated and improved standards of production could result in improvements to biodiversity, habitats and ecosystems. Agricultural land use in the UK accounts for 72%¹¹² whilst making up less than 1% UK output.¹¹³ There is limited evidence of an elastic response of land use to increased agricultural output in the UK, therefore land use could remain stable and be used more efficiently instead.

The overall impacts on resource use and biodiversity globally are difficult to fully assess, as some additional production could be the result of trade diversion from less efficient producers based in countries with lower environmental standards. For example, in some countries with large agricultural exports, deforestation for agricultural land use takes place, with negative consequences both for biodiversity and climate change. Until the final negotiated outcome is known, it is difficult to accurately quantify trade diversionary effects.

The modelled sectors are not disaggregated enough to assess the environmental impacts arising from changes in fishing outputs. However, both the UK and US are committed to sustainable fishing practices and combatting illegal, unreported and unregulated fishing. The US negotiating objectives for a UK-US FTA confirm this.¹¹⁴

6.3. Summary of environmental impacts

As described, the Government is committed to ensuring that a UK-US FTA will not threaten the UK's ability to meet its existing environmental commitments or its membership of international environmental agreements. It may provide opportunities to further environmental policy priorities. Changes in the UK's global trading patterns could have an impact on transport emissions and shifts in the production could favour more or less emissions-intensive sectors in the UK. However, these impacts are dependent on the negotiated outcome of the agreement, which will determine changes in the pattern of trade and economic activity.

¹⁰⁷ OECD (2018), "Assessing the Effectiveness of Environmental Provisions in Regional Trade Agreements". The OECD found a positive relationship between membership of regional trade agreements and improved environmental quality for two out of three pollutants treated as a proxy for environmental quality. However, the extent to which environmental provisions specifically contributed to the improvement could not be concluded with statistical certainty.

¹⁰⁸ Cherniwchan et al. (2016) <https://www.nber.org/papers/w22636>

¹⁰⁹ WWF, Living Planet Report 2018.

¹¹⁰ Secretariat of the Convention on Biological Diversity (2015) Water and Biodiversity: Summary of the findings of (GBO4) and implications for action as they relate to water.

¹¹¹ To which the US is not currently a member.

¹¹² Defra (2019) The Future Farming and Environment Evidence Compendium

¹¹³ ONS Nominal and real regional gross value added (balanced) by industry (2017) - agriculture and hunting industry.

¹¹⁴ The US objectives state that the US would like to: Combat illegal, unreported, and unregulated (IUU) fishing, including by implementing port state measures and supporting increased monitoring and surveillance.

7. Labour standards

This section provides an overview of the labour protections in place in the UK and US and outlines the potential impacts of an FTA on labour standards. Although it is not possible to assess the exact impact of an agreement on labour issues prior to the conclusion of FTA negotiations, the US maintains high labour standards and, as such, additional imports from the US resulting from an FTA should be produced in line with such standards. A UK-US FTA is also not expected to impact on the UK's legislation elsewhere related to UK labour issues.

7.1. Labour issues and FTAs

Both the UK and US have strong legislation on labour standards.

A UK-US FTA is expected to increase imports from the US, and as such the UK will consume more goods and services from the US produced under US labour standards. In line with the priorities and concerns raised through the Department for International Trade's public consultation, potential impacts of a UK-US FTA on labour standards is set out below.¹¹⁵ Table 15 below provides an overview of the labour protections in place in the UK and US.

Table 15: Summary of UK and US labour standards

Provision	Description
Wage and statutory leave entitlement	Both the UK and US have legislation guaranteeing a national minimum wage. The UK also guarantees statutory leave, sick pay and paid parental leave. The US does not have any federal legal requirements for employers to provide paid leave (these benefits are matters of agreement between an employer and an employee, or the employee's representative). ¹¹⁶
International Labour Organisation (ILO) conventions	The UK was a founding member of the ILO and has signed and ratified all 8 fundamental conventions. The US has adopted 2 of the fundamental conventions: The Abolition of Forced Labour Convention 1957 and the Worst Forms of Child Labour Convention 1999. The US Department of Labour has stated that U.S. laws and practices "meet or exceed many ILO conventions" and have therefore not ratified the conventions. ¹¹⁷ The US is also the largest donor, contributing 22% of the ILO's regular budget each biennium. ¹¹⁸
Collective bargaining rights	Both the UK and US have legislative acts in place which guarantee the right to collective bargaining. ¹¹⁹
Preventing labour discrimination	Both the UK and US have legislation in place which prevents discrimination of employment on the basis of gender, sexual orientation, ethnicity, religion, race or national origin. ¹²⁰
Child labour	Both the US and the UK have legislation in place relating to child labour and signed the Convention concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour. The UK is also a signatory of the ILO Convention concerning Minimum Age for Admission to Employment, committing to pursue a national policy of having 16 as the minimum age for employment. The US is not a signatory of this convention because conflicts exist in areas of youth employment that are exempt from the Fair Labour Standards Act (FLSA - 1938) and State child labour laws. The FLSA prohibits most employment of children under fourteen and restricts the types of employment, hours and conditions of children under 18. ¹²¹
Prevention of modern slavery	The UK and the US have been leading countries in the prevention of modern slavery, in particular with the introduction of the Modern Slavery Act in the UK in 2015. The US is a partner in combating modern slavery, with the Global Slavery Index finding that both the UK and the US have 'strong Government responses to Modern Slavery'. ¹²² The US is also a signatory to the UK-led Principles for Tackling Modern Slavery. ¹²³

7.2. Potential impacts of a UK-US FTA

The US maintains high labour standards and, as such, additional imports from the US resulting from an FTA will be produced in line with such standards. A UK-US FTA is also not expected to impact on the UK's legislation elsewhere related to UK labour issues.

The UK is a world leader in workers' rights and the UK will continue to advocate for the highest standards and conditions for its citizens after it has left the European Union. The UK-US FTA may include specific labour provisions which promote higher levels of labour standards and ensure global standards are adhered to among signatories.

Labour provisions can be used to ensure that partners do not lower their standards in order to gain a competitive advantage in relation to trade. These provisions in trade agreements have become increasingly common over the past two decades,¹²⁴ however, there is limited literature as to their effect on working outcomes (for example, on wages).¹²⁵ Where impacts have been identified, they have generally been positive¹²⁶ and provisions have been found to ease labour market access, narrow the gender wage gap and not divert or decrease trade flows.¹²⁷ Cross-country empirical analysis of the impact of labour provisions is difficult for several reasons:

1. Different agreements contain different kinds of labour provisions,
2. Countries improving their labour standards may be more likely to agree to sign-up to ambitious labour provisions (a selection bias effect),
3. Labour provisions are a recent addition to FTAs (meaning limited available data), and depend on effective implementation, which is a lengthy and iterative process.

As set out above, the US also maintains high labour standards, so additional imports from the US resulting from an FTA should be expected to be produced in line with such standards. Whilst a UK-US FTA is expected to increase average wages in the UK, as set out in Table 13 above, it would have no direct impact on statutory minimum wages or leave entitlement currently offered within a country. More generally, the UK-US FTA is not expected to impact on the UK's legislation elsewhere related to labour issues. Prior to the conclusion of negotiations, it is not possible to assess the exact impact of an agreement on labour issues.

¹¹⁵ Summary of responses to public consultation on a bilateral FTA between the UK and the United States (DIT, July 2018). <https://www.gov.uk/Government/consultations/trade-with-the-us>

¹¹⁶ The Social Security Contributions and Benefits Act 1992, National Minimum Wage Act 1998 and Working Time Regulations Act 1998 for the UK and the Fair Minimum Wage Act 2007 for the US.

¹¹⁷ Weissbrodt, D., & Mason, M. (2013). Compliance of the United States with international labor law. *Minn. L. Rev.*, 98, 1842.

¹¹⁸ In 2016, contributions received accounted for approximately \$95 million. Statistics available on the ILO website: <https://www.ilo.org/washington/ilo-and-the-united-states/the-usa-leading-role-in-the-ilo/lang--en/index.htm>.

¹¹⁹ The Trade Union and Labour Relations (Consolidation) Act 1992 for the UK and the National Labor Relations Act of 1935 for the US.

¹²⁰ The Equality Act 2010 for the UK and the Equal Employment Opportunity Commission and Equal Pay Act 1963 for the US.

¹²¹ Exemptions to the FLSA, include, but are not limited to, youth actors or performers, youths engaged in the delivery of newspapers and working in non-agricultural businesses owned solely by the parents of a youth under the age of 16.

¹²² The Global Slavery Index, 2018. Both the US and the UK received a BBB Government response rating.

¹²³ <https://www.gov.uk/Government/news/uk-agrees-principles-for-tackling-modern-slavery-in-supply-chains>

¹²⁴ In 1995, 7% of trade agreements in force included labour provisions, rising to 29% by 2016. "Handbook on Assessment of Labour Provisions in Trade and Investment Arrangements", ILO, 2017.

¹²⁵ Analysis by the International Labour Organisation (ILO, 2016) noted that "aggregate cross-country analysis does not indicate any impact of labour provisions on other labour market outcomes" (e.g. wages or working hours), but that there was a "possibility that labour provisions may still have an impact at the country-level." Available at: https://www.ilo.org/global/publications/books/WCMS_498944/lang--en/index.htm

¹²⁶ Doumbia-Henry, C., & Gravel, E. (2006). FTAs and labour rights: Recent developments. *Int'l Lab. Rev.*, 145, 185. For example, Samaan & Lopez (2017) examined labour provisions in the 1999 Bilateral Textile Agreement between Cambodia and the US and found that combining obligations to comply with core labour standards with the incentive of higher exports led to a statistically significant reduction in the gender wage gap in the textiles sector.

¹²⁷ Summary of ILO research (2016), found in "Handbook on Assessment of Labour Provisions in Trade and Investment Arrangements", ILO, 2017.

8. Sensitivity analysis, analytical limitations and risks

To account for the uncertainty associated with the modelled scenarios, baseline and the modelling assumptions, further analysis using different inputs has been conducted. This section presents modelling results of a limited ambition FTA scenario and an alternative baseline for the future trading relationship between the UK and the EU. Monte Carlo analysis was undertaken to give ranges around the results presented in Section 4 (overall impacts), to account for uncertainty in model parameters. The limitations of the analysis are also explained, both the data limitations and the areas not covered by the model.

8.1. Alternative scenarios

The depth of the final negotiated UK-US FTA may differ from the central scenarios used in the modelling. A sensitivity scenario using a limited UK-US trade agreement has been modelled and still shows positive economic gains for the UK.

The central estimates presented in this document only account for the potential changes in trade costs resulting from an FTA between the US and the UK. They do not represent an overall economic forecast, nor do they consider the uncertainty of modelling exercises.

The uncertainty surrounding the inputs and assumptions used to construct the core scenarios is driven primarily by the content of the agreement being unknown. This means that the impacts of the negotiated agreement may fall outside the range of estimated impacts if it is far deeper or limited in scope when compared to the headline scenarios.¹²⁸

To assess the sensitivity of the main results to the choice of scenarios, a sensitivity scenario using a limited UK-US trade agreement has been modelled. It assesses the impact of substantial (but not full) tariff liberalisation combined with a 10% reduction in the levels of actionable non-tariff measures and regulatory restrictions to services affecting goods and services. This sensitivity shows an increase in UK GDP of 0.02% (£0.5 billion using 2018 UK GDP).

Table 16: Summary of macroeconomic impacts under alternative scenarios

Impact	Sensitivity – limited trade agreement	Comparison – Scenario 1
Change in GDP	0.02%	0.07%
Change in UK exports to the US	2.5%	4.3%
Change in UK imports from the US	2.3%	4.1%

Source: DIT modelling (2020).

¹²⁸ For example, Egger et al. (2015) 'Non-tariff barriers, integration and the transatlantic economy'.

8.2. Alternative baseline

The baseline is based on stylised assumptions to represent the potential long run future trading relationship between the UK and the EU. However, to reflect uncertainty around the future relationship between the UK and EU, a WTO relationship baseline is also modelled. The WTO baseline results show higher potential gains from a trade agreement with the US.

All modelling outputs are estimated relative to a 'baseline'. The baseline represents the state of the economy in the absence of a UK-US FTA. An important assumption in this case concerns the future trading relationship between the UK and the EU. Stylised assumptions are used to represent a future hypothetical FTA between the UK and EU using assumptions taken from the Governments' published long-term economic analysis of EU Exit.¹²⁹

The choice of baseline influences the impact of the agreement due to the significant trade diversionary impacts resulting from the UK's future relationship with the EU.

To assess the sensitivity of the main results to the choice of baseline inputs, the impacts of scenarios 1 and 2 are assessed against an alternative baseline where the UK trades with the EU on WTO terms and MFN rules. This is illustrated in the "modelled no deal" scenario in the Governments' long-term economic analysis of EU Exit.

This sensitivity analysis suggests that under an alternative WTO baseline, the impact of a UK-US FTA could be an increase in UK GDP of 0.05% to 0.22%, with a central estimate of 0.12% in scenario 1 (equivalent to £2.6 billion based on 2018 UK GDP values) and 0.07% and 0.47%, with a central estimate of 0.22% in scenario 2 (£4.6 billion). This is higher than under the core baseline included in the assessment as higher barriers to trade between the UK and the EU provide higher potential for gains from trade with the US. Table 17 below summarises the differences in results.

Table 17: Summary of macroeconomic impacts under WTO baseline

Impact	Scenario 1 with Core Baseline	Scenario 1 with WTO baseline	Scenario 2 with Core Baseline	Scenario 2 with WTO baseline
Change in GDP	0.07% (0.02%-0.15%)	0.2% (0.05%-0.22%)	0.16% (0.05%-0.36%)	0.22% (0.07%-0.47%)
Change in UK exports to the US	4.3%	5.7%	7.7%	9.3%
Change in UK imports from the US	4.1%	4.5%	8.6%	9.2%

Source: DIT modelling (2020).

The impact on the UK of trade with the EU on WTO terms and MFN rules can be found in the Governments' published long-term economic analysis of EU Exit.

8.3. Analytical Limitations

There are several other limitations not explicitly accounted for in the central estimates or sensitivity analysis described above. This includes data limitations, the statistical uncertainty around model parameters, assumptions and other areas not modelled that could have a potential impact on the results. Uncertainty around model parameters has been accounted for in ranges generated by Monte Carlo analysis.

8.3.1. Data

The data used to produce modelling results is drawn from the GTAP 2011 dataset, which draws on data from 2009, 2010 and 2011. As such, changes in the pattern of World trade between this 2009-11 and 2018 will not be reflected in results produced by the model. Depending on changes in the pattern of trade over this period, this could lead to under- or over-estimation of the impact of a UK-US FTA. For example, for a given sector an increase in the proportion of UK exports being sent to the US between 2011 and 2018 could lead to the model underestimating the UK impact of an FTA with the US.

¹²⁹ HMG (2018), "EU Exit: Long-term economic analysis: Technical Reference Paper".

Similarly, any changes in tariff schedules between 2009-11 and 2018 will not be reflected in results produced by the model. However, using 2017 tariff and trade data from World Integrated Trade Solution (WITS) showed that there have not been significant, permanent, changes in tariffs and trade shares between the US and the UK between 2011 and 2017.

In order to assess economy wide impacts, the model provides a sectoral aggregation of 23 sectors based on the underlying GTAP dataset. While this is appropriate for looking at broad magnitudes of impact, it may not fully capture the more granular interactions that occur at a sub sector level. This limitation is common to CGE and macroeconomic analysis.

8.3.2. Model parameter uncertainty and Monte Carlo analysis

Where available, key elasticities have been sourced from academic literature and the GTAP 9 database.

The analysis includes ranges around the central point estimates of GDP and equivalent variation, generated by a Monte Carlo statistical process. This accounts for uncertainty in both policy inputs and key structural parameters in the modelling by drawing several thousand input values from their full distributions. The resulting ranges are based on 90% confidence intervals meaning that after accounting for the variation in these parameters, there is a 90% probability that the true value is within the range.

A summary of the parameters varied is provided in Annex A.

8.4. Investment channel sensitivity

When productivity increases, so too do the returns to capital. Increased returns to capital lead to increases in the capital stock. This endogenous capital channel of impact is included in the core Scoping Assessment results, and this channel is turned off as a sensitivity analysis to understand the importance of accounting for capital accumulation effects.

In the sensitivity analysis of GETRADE with endogenous capital turned off, the impact of scenario 1 is unchanged and the impact of scenario 2 is 0.01 percentage points lower.

8.5. Areas not modelled

As detailed in the Government's publication on the long-term analysis of EU Exit, there are a number of areas not explicitly modelled.

- > Ongoing or recently concluded negotiations, including EU-Australia negotiations, EU-New Zealand negotiations, and the United States-Mexico-Canada Agreement;
- > Future domestic policy choices;
- > Global trends such as the rise of global value chains, the increasing importance of services trade, changing demographics, technological advancement, and economic development;¹³⁰
- > The results set out the potential long run economic impacts of trade agreement scenarios between the UK and USA, assuming no other changes. This analysis is not a forecast of the UK economy over a specific timeframe and does not model any transitional or short run impacts.

8.6. Risks

There are resource implications for the Government associated with negotiating a UK-US FTA. These include staff time as well as the specific costs associated with conducting international negotiations.

The gains outlined in the analysis assume that a negotiated outcome is reached, and an agreement implemented. There is a risk where if the agreement were not implemented, these gains would not materialise and the Government would still incur the operational costs associated with pursuing the negotiations.

¹³⁰ EU Exit: Long-term economic analysis, HMG (2018).

9. Summary of analysis and next steps

This Scoping Assessment provides a preliminary assessment of the scale of the potential macroeconomic and distributional impacts of a UK-US FTA. These are summarised below in Table 18.

Table 18: Summary of estimated impacts of scenarios (all measures relative to baseline)

Impact	Metric	Scenario 1	Scenario 2
Macroeconomic indicators			
Growth	Change in GDP	0.07% (0.02% to 0.15%)	0.16% (0.05% to 0.36%)
		£1.6 billion (£0.5 billion to £3.1 billion)	£3.4 billion (£1.0 billion to £7.7 billion)
Trade	Change in exports to US	4.3%	7.7%
	Change in imports from US	4.1%	8.6%
	Change in total exports	0.7%	1.3%
	Change in total imports	0.1%	0.2%
Businesses / Commercial Opportunities			
Direct tariff savings on imports of intermediate goods from the US	Potential annual tariff savings for businesses, owing to tariff liberalisation on imports of intermediate goods	£168 million to £270 million	£169 million to £271 million
Direct tariff reductions on UK exports to the US	Potential annual tariff savings owing to tariff liberalisation on exports of all goods to the US	£447 million	£451 million
Consumer Savings			
Direct tariff savings on imports of final goods from the US	Potential annual tariff savings for consumers owing to tariff liberalisation on goods	£173 million to £207 million	£188 million to £222 million
Workers			
Wages	Change in real wages	£1.0 billion	£1.8 billion
		0.1%	0.2%
Employment adjustment	Proportion of labour force affected	0.1%	0.1%

Source: DIT modelling (2020); central estimates and ranges for welfare and GDP impacts.¹³¹

The estimates are based upon a range of scenarios which relate to the scale of trade costs reductions achieved by the agreement. The provisions in the agreement are not yet known and the estimates are subject to a high degree of uncertainty. If the eventual agreement results in different reductions in trade costs across sectors to those modelled in this assessment, then the scale and distributional impacts are likely to differ from those outlined here.

¹³¹ All ranges have been generated by a Monte Carlo statistical process. This draws several thousand input values, covering a range of structural and policy parameters, from their full distributions. The central estimates are not necessarily the midpoint of the range. See technical Annex A for more details

9.1. Next steps

DIT is committed to a transparent and evidence-based approach to trade policy. Therefore, following the conclusion of negotiations and once the text of the agreement is known, a full impact assessment will be published prior to implementation. The full impact assessment will update and refine the preliminary estimates of the scale and distribution of impacts outlined in this Scoping Assessment.

The full impact assessment will include:

- > Updated modelling of the scale and distribution of impacts based upon refinements to the assumptions underpinning the scenarios in line with further detail of the negotiated outcome and in line with new evidence as it emerges.
- > Further analysis of the sectoral, distributional, social and environmental impacts of the agreement, and of the impacts on developing countries.

DIT has established several stakeholder engagement mechanisms to seek expert insight on relevant trade policy matters and to help build the evidence base to support future detailed impact assessments. These groups will enable the Government to draw on external knowledge and experience to enhance the evidence base underpinning the UK's trade policy.

Prior to implementation of this agreement, DIT will publish a monitoring and evaluation framework explaining how the department intends to monitor and evaluate FTAs. Following implementation of the agreement, over the longer term, DIT will monitor the implementation of the agreement and publish an evaluation of the agreement at the appropriate time.

Technical Annexes

10. Annex A: Description of Computable General Equilibrium model

The macroeconomic analysis in the report uses the Government's CGE model, GETRADE. The model is based on the standard GTAP model and GTAP 9 dataset (referenced to 2011 as the base year) and has been extended further to incorporate insights from modern economic trade theory. The GTAP model and dataset is one of the most widely-used tools for international trade analysis. The following section highlights the key model features and assumptions on model structure underpinning the model. For a full technical description of the model and dataset please see the technical reference paper accompanying the Government's recent publication on the long-term economic analysis of EU Exit.¹³²

10.1. Model features

There are a number of model features that capture key channels of impact arising from international trade:

- > **Ricardian comparative advantage** – the gains from trade arising from specialisation across countries.
- > **Armington varieties** – using a variety of imported inputs in intermediate production can help firms lower production costs
- > **Krugman scale effects** – changes to the number of firms in the economy can affect aggregate productivity
- > **Melitz effects** – lower trade costs can lead to changes in –the number of firms active in each bilateral trade route which affects productivity.
- > **Capital accumulation** – changes in productivity resulting from changes to trade costs can affect returns to capital, the level of investment and capital in the economy, and a change in the capital to labour ratio.
- > **Mode 3 trade in services** – services firms can access other markets by establishing a commercial presence.

¹³² HMG (2018b), "EU Exit: Long-term economic analysis technical reference paper".

10.2. Key assumptions on model structure

The model is based upon a set of structural assumptions describing the interactions between agents in the domestic economy, and the trade linkages between different nations and regions of the UK.

This encompasses a number of standard structural assumptions including:

- > Full employment of labour and capital. This is because in the long run the economy would have time to adjust to new trade policy and displaced workers would be reallocated to jobs in other sectors.¹³³ The model assumes a fixed labour supply.
- > Perfect labour mobility between sectors in the same country but not between skill type or different countries.
- > Two types of capital: sector-specific capital, which cannot move between sectors, and mobile general-purpose capital which can.
- > Countries are linked only via trade in goods and services. The primary trade policy lever impacting these links are tariffs, non-tariff measures and regulatory restrictions to services.

10.3. Monte Carlo analysis

The analysis includes ranges around central point estimates generated by a Monte Carlo statistical process. The ranges are based on 90% confidence intervals meaning that after accounting for the variation in these parameters, there is a 90% probability that the true value is within the range. The process is identical to that used in HMG's EU Exit: Long-term Economic Analysis publication (HMG, 2019). However, given the focus is on the value of an FTA with a new country partner there are two key differences that have been introduced into the process.

- > The Monte Carlo analysis includes statistical distributions around NTM reduction estimates between the UK and the new FTA country partner.
- > The parameters in the Monte Carlo analysis affect the UK-EU baseline as well as the FTA impacts. In order to isolate the uncertainty around the FTA results the Monte Carlo analysis is sequentially run, first for the EU exit baseline in isolation and then again for the EU exit baselines with the FTA scenario switched on. The difference between the Monte Carlo results of each run provides the distribution underpinning the ranges reported for the FTA's impact. These two components are required to elicit the ranges presented in this document.

A summary of the parameters varied is provided below. For further detail on the parameters common to both this analysis and EU exit, see HMG's publication on EU Exit: Long-term Economic Analysis (HMG, 2018).

Table 19: Summary of the parameters varied for Monte Carlo analysis

Impact	Definition	Distribution used	Range of values
UK-FTA partner NTMs	Estimated NTM levels on UK-FTA partner trade (AVE)	Log-normal	Statistical distributions estimated econometrically around central estimates
UK-EU NTMs	Estimated NTMs on UK-EU trade (AVE) with an FTA and No Deal baseline	Log-normal	Statistical distributions estimated econometrically around central estimates
NTM symmetry parameter	Parameter to reflect the fact that NTM increases on leaving an FTA may not be as high as joining one (applied only to the UK-EU relationship in the baseline)	Uniform	70-100% (midpoint 85%)
Technical and rent generating NTM ratio	Ratio of NTMs assumed to be efficiency-reducing or rent-generating	Uniform	55:45 – 85:15 (midpoint 70:30)
Sigma	Firm-level elasticity of substitution between varieties	Uniform	2 – 5 (midpoint 3)
Etav	Scalar altering the magnitude of the bilateral export supply elasticity	Uniform	0.5 – 1.5 (midpoint 1)

Source: DIT (2020), HMG (2018).

¹³³ As argued by Petri and Plummer (2017:10), the assumption is used in most applied models of trade agreements.

10.4. Sectors

Table 20 shows how the sectors provided in the source data (GTAP 9) are grouped together for the purposes of this Scoping Assessment analysis.

Table 20: Sector grouping

Sector Group	Sector Name	GTAP 9 Codes	Description
Agri-foods	Agriculture	PDR, WHT, GRO, V_F, OSD, C_B, PFB, OCR, CTL, OAP, RMK, WOL, FRS, FSH	Paddy rice; Wheat; Cereal grains nec; Vegetables, fruit, nuts; Oil seeds; Sugar cane, sugar beet; Plant-based fibers; Crops nec; Bovine cattle, sheep and goats, horses; Animal products nec; Raw milk; Wool, silk-worm cocoons; Forestry; Fishing
	Beverages and tobacco products	B_T	Beverages and tobacco products
	Semi-processed foods	CMT, OMT, VOL, MIL, PCR, SGR	Bovine meat products; Meat products nec; Vegetable oils and fats; Dairy products; Processed rice; Sugar
	Processed foods	OFD	Food products nec
Industry	Chemical, rubber, plastic products	CRP	Chemical, rubber, plastic products
	Electronic equipment	ELE	Electronic equipment
	Energy	COA, OIL, GAS, OMN, P_C, ELY, GDT	Coal; Oil; Gas; Minerals nec; Petroleum, coal products; Electricity; Gas manufacture, distribution
	Manufactures of materials	LUM, NMM, I_S, NFM, FMP	Wood products; Mineral products nec; Ferrous metals; Metals nec; Metal products
	Motor vehicles and parts	MVH	Motor vehicles and parts
	Other machinery and equipment	OME	Machinery and equipment nec
	Other manufacturing	OMF	Manufactures nec
	Other transport equipment	OTN	Transport equipment nec
	Paper and printing products	PPP	Paper products, publishing
Textiles, apparel, and leather	TEX, WAP, LEA	Textiles; Wearing apparel; Leather products	
Services	Business services	OBS	Business services nec
	Communications	CMN	Communication
	Construction	CNS	Construction
	Financial Services	OFI	Financial services nec
	Insurance	ISR	Insurance
	Other services (transport, water, dwellings)	WTR, OTP, WTP, ATP, DWE	Water; Transport nec; Water transport; Air transport; Dwellings
	Personal services	ROS	Recreational and other services
	Public services	OSG	Public administration, defense, education, health
	Wholesale and retail trade	TRD	Trade

11. Annex B: Derivation of modelling inputs

This annex outlines the methodology used to estimate the initial levels of non-tariff measures affecting trade in goods and regulatory restrictions affecting trade in services. These are then applied to the modelling as set out in section 3.2 (see Box 3).

11.1. Methodology

Non-tariff measures (NTMs) and regulatory restrictions to services are policy measures that can influence trade by changing what can be traded, and at what price. These can increase the cost of trade and therefore reduce the amount that is traded, even though NTMs and regulatory restrictions to services can serve legitimate public policy objectives. Some NTMs and regulatory restrictions to services may also increase trade – for example, the enforcement of high product standards may increase consumer demand for some goods.

NTMs and regulatory restrictions to services can be hard to observe and are often wide-ranging, resulting in difficulties in estimating the costs they place on businesses. There is a growing body of literature estimating how non-tariff measures affect trade (most commonly expressed in terms of ad-valorem tariff equivalents).¹³⁴ There are two main approaches to estimating the scale of measures affecting trade between partners in the literature: *direct* (observing how prices have changed due to barriers or FTAs) and *indirect* (inferring the impact of NTMs and regulatory restrictions from distortions in the patterns of trade).¹³⁵

This assessment uses the indirect approach. Building upon best practice in the literature, a gravity model is used to provide estimates of the levels of non-tariff measures and regulatory restrictions to services to trade in various countries. Gravity modelling is an econometric framework for estimating the determinants of international trade patterns. It is referred to as the “workhorse model of international trade”, due to its ability to consistently explain patterns of international trade.¹³⁶ The NTM estimation methodology used here follows from one developed by the Centre d’Études Prospectives et d’Informations Internationales (CEPII).¹³⁷

The gravity model assesses the patterns of trade between each country in the dataset (120 countries) for 30 sectors for the years 2004, 2007 and 2011. It controls for the impact of a range of common characteristics between countries. The specifications for the gravity model are set out in Box 7 below. The importer-time fixed effects can be used to estimate the level of NTMs and regulatory restrictions into each country.

¹³⁴ This represents the equivalent tariff (as a % of the value of the good) that would restrict trade by the same amount as the non-tariff measure. For example, if a labelling requirement were to increase the cost of wine production by 3%, the impact of the labelling requirement would be estimated as equivalent to a 3% tariff.

¹³⁵ For further discussion of each approach see: Chen, N and Novy, D. (2012) “On the measurement of trade costs: direct vs. indirect approaches to quantifying standards and technical regulations.” World Trade Review, Volume 11.

¹³⁶ For a discussion of the history and uses of gravity modelling, see Head, K & Mayer, T, 2014. “Gravity Equations: Workhorse, Toolkit, and Cookbook,” Handbook of International Economics, Elsevier.

¹³⁷ See Fontagne et al, “Estimations of Tariff Equivalents for the Services Sectors”, 2011, CEPII & Fontagne et al, “Estimated Tariff Equivalents of Services NTMs”, 2016, CEPII Working Paper.

For each sector and each year, a benchmark country is identified as the country which has the highest importer-time fixed effect. This corresponds to the country which is observed to trade the most given its observed characteristics. This benchmark fixed effect is used as a proxy for the “free trade” level of barriers that would exist across countries and other countries’ fixed effects are then compared to this to estimate how distorting the overall levels of barriers to trade are for exporters to each country. This ‘trade distortion’ is then converted into an ad-valorem tariff equivalent using the formula below:

$$\ln(1 + AVE)^{1-\sigma} = u_i - u_{free\ trade}$$

Box 7 - Gravity Model Specifications

The specification for goods¹ and agriculture sectors is:

$$\begin{aligned} \ln(\text{imports}_{ij}) = & \beta_1 + \beta_2 EU + \beta_3 FTA + \beta_4 EEA + \beta_5 \ln(\text{Distance}_{ij}) + \beta_5 \text{Border}_{ij} + \beta_6 \text{History}_{ij} + \\ & \beta_7 \text{OfficialLanguage}_{ij} + \\ & \beta_8 \text{EthnicLanguage}_{ij} + \beta_9 \ln(\text{Tariffs}_{ij}) + \beta_{10} \text{CommonHistory} + \beta_{11} \text{TimeDiff}_{ij} + 0.8 \ln(\text{GDP}_i) + \\ & \beta_k \sum_{i=1}^{n+t} \alpha_i + \beta_l \sum_{j=1}^{n+t} \gamma_j + \varepsilon \end{aligned}$$

The specification for services² trade is:

$$\begin{aligned} \ln(\text{imports}_{ij}) = & \beta_1 + \beta_2 EU + \beta_3 FTA + \beta_4 EEA + \beta_5 \ln(\text{Distance}_{ij}) + \beta_5 \text{Border}_{ij} + \beta_6 \text{History}_{ij} + \\ & \beta_8 \text{EthnicLanguage}_{ij} + \beta_9 \text{TimeDiff}_{ij} + 0.8 \ln(\text{GDP}_i) + \beta_k \sum_{i=1}^{n+t} \alpha_i + \beta_l \sum_{j=1}^{n+t} \gamma_j + \varepsilon \end{aligned}$$

Where:

- *The natural logarithm of imports between exporter i to importer j is the dependent variable in the regression*
- *EU is a dummy variable equal to 1 when both countries are members of the EU*
- *FTA is a dummy variable equal to 1 when both members are partner to a Free Trade Agreement*
- *EEA is a dummy variable equal to 1 if trade is between Norway and an EU member*
- *Distance relates to the bilateral distance between each trading partner*
- *Border is a dummy variable equal to 1 where trading partners share a common border*
- *History is a dummy variable equal to 1 where trading partners were part of a colonial relationship*
- *Official Language is a dummy variable equal to 1 where both trading partners share an official common language*
- *Ethnic Language is a dummy variable equal to 1 where the language spoken by more than 9% of the population is the same*
- *Time Difference in hours (between capital cities)*
- *Common History is a dummy variable equal to 1 where trading partners shared a colonial history since 1945 (e.g. Commonwealth states)*
- *For goods and agriculture sectors, the natural logarithm of tariffs between each country is included. To remain consistent with DITs CGE modelling, the coefficient of tariffs is constrained to be equal to 1 minus the elasticity of intra-imports from the GTAP CGE model*
- *GDP for the importer in each year is included, so separate the impact of economic size from the importer-year fixed effect. The coefficient is constrained to 0.8 to avoid the problem of multicollinearity with the importer-time fixed effects.³*
- *α_i represents a set of exporter-year fixed effects controlling for exporter specific characteristics that are prevalent in each year*
- *γ_j represents a set of importer-year fixed effects, controlling for importer specific characteristics that are prevalent in each year.*

¹³⁸ The only exception is for the automotive sector, where an additional variable is added to control for membership of UN Economic Commission for Europe, which regulates international standard in vehicles.

¹³⁹ The only exceptions were made for the business services sectors (where an additional variable was added to control for visa waiver programmes) and automotive (where an additional variable was added to control for UNECE membership).

¹⁴⁰ 0.8 is chosen in line with Fontagne et al. (2011)’s judgement as it represents the most reliable estimate of GDP’s impact.

12. Annex C: Methodology and results for preliminary assessment of impacts on production in the regions and nations of the UK

12.1. Methodology

The modelling apportions the UK-wide GVA shocks from the CGE modelling to the NUTS-1 regions of the UK nations and regions.¹⁴¹ Firstly, we take the sectoral shocks from the CGE modelling, set out in Table 8, and apply these to the GVA of the relevant sector in each nation and region of the UK. The full impact in each nation and region is derived by summing the impact on each sector in a nation or region to give the percentage change from the baseline level of GVA for each nation or region, as set out below:

$$Shock_r = \sum_s^{S} Share\ of\ GVA_{rs} \times National\ Shock_s$$

where r stands for NUTS 1 region and s stands for sector.

There is a risk that this approach underestimates the overall impact in each region because it does not account for second-round effects from a shock resulting from the concentration of, and UK regional specialisation in, different industries. To take this into account and to provide a sensitivity check, the model weights the shock using location quotients (see Box 8 for an explanation of how the location quotients are calculated). For each sector, the shock for each region is derived by multiplying the location quotient for that sector and region by the estimated impact for each sector in each region. The sectoral changes are constrained to ensure the overall change in a sector matches the sectoral change from the CGE results. For this method:

$$Shock_r = \sum_s^{S} Share\ of\ GVA_{rs} \times National\ Shock_s \times Location\ Quotient_{rs} \times Constraint_s$$

where r stands for NUTS 1 region and s stands for sector.

The location quotient-weighted approach amplifies positive and negative UK regional results, but for most nations and regions of the UK the difference is small. In both scenarios the methods agree on which nations and regions are estimated to increase or decrease their output relative to the baseline. To acknowledge the uncertainty around the apportionment approach, the maps in Chart 18 use the mid-point of the two methods.

¹⁴¹ NUTS-1 regions of the UK are used. These include Northern Ireland, Scotland, Wales and nine English regions. Further information on the NUTS-1 classification can be found at 'The establishment of a common classification of territorial units for statistics (NUTS)', Eurostat 2018.

Box 8: Location Quotients

Location Quotients are used to reflect how concentrated or specialised a sector is within a given nation or region. The LQ is calculated by dividing a sector's employment share in a nation or region by the employment share in the UK. A value of 1 indicates that that an industry's share of employee jobs in the nation or region is the same as its share of employee jobs nationally. A value greater than 1 means that the industry makes up a larger share of employee jobs in the nation or region than at the national level (i.e. the nation or region is particularly specialised in a sector). For example, Northern Ireland has an LQ of 4.63 for semi-processed foods, meaning the share of jobs in the semi-processed foods sector in Northern Ireland is over four times the share of jobs in the sector in the UK as a whole. Table 21 presents employment-based Location Quotients for UK by nation and region.

Table 21: Specialisation of sectors across the 12 NUTS 1 nations and regions of the UK (using location quotient approach)

	Sectors (27)	NE	NW	Y&H	EM	WM	East	London	SE	SW	Wales	Scotland	N. Ireland
Agri-Food	Agriculture	0.61	0.65	1.15	1.12	1.14	1.33	0.03	0.93	1.40	2.07	2.03	2.32
	Semi-processed foods	0.56	1.06	2.09	1.98	1.47	1.14	0.16	0.17	1.57	1.59	0.90	4.63
	Processed foods	1.01	1.43	1.74	2.34	0.90	0.64	0.45	0.50	0.93	1.07	1.11	1.16
	Beverages and tobacco products	0.32	0.78	1.23	0.60	1.15	1.54	0.37	0.40	1.36	0.82	2.98	1.34
Industries	Petroleum and coal products	2.27	1.45	2.36	0.03	1.13	0.15	0.03	0.95	0.39	2.37	2.15	0.08
	Mining and extraction	0.85	0.24	0.73	1.16	0.09	0.29	0.38	0.32	0.63	0.99	6.63	1.37
	Textiles, leather and wearing apparel	1.58	1.49	1.32	3.28	0.91	0.41	0.46	0.35	0.54	0.64	1.48	1.06
	Other manufacturing	0.81	1.27	1.35	1.92	1.57	0.95	0.23	0.64	1.22	0.90	1.11	1.92
	Paper and printing products	0.81	0.98	1.22	1.09	0.65	1.29	1.32	0.94	0.80	0.94	0.54	0.65
	Chemical, rubber, plastic products	1.83	1.57	1.37	1.66	1.22	0.96	0.16	0.84	0.83	1.29	0.81	1.55
	Metals	1.70	1.25	1.43	1.13	1.75	1.02	0.23	0.73	0.85	2.03	0.71	0.93
	Motor vehicles and parts	2.61	1.33	0.62	0.70	3.89	0.60	0.18	0.70	0.75	1.29	0.29	0.93
	Other transport equipment	0.50	1.49	0.18	1.98	0.71	0.90	0.12	0.76	2.86	1.89	0.85	1.79
	Electronic equipment	0.76	0.65	0.34	1.15	0.95	1.27	0.26	1.90	1.42	1.46	1.17	1.57
	Other machinery and equipment	1.61	0.84	1.28	1.23	1.63	1.38	0.26	0.96	1.23	0.80	0.88	1.21
	Manufacturing n.e.c	1.00	0.93	1.49	1.56	1.06	0.98	0.30	1.00	1.25	2.25	0.65	1.01
	Electricity and gas	1.01	0.93	0.89	1.70	1.21	0.52	0.42	1.18	0.87	1.30	1.78	0.67
Services	Other services (water, dwellings)	0.77	1.08	1.08	1.00	1.24	1.09	0.97	1.13	0.79	0.63	0.83	0.61
	Construction	0.86	0.87	1.05	1.09	0.83	1.20	0.78	1.07	1.14	1.16	1.17	0.90
	Wholesale and retail trade	0.99	1.01	0.99	1.08	1.05	1.03	0.86	1.02	1.13	1.05	0.96	1.08
	Transport services	1.04	1.12	0.97	1.04	0.98	0.99	1.26	0.99	0.67	0.63	0.87	0.96
	Communications	1.53	1.02	0.74	0.42	0.75	1.07	1.04	1.46	0.78	0.69	1.17	0.70
	Financial services	0.61	0.85	0.87	0.46	0.65	0.65	2.23	0.71	1.01	0.50	0.91	0.71
	Insurance	0.41	0.78	0.36	0.12	0.90	0.84	1.24	1.63	0.93	1.80	1.25	0.45
	Business services	0.76	0.93	0.85	0.86	0.84	1.07	1.48	1.10	0.79	0.63	0.79	0.63
	Personal services	0.89	0.81	0.86	0.84	0.90	0.98	1.39	0.99	0.85	0.85	1.13	0.77
Public services	1.22	1.05	1.08	0.95	1.02	0.92	0.82	0.96	1.07	1.23	1.14	1.22	

Source: Business Register and Employment Survey, 2016 (ONS, NISRA) and DIT calculations.

12.2. Results

Based on this approach, Chart 18 presents the estimated changes in UK national and regional Gross Value Added under each FTA scenario modelled, compared to the baseline. It shows there is expected to be a small positive impact across all the nations and regions of the UK from an FTA with the United States under both scenarios. Scotland, Wales, the North East, the East Midlands and the West Midlands expand the most, while London, the South West and the East of England expand the least.

12.3. Limitations

The analysis requires several simplifying assumptions and is subject to limitations, for example, it:

- > is based on sector results at an aggregate level, so will not fully reflect differences in patterns of production across nations and regions of the UK;
- > does not explicitly consider the varying trade patterns of individual sectors across each part of the UK;
- > uses employment Location Quotients to weight the apportionment of the national, sectoral GVA shock, which may not accurately reflection the structure of regional economies;
- > assumes the long-term structures of regional economies are consistent with employment location quotients calculated using 2016 Business Register Employment Survey data (ONS, NISRA);
- > assumes that the sector GVA shock is the same for all nations of regions of the UK i.e., the CGE model provides only a UK-wide sectoral shock;
- > does not give any insight into how nations and regions adjust to a new long-term equilibrium position;
- > the modelling does not explicitly take account of any impacts arising from the Protocol on Ireland/Northern Ireland (to the Withdrawal Agreement).

The aim is to provide a high-level overview of potential UK regional impacts, using an intuitive analytical approach, rather than precise point estimates or forecasts.

13. Annex D: Methodology and results for preliminary assessment of potential impacts on businesses, including small and medium-sized enterprises (SMEs)

FTAs can generate a range of opportunities and challenges for businesses. Benefits arise from increased trade liberalisation as firms gain greater market access to cheaper, and more varied, imported inputs. Small and micro/medium enterprises (SMEs) may benefit from increased trading opportunities but may also face increased competition from products sold by businesses from the partner country.

This annex sets out the methodology for providing an approximation of the potential scale of tariff savings for UK businesses on the imports of intermediate and final goods. The impacts on UK SMEs and one-off costs associated with familiarisation of the agreement are also discussed.

13.1. Calculating the scale of improved market access for businesses and cheaper production inputs owing to tariff liberalisation

13.1.1. Methodology

13.1.1.1. UK Imports from the US

The order of magnitude of potential tariff savings for businesses and consumers importing goods from the US are calculated using trade flow data in 2017 and 2018 at the 8-digit product classification (HS2017) sourced from HMRC.

The HMRC data is aggregated into the UN's 'Broad Economic Categories' via the conversion table developed by the UN. The BEC classification of goods is then assigned to the two basic kinds of domestic end-use categories as laid out in the System of National Accounts (SNA), namely – intermediate or final goods.¹⁴²

Before aggregation, the trade data is matched to corresponding data for applied tariffs in 2018 in the United Kingdom from the MacMaps database.

The initial scale of tariff liberalisation is calculated by multiplying the 2-year average import values over 2017 and 2018 with the corresponding EU common external tariffs. In line with the assumptions set out for the modelling above in scenario 2 – that the UK eliminates its import tariffs with the US – this presents a simplified estimate of the total potential tariff liberalisation from the agreement.

¹⁴² See accompanying manual of the 5th revision of BEC <https://unstats.un.org/unsd/trade/classifications/bec.asp>. For the purposes of this analysis, goods that are allocated as "Capital Goods" are treated as "Intermediate", as they are likely to be purchased by businesses.

Upper and lower estimates are provided. To calculate the upper estimate, we multiply the estimated level of tariff reductions by the percentage of trade that entered the UK from the US as “MFN Non-Zero” (thereby paying some tariff). This includes trade that is not required to pay the full MFN tariff rate. For example; tariff rate quotas that the UK offers to non-EU countries through the WTO; duty relief that is granted for goods traded under inward and outward processing rules; and suspended duties under international agreements. This percentage is estimated from 2017-2018 trade flow data from the EU Comext Database.^{143 144}

To calculate the lower estimate, we multiply the figure calculated in the step above by the percentage of MFN Non-Zero trade that claimed no duty relief for inward or outward processing (2017 and 2018 average from EU Comext).¹⁴⁵ Due to lack of data, this assumes 100% duty relief for trade claiming duty relief. The final estimated results are aggregated to a single figure.

It is important to note that reductions in tariff costs facing importers also reflect an equivalent reduction in Government tariff revenues on these products, which may be offset by increased tax revenues from higher economic activity in the UK.

13.1.1.2. UK Exports to the US

The order of magnitude of potential tariff savings for businesses exporting goods to the United States are calculated using data from USITC for the years 2017 and 2018. USITC publish data regarding estimated tariff collection on imports into the US in 2017 and 2018 at the 8-digit product classification (HS2017). This data is converted from US Dollars to British Pounds. The USITC data is aggregated into the UN’s ‘Broad Economic Categories’ via the conversion table developed by the UN. The BEC classification of goods is then assigned to the two basic kinds of domestic end-use categories as laid out in the System of National Accounts (SNA), namely – intermediate or final goods.¹⁴⁶

As the published data reflects estimated collected duties, this analysis accounts for the importation of goods that is not subject to duty collection, such as under the suspensions applied under the WTO Agreement on Trade in Civil Aircraft. In total, the data records that by customs value, imports from the UK for consumption in the US¹⁴⁷ were worth around £431 million worth of merchandise annually in 2017 and 2018.¹⁴⁸ The data suggests that just £178 million worth of that merchandise trade was subject to duty charges.

13.1.2. Limitations

Following a similar approach widely applied in the literature, the calculations aim to provide an indication of the magnitude of direct savings owing to tariff liberalisation.¹⁴⁹ They are subject to a number of limitations:

- > They are based upon current trade patterns and do not take into account the likely changes in trade patterns resulting from the price changes. Therefore, these estimates may understate the gains to UK businesses and consumers from reduced tariffs if trade were estimated to increase after price effects.
- > The analysis is based on the UK’s current tariff levels and does not take into account future changes to its MFN tariff levels.
- > The proportion of the savings passed through to consumers is not known, some businesses may consume final goods or not fully adjust the prices of their products/services to UK consumers.

¹⁴³ EU-Extra Imports by Tariff Regime. Trade that enters the UK under an “Unknown” import regime is excluded from the analysis.

¹⁴⁴ Such as under a Tariff-rate Quota with an in-quota tariff rate that is not zero.

¹⁴⁵ For information about inward processing, see <https://www.gov.uk/guidance/inward-processing>, and for outward processing see <https://www.gov.uk/guidance/outward-processing-relief-opr>. Goods not claiming some form of duty relief are recorded as “normal” trade in “Stat regime” in the EU database. This adjustment may slightly understate potential tariff reductions, as it assumes that processing trade receives 100% tariff relief, which is unlikely to be the case.

¹⁴⁶ See accompanying manual of the 5th revision of BEC <https://unstats.un.org/unsd/trade/classifications/bec.asp>. For the purposes of this analysis, goods that are allocated as “Capital Goods” are treated as “Intermediate”, as they are likely to be purchased by businesses.

¹⁴⁷ Measures the total merchandise that has physically cleared through U.S. customs immediately or after withdrawal for consumption.

¹⁴⁸ The Customs value is the value of imports as appraised by U.S. Customs and Border Protection (Customs). This value is defined as the price actually paid or payable for merchandise excluding U.S. import duties, freight, insurance, and other charges.

¹⁴⁹ For example, see, “Consumer benefits from EU trade liberalisation: How much did we save since the Uruguay Round?” Lucian Cernat, Daphne Gerard, Oscar Guinea and Lorenzo Isella - Chief Economist Note, DG Trade, Issue 1, February 2018.

13.2. Impact on small and medium-sized enterprises (SMEs)

SMEs may be defined as:

- > Firms employing fewer than 50, and fewer than 250 employees respectively; and
- > Firms not exceeding either (a) £44 million in annual turnover or (b) an annual balance-sheet total of £38 million.

SMEs represent a key component of the UK economy: in 2018 these made up over 99% of the total number of private sector businesses, representing 60% of private sector employment and 52% of private sector turnover.¹⁵⁰ UK SMEs play an integral role in engaging with the international economy. SMEs are increasingly international traders in their own right. For example, in 2018, 97% of businesses exporting goods were SMEs, representing 28% of our total exports.¹⁵¹ Moreover, SMEs form a key part of the supply chain for larger UK and global firms, by producing intermediate goods used to manufacture other goods.

SMEs typically face larger impacts from trade barriers than larger firms, since larger firms are better able to leverage influence or exploit economies of scale to reduce the associated costs and risks of internationalisation. This is particularly the case where trade barriers represent fixed costs to businesses, as regulatory and non-tariff measures can be burdensome to comply with.

This section considers the variation of SMEs across sectors of the economy in order to compare with the estimated pattern of impacts across sectors set out in Table 5.

13.2.1. Methodology

The CGE model presents the indicative impact on each of the 23 sectors of the model, as identified in the main results section (Table 8).

The BEIS Business Population Estimates (BPE) show that the concentration of SMEs varies markedly across sectors of the economy.¹⁵² The BPE data – classified according to the Standard Industrial Classifications (SIC) – are mapped to the sectors included in the modelling.

Table 22: SMEs in the Profile of UK Businesses

Business size (number of employees)	Number of Businesses	% of Total Businesses	Employment Contribution (number of employees)	% of Employee Contribution	Turnover Contribution (£ million)	% Turnover Contribution
None	4,327,831	75.5%	4,643,000	17.1%	274,917	7.2%
1 to 49	1,346,940	23.8%	8,242,000	30.5%	1,123,586	29.1%
50 to 249	34,835	0.6%	3,399,000	12.6%	595,003	15.3%
> 249	7,510	0.2%	10,743,000	39.7%	1,868,106	48.4%
Total	5,667,510	100.0%	27,027,000	100.0%	3,861,612	100.0%

Source: BEIS Business Population Estimates (2018).

¹⁵⁰ BEIS Business Population Estimates (BPE, 2018)

¹⁵¹ HMRC, UK Trade in Goods by Business Characteristics 2018; estimates based on HMTC OTS and ONS IDBR data.

¹⁵² BEIS Business Population Estimates (BPE) combines a number of data sources on the business population (UK Business: Activity, Size and Location (ONS), Business Demography (ONS) and Small and Medium Enterprise Statistics (BEIS)) to generate holistic estimates for all active businesses, including sole-traders and unregistered businesses. See Economic & Labour Market Review (Vol. 5, No. 4) (ONS). Please note in the turnover data, there is no data for Financial Services and Insurance sectors.

Table 23: SMEs across sectors by Number and Turnover

GTAP sector	Sectoral distribution of SMEs	SMEs Turnover by Sector (£m)	Estimated Contribution to Turnover		
			Micro/Small	Medium	Large
Agriculture	2.78%	38,196.4	81.50%	9.00%	9.50%
Beverages and tobacco products	0.27%	9,861.8	15.82%	18.12%	66.07%
Processed foods	0.40%	29,585.3	15.82%	18.12%	66.07%
Semi-processed foods	0.81%	14,792.7	15.82%	18.12%	66.07%
Chemical, rubber, plastic products	0.40%	14,792.7	15.82%	18.12%	66.07%
Electronic equipment	0.50%	4,930.9	15.82%	18.12%	66.07%
Energy	0.13%	28,325.1	14.14%	9.13%	76.73%
Manufacture of materials	0.13%	19,723.6	15.82%	18.12%	66.07%
Motor vehicles and parts	0.94%	4,930.9	15.82%	18.12%	66.07%
Other machinery and equipment	0.40%	34,516.2	15.82%	18.12%	66.07%
Other Manufacturing	0.54%	9,861.8	15.82%	18.12%	66.07%
Other transport equipment	0.27%	14,792.7	15.82%	18.12%	66.07%
Paper and printing products	1.34%	29,480.9	24.48%	16.61%	58.91%
Textiles, leather, and wearing apparel	0.40%	14,792.7	15.82%	18.12%	66.07%
Business services	22.39%	378,980.3	44.65%	16.38%	38.97%
Communications	1.07%	19,619.1	30.37%	15.58%	54.05%
Construction	17.50%	238,945.7	62.10%	13.00%	24.90%
Financial services	1.02%	-	-	-	-
Insurance	0.51%	-	-	-	-
Other services (water, dwellings)	8.62%	154,104.0	36.53%	13.93%	49.54%
Personal services	8.97%	79,056.7	28.17%	10.66%	61.16%
Public services	15.57%	128,310.3	44.66%	14.70%	40.64%
Wholesale and retail trade	15.04%	723,604.3	35.07%	16.31%	48.62%

Source: DIT Internal Analysis of BEIS Business Population Estimates (2018). Note: No turnover data available for Financial or Insurance sectors.

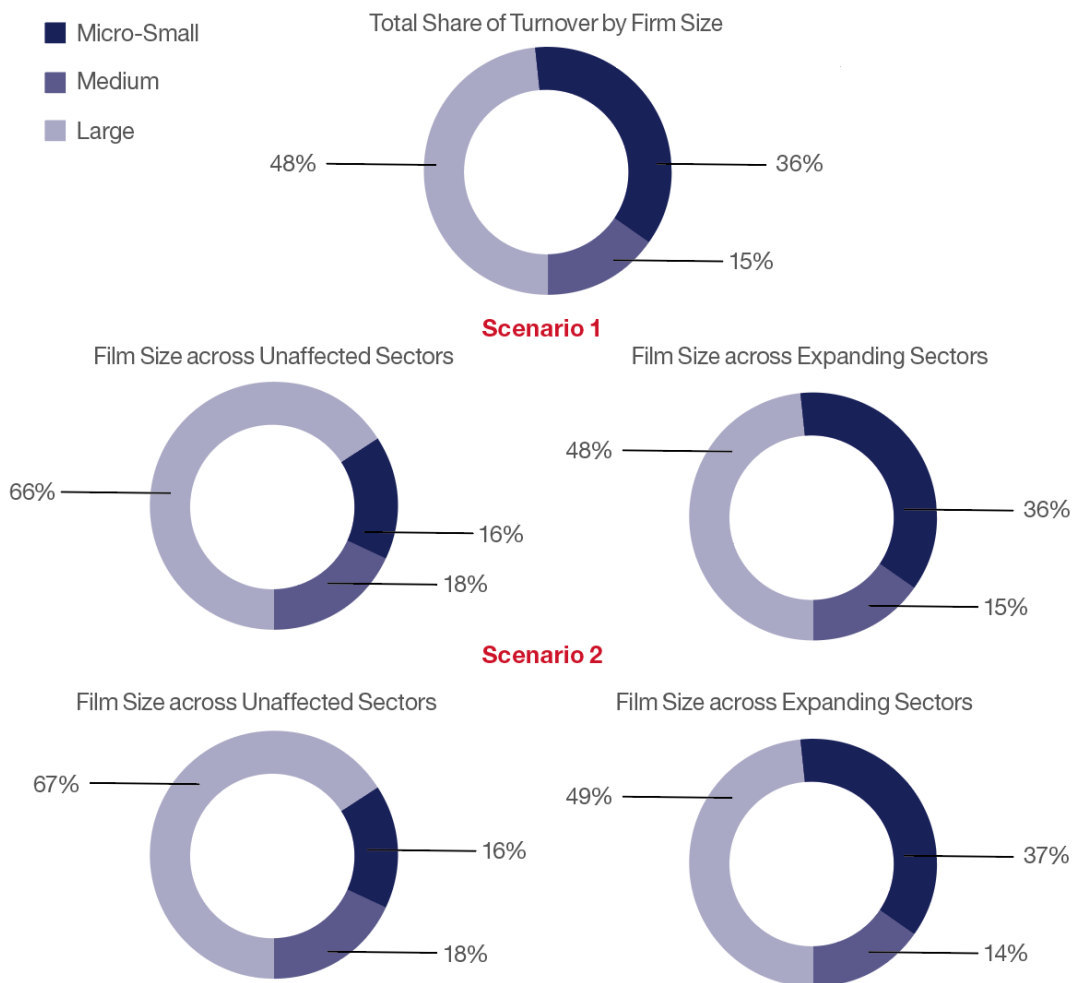
SMEs are present in all sectors of the economy, but four sectors - Construction, Business Services, Public Services and Retail and Wholesale Trades – are estimated to make up over two-thirds of the total number of UK SMEs (Table 23).

The data on sectors where SMEs are located above are combined with the sectors where output is expected to increase or decrease relative to the baseline, as set out in Table 8 of the main report.

13.2.2. Results

Overall, sectoral impacts from the CGE model suggest that under both scenarios, most sectors are estimated to expand (as measured by GVA). This suggests that the positive gains from the FTA will be distributed across the economy, including across all types of UK firms (note that turnover data is not available for financial services or insurance sectors) and would not exert a disproportionate impact on SMEs. Under both scenarios, micro, small and medium businesses account for around 51% of total UK business turnover across all expanding sectors relative to the baseline, in line with the general business population (see Chart 21 below).

Chart 21: Distribution of impacts by firm-size in each scenario¹⁵³



Source: DIT Analysis. Calculations based on BEIS BPE 2018 turnover data. Note that data is unavailable for financial services or insurance sectors.

¹⁵³ Figures may not sum up due to rounding.

13.2.3. Limitations

The aim of the analysis is to provide an indication of whether the potential implications of long run changes to the sectoral composition of output are likely to exert a disproportionate impact on SMEs.

The preliminary analysis is in line with best practice in this area but requires several simplifying assumptions and is subject to several limitations:

- > This approach does not take into account whether SMEs may be more or less affected by changes in trade barriers than other businesses, for example for reasons set out above.
- > Mapping the Standard Industrial Classifications to the sector aggregations used in the GTAP modelling requires several simplifying assumptions which could result in biases in the estimated distribution of SMEs across GTAP sectors.
- > BEIS BPE data captures data on unregistered and sole traders, however it does not allow for disaggregation between small and micro businesses and there is no available turnover data for Finance or Insurance sectors.

13.3. Business administration costs for goods trade

There are administration costs incurred by businesses associated with trading internationally. For example, for goods trade there may be administration costs associated with meeting the requirements of border procedures. In the UK, businesses exporting outside of the EU must acquire appropriate licenses and certification and make customs declarations to HMRC through the National Export System (NES).

FTAs have the potential to affect the administration procedures facing businesses trading internationally. Some provisions, such as those which streamline customs and border procedures, can reduce the administration costs. Other aspects of trade agreements may give rise to increases in business administration costs which should be weighed against the overall benefits of the agreement.

Businesses have the option to choose whether to trade with a partner under a new FTA or the current WTO MFN trading terms. Therefore, there is no net cost to businesses for those who do not wish to trade under a new FTA. Below are two broad areas where choosing to trade under an FTA has the potential to increase business administration costs.

Potential changes to rules of origin requirements

FTAs provide an opportunity for members to liberalise tariffs on a preferential basis. In order to ensure that only members of an FTA can benefit from these preferential trade arrangements, the parties to the FTA need to agree a set of rules of origin to determine which goods imported from a partner country can qualify for preferential tariff treatment under the agreement. However, implementing, administering and complying with rules of origin can generate costs for businesses. For example, businesses can submit rules of origin forms to HMRC to process free of charge.

There are a wide range of product-specific rules used to determine whether goods have been substantially produced or transformed within the FTA countries and thereby qualify as originating under an FTA. It is therefore not possible to provide a preliminary assessment of the impact of the FTA on the costs associated with rules of origin at this stage as the implied changes to rules of origin are not yet known.

One-off familiarisation costs

There are costs associated with business becoming familiar with the agreement. Whilst there is data on the number of businesses that trade in goods, there is limited data on the number of businesses that trade in services. In addition, one would hope that access to preferences under an agreement would encourage further businesses to begin trading with the US. It is therefore not possible to comprehensively estimate the one-off familiarisation cost to businesses trading in goods and services.

The one-off familiarisation cost could affect around 36,861 VAT registered businesses that exported goods to the US in 2018 and 44,291 VAT registered businesses who imported goods from the US in 2018.¹⁵⁴ As mentioned above, data is not available on the number of businesses that trade in all service sectors. However, for context, of all UK exports to the US in 2018, £54.9 billion (46.5%) were goods and £63.2 billion (53.5%) were services. In addition, of all UK imports from United States in 2018, £41.9 billion (58.0%) were goods and £30.4 billion (42.0%) were services.

¹⁵⁴ HMRC Regional trade statistics interactive analysis: first quarter 2019 – proportional business count method <https://www.gov.uk/government/statistical-data-sets/regional-trade-statistics-interactive-analysis-first-quarter-2019>.

14. Annex E: Methodology and results for preliminary assessment of potential impacts of various groups in the labour market

This annex assesses the implications of the agreement for various groups in the labour market, including gender, ethnicity, disability and age.¹⁵⁵

The international evidence suggests that trade agreements and trade liberalisation have the potential to affect various sectors of the economy and groups differently.¹⁵⁶ This is because consumption patterns and employment patterns can differ systematically across groups.

14.1. Methodology

The CGE modelling assumes that a UK-US FTA would not impact on overall UK employment. However the model presents indicative impacts on the number of jobs located within each of the 23 sectors of the model. For the purposes of estimating potential impacts on groups in the labour market, we only include sectors in which employment changes by more than +/- 0.05%. The analysis shows the proportion of the workforce in each sector that come from particular groups. The analysis does not infer changes in employment for each group nor other work-related impacts such as whether these groups see a change in pay or productivity.

¹⁵⁵These characteristics are a subset of those protected under Equalities Act 2010. Other characteristics are not analysed due to a lack of data covering their demographics across sectors of the economy.

¹⁵⁶The characteristic that has been studied in the greatest depth is gender. (UNCTAD, 2017) uses a method similar to the one used in this annex and (OECD, 2018) extends this approach to look at how women are affected as a result of impacts to global value chains.

Table 24 presents data from the Annual Population Survey showing estimates of the proportions of those employed in each of the 23 sectors with various characteristics.¹⁵⁷

Table 24: Proportion of employment by sector and protected characteristics¹⁵⁸

GTAP Sector (23 Disaggregation)	Women	Disabled	Ethnic Minorities	Age (16-24)	Age (65+)
Agriculture, forestry, and fishing	27.4%	15.6%	1.4%	10.0%	18.2%
Semi-processed foods	28.4%	7.6%	9.5%	8.2%	2.1%
Other processed foods	38.0%	11.6%	13.8%	9.7%	1.5%
Beverages and tobacco products	26.0%	9.8%	5.8%	7.8%	1.5%
Energy	21.2%	8.8%	7.0%	8.2%	2.6%
Textiles, apparel, and leather	52.0%	11.8%	15.6%	9.7%	3.8%
Manufactures	16.6%	10.6%	4.6%	10.2%	4.4%
Paper and printing products	35.8%	11.5%	9.0%	7.5%	4.0%
Chemical, rubber, plastic products	31.6%	9.6%	8.1%	8.5%	2.5%
Manufacture of motor vehicles	16.0%	10.4%	8.4%	9.6%	2.2%
Manufacture of other transport equipment	14.4%	9.6%	5.5%	10.5%	2.5%
Manufacture of electronic equipment	27.2%	8.6%	10.5%	8.4%	3.0%
Manufacture of machinery and equipment n.e.c	19.0%	10.9%	6.5%	8.2%	3.2%
Manufacturing n.e.c	31.9%	12.9%	6.1%	8.8%	4.0%
Other services (transport, water, dwellings)	26.3%	12.5%	15.9%	7.7%	4.2%
Construction	12.2%	10.2%	5.4%	10.4%	3.6%
Wholesale and retail trade	48.5%	13.2%	14.1%	24.6%	3.4%
Communications	26.6%	10.3%	14.2%	7.8%	1.2%
Financial services	43.3%	8.9%	15.7%	8.2%	2.1%
Insurance	46.5%	10.4%	9.0%	11.6%	1.6%
Business services	39.6%	11.1%	12.9%	9.0%	4.7%
Personal services	55.2%	12.8%	8.4%	19.1%	4.9%
Public services	68.7%	13.4%	11.8%	7.7%	3.3%
Total	46.9%	12.2%	11.6%	12.1%	3.7%

Source: ONS 3-year Annual Population Survey (Mapped using an internal DIT GTAP-SIC mapping)

The estimated employment changes in various sectors are combined with the data from the Labour Force Survey to consider the characteristics of the workforce within sectors where employment may decline or expand relative to the baseline over the long run. The results focus on whether the protected groups are proportionally concentrated in sectors where employment is estimated to fall relative to the baseline to see whether such groups are more or less likely to work in sectors that reduce the size of their workforce. This does not imply other work-related impacts such as changes in wage.

¹⁵⁷ The sectoral data from the Labour Force Survey are based upon the SIC 2007 classification which are mapped to GTAP sectors.

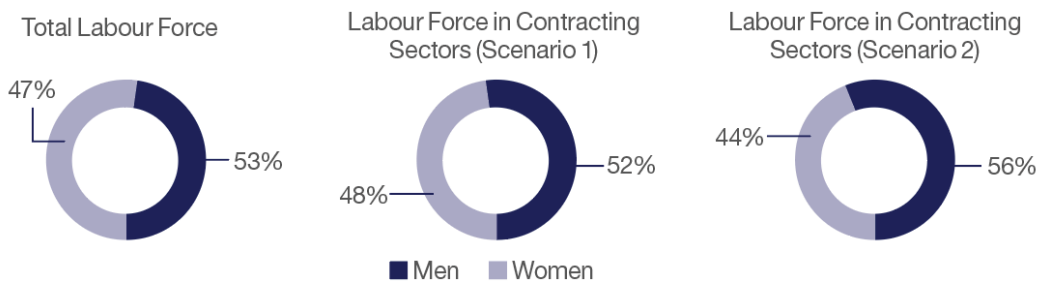
¹⁵⁸ Employment is defined as set out in the ILODEFR. For further information see Labour Force Survey User Guide: Details of LFS variables 2019.

14.2. Descriptive Statistics

14.2.1. Gender

- > Based upon DIT’s analysis of the Annual Population Survey (2015-17), 47% of those in either full-time or part-time employment in the UK are female and 53% are male.
- > The preliminary analysis shows that in scenario 1, the proportion of workers that are female in sectors where employment is expected to decrease relative to the baseline is 48%, approximately in line with the proportion of females in the total workforce. Therefore, female workers are not disproportionately concentrated in sectors that are expected to reduce the size of their workforce.
- > In scenario 2, the proportion of workers that are female is approximately in line with the proportion of females in the total workforce, standing at 44% and 47% respectively. Therefore, female workers are less concentrated in sectors that are expected to reduce the size of their workforce.

Chart 22 – Gender breakdown for the labour market as a whole and for the sectors where employment is estimated to fall relative to the baseline

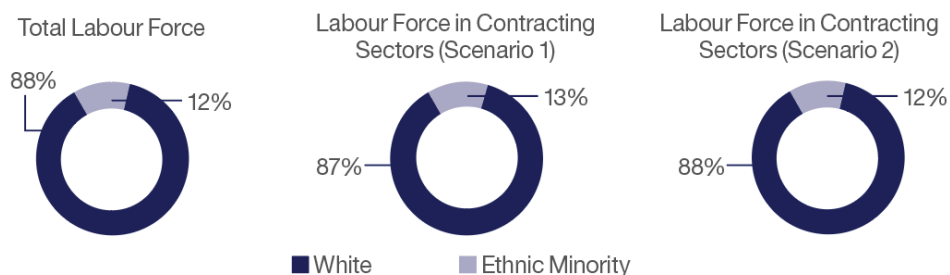


Source: DIT internal analysis using Annual Population Survey

14.2.2. Ethnicity

- > Based upon DIT’s analysis of the Annual Population Survey, around 12% of those in employment in the UK are from an ethnic minority background and around 88% are white.
- > The preliminary analysis suggests that, in scenario 1, the proportion of workers in sectors where employment is estimated to fall relative to the baseline which are from an ethnic minority background is broadly 13%, which is in line with the 12% of ethnic minority workers that make up the total workforce.
- > The preliminary analysis suggests that, in scenario 2, the proportion of workers in sectors where employment is estimated to fall relative to the baseline which are from an ethnic minority background is 12%, which is equal to the 12% of ethnic minority workers that make up the total workforce.

Chart 23 – Ethnicity breakdown for the labour market as a whole and for the sectors where employment is estimated to fall relative to the baseline

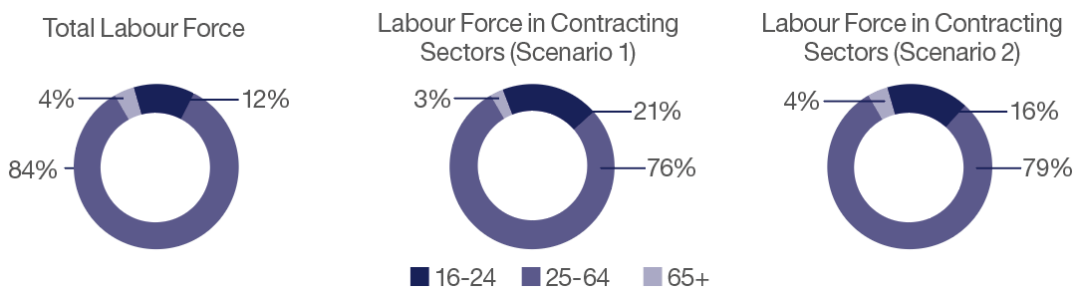


Source: DIT internal analysis using Annual Population Survey.

14.2.3. Age

- > Based upon DIT’s analysis of the Annual Population Survey, around 12% of those in employment in the UK are aged between 16-24, 84% are aged between 25 and 64 and 4% are 65+.
- > The preliminary analysis suggests that, in scenario 1, the proportion of 16-24 year old workers who are concentrated in sectors where employment is estimated to fall relative to the baseline is larger than the proportion in the total workforce, standing at 21% and 12% respectively.
- > In scenario 1, workers aged 65 and over make up 3% of the workforce in sectors where employment is estimated to fall relative to the baseline, which is in line with the 4% of this age group who make up the total workforce.
- > The preliminary analysis suggests that, in scenario 2, the proportion of 16-24 year old workers who are concentrated in sectors where employment is estimated to fall relative to the baseline is larger than the proportion in the total workforce, standing at 16% and 12% respectively.
- > In scenario 2, workers aged 65 and over, make up 4% of the workforce in sectors where employment is estimated to fall relative to the baseline. This is in line with the 4% of this age group who make up the total workforce.

Chart 24 – Age breakdown for the labour market as a whole and for the sectors where employment is estimated to fall relative to the baseline

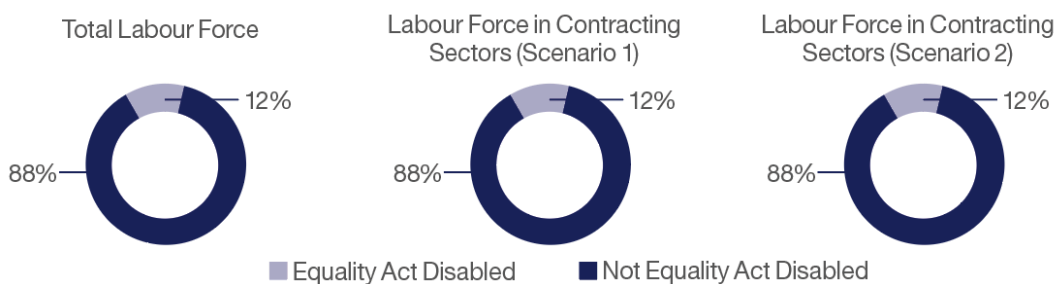


Source: DIT internal analysis using Annual Population Survey.

14.2.4. Disability

- > Based upon DIT’s analysis of the Annual Population Survey, around 12% of those in employment in the UK report that they have a disability (as defined by the Equalities Act 2010). It is possible that non-response to this question in the Annual Population Survey affects the estimated proportion.
- > The preliminary analysis suggests that in both scenarios 1 and 2, the proportion of workers in sectors where employment is estimated to fall relative to the baseline which have a disability is roughly in line with the proportion of the workforce; estimated to be 12%.

Chart 25 – Disability breakdown for the labour market as a whole and for sectors where employment is estimated to fall relative to the baseline in



Source: DIT internal analysis using Annual Population Survey.

14.3. Limitations

The aim of the analysis is to provide an indication of the potential implications of long run changes in employment in various sectors for various groups. This provides a preliminary assessment as to whether the labour market impacts of the agreement may result in a disproportionate impact on specific groups.

The analysis is in line with international best practice in this area but requires several simplifying assumptions and is subject to several limitations.

- > The data from the Annual Population Survey only allows descriptive analysis of where groups are employed in the economy, not inferential analysis of how groups or employers will respond to sectoral shocks. The analysis therefore cannot make inference about how groups will be impacted.
- > The analysis uses the available data sources to describe the characteristics of workers in sectors which may increase or decrease their employment relative to the baseline under an agreement. It does not assess the welfare impacts of the trade agreements on various groups.
- > Mapping the employment data which is recorded in the Annual Population Survey by Standard Industrial Classifications to the sector aggregations used in the GTAP modelling requires several simplifying assumptions which could result in biases in the estimated distribution of employment across GTAP sectors.
- > The proportions estimated here are based on a snapshot of the demographics. By only using the years available in the APS, the analysis does not take into account trends that may be present in the proportions.
- > There is a potential problem of missing data in the APS. Employees in some groups, such as disability, may be less likely to respond to the survey meaning that the data collected is not representative of the true employee demographics.
- > The analysis is based on the structure of the UK workforce from 2015-17.¹⁵⁹ Whereas the CGE modelling results reflect the global economy in the long run when the composition of the workforce may have changed.

¹⁵⁹ The data on the UK total workforce is sourced from the Annual Population Survey, using a 3 year average (2015-17).

15. Annex F: Methodology and results for preliminary assessment of impacts on UK CO2 emissions, transport emissions and U.K agricultural land use.

This annex provides a preliminary, partial assessment of the potential implications of the changes in sectoral output and transport emissions from the modelling exercise outlined in Table 8 for CO2 emissions and wider environmental impacts in the UK.

15.1. Methodology

15.1.1. Emissions Intensity by Sector

Table 25 uses data from the 2011 GTAP database to show the estimated changes in output for the five highest and lowest emission intensity sectors.

Table 25: Emissions Intensity by Sector

Emissions	Sector	Output change (GVA increase)	
		Scenario 1	Scenario 2
Highest emission intensive sectors	Beverages and tobacco products	+	+
	Chemical, Rubber and Plastic Products	+	+
	Energy	++	++
	Manufactures of materials	+	+
	Other services (transport, water, dwellings)	+	+
Lowest emission intensive sectors	Communications	+	+
	Financial Services	-	-
	Insurance	+	+
	Personal Services	+	+
	Public Services	+	+

Source: DIT analysis, GTAP Database.

Key changes in UK Output

Above 0.5% (++)	0.05 to <0.5% (+)	-0.05 to <0.05%	-0.05 to <-0.5% (-)	Below -0.5% (--)
-----------------	-------------------	-----------------	---------------------	------------------

15.1.2. Bilateral Transport Emissions

Table 26 presents £ per kg ratios and modal shares of goods trade between the UK and the US, by weight of trade, for the GTAP sectors used in the CGE modelling above. It shows that over 98% of UK goods exports to the US travel by sea, while over 99% of imports from the US also travel by sea freight. However, there are considerable differences across sectors.

Table 26: Sectoral £ per kg ratios and modal shares, by trade weight

Sector	UK Exports to US (Mass kg)				UK Imports from US (Mass kg)			
	% of total exports	£ per kg:	Sea	Air	% of total imports	£ per kg:	Sea	Air
Agriculture, forestry, and fishing	0.5%	6.7	18.9%	81.1%	3.3%	0.8	97.7%	2.3%
Semi-processed foods	0.3%	4.5	99.1%	0.9%	0.7%	0.5	99.6%	0.4%
Other processed foods	1.3%	2.9	97.1%	2.9%	1.3%	1.9	98.4%	1.6%
Beverages and tobacco products	4.0%	5.3	99.7%	0.3%	1.9%	0.7	99.9%	0.1%
Energy	64.3%	0.5	100.0%	0.0%	57.3%	0.3	100.0%	0.0%
Textiles, apparel, and leather	0.3%	25.0	68.2%	31.8%	0.2%	13.0	82.6%	17.4%
Manufactures	10.6%	3.7	98.1%	1.9%	24.6%	1.6	99.6%	0.4%
Paper and printing products	1.4%	5.9	90.8%	9.2%	1.9%	2.1	93.9%	6.1%
Chemical, rubber, plastic products	5.8%	22.4	95.3%	4.7%	7.1%	3.7	97.6%	2.4%
Manufacture of motor vehicles	6.1%	16.9	98.6%	1.4%	0.3%	11.2	89.5%	10.5%
Manufacture of other transport equipment	0.2%	324.3	65.9%	34.1%	0.2%	240.9	28.8%	71.2%
Manufacture of electronic equipment	0.1%	175.4	45.4%	54.6%	0.1%	175.4	45.4%	54.6%
Manufacture of machinery and equipment n.e.c	4.9%	24.4	90.3%	9.7%	1.0%	41.8	76.5%	23.5%
Manufacturing n.e.c	0.2%	200.0	81.4%	18.6%	0.2%	33.5	87.9%	12.1%
Weighted Average		5.96	98.1%	1.9%		2.01	99.0%	1.0%

Source data: HMRC Overseas Trade statistics 2017-18 Data downloads: release period February 2019. Note, UK-US trade that has been recorded as travelling by road or rail has been omitted from the table and calculations. In 2017/18, this accounted for 0.06% of UK-US trade by weight.

15.1.3. Agricultural Land Use

Changes to the output of the agriculture sector may have implications for agricultural land use in the UK. Increases in agricultural land use are expected to negatively impact other environmental variables, such as biodiversity.

Table 27 sets out UK land use as recorded in the GTAP database.

Table 27: UK Land Use

	(Million Hectares)
Agricultural	16.99
Cropland	7.05
Pasture	9.94
Forest	5.01
Built-up land	0.81

Source: GTAP Database.

15.2. Results

15.2.1. Greenhouse gas emissions and energy use

The preliminary estimates vary depending upon the scenario. However, our analysis suggests in both scenarios that changes in the UK's production and global trading patterns could favour UK sectors which are currently more emission intensive, driven by the modelled expansion of the 'Energy' and 'Other services (transport, water and dwellings)' sectors.

15.2.2. Total transport emissions

Different modes of transport vary greatly in their carbon intensity. For example, one kilogram of cargo flown on a plane generates approximately 100 times the emissions of a kilogram of cargo transported by ship (over the same distance).¹⁶⁰

The type of good being exported, and particularly whether or not it is perishable, will determine the mode of transport used. The location of the export destination, and particularly the proximity to an airport, seaport or rail network will also have an influence. Therefore, even if an FTA results in goods being transported across greater distances, we cannot state the extent to which carbon emissions will be affected. These effects will primarily result from goods trade. Modern FTAs are increasingly focussed on removing regulatory restrictions to services trade, a UK strength, where transport costs are less important.

The environmental effects of increased services trade are particularly difficult to quantify, as not all commercial transactions are recorded as they cross the border. For example, the movement of persons associated with services trade is captured in business travel statistics, but these records are not industry-specific and thus difficult to attribute to increases or decreases in specific service sectors. It is nonetheless recognized that services that involve the movement of persons will have a different environmental footprint than services that do not. However, many cross-border services would likely be those without a physical component, such as IT services. These types of services would be less likely to have negative environmental impacts.

¹⁶⁰ For more information on transport carbon emissions, see [BEIS greenhouse gas reporting conversion factors \(2018\)](#). The mode of transport used will be influenced by the type of good being exported, in particular whether it is perishable or part of a supply process that requires rapid delivery of intermediate products, and the proximity of the export destination to an airport, seaport or rail network.

15.2.3. Bilateral transport emissions

The following analysis only considers the impact of transport emissions from bilateral trade and doesn't account for changed trading patterns with other countries resulting from the UK-US FTA (for example, trade diversion away from competitors such as Canada and Japan). Table 28 sets out the estimated changes in total trade between the US and the UK. In both scenarios it is estimated that the total weight of trade would increase. There are two explanatory factors; firstly, scaling impacts mean that assuming no change in the sectoral proportions of goods traded, an increase in the value of trade would lead to a 1:1 increase in the weight of trade. Secondly, in both scenarios, expanding sectors with low £ per kg ratios such as energy products,¹⁶¹ explain why the estimated increase in weight of trade is higher than the estimated increase in value of trade. Assuming no change in the modal proportions of goods traded, increases in the weight of trade would be expected to lead to an equivalent increase in transport emissions, however, in both scenarios, sectoral shifts may partially offset emissions by increasing the proportion of trade that is transported by ship.

Table 28: Estimated changes in bilateral trade and modal proportions

Scenario	% change in value	% change in weight	Proportion travelling by ship	Proportion travelling by air
Baseline	n/a	n/a	98.8%	1.2%
SCN1	5.7%	41.6%	99.1%	0.9%
SCN2	11.1%	93.7%	99.3%	0.7%

Source data: DIT Analysis, HMRC Overseas Trade statistics 2017-18 Data downloads: release period February 2019. Note, UK-US trade that has been recorded as travelling by road or rail has been omitted from the table and calculations. In 2017/18, this accounted for 0.062% of UK-US trade by volume.

15.2.4. Approximation of impacts on agricultural land use in the UK

The size of the expected change would vary depending upon the scenario; however, the agricultural sector is estimated to increase in the UK under both scenarios. Increased agricultural production could also increase the intensive use of chemical inputs and increase threats to biodiversity.

15.3. Limitations

The preliminary assessment requires a number of simplifying assumptions and does not assess the full environmental impacts of the agreement. For example, the analysis:

- > uses data on emissions and land use from the 2011 GTAP database.
- > assumes that the emissions-intensity of sectors remains unchanged by any regulatory or technological developments.
- > assumes that the value to volume ratio of and mode of transport used by goods sectors remains unchanged.
- > does not consider the impact of environmental provisions within an agreement.
- > does not consider the impact of the agreement on a range of relevant environmental indicators.

The aim is to provide a high-level overview of potential environmental impacts. The estimated environmental impacts will depend on the eventual sectoral distribution of GVA changes as well as the impacts of any environmental provisions included.

Due to the limitations above, the results should not be interpreted as a comprehensive assessment of the environmental impacts of the agreement.

¹⁶¹ Energy products consists of oil, petroleum and gas.



Department for
International Trade

Public consultation on trade negotiations with the United States

Summary of responses

18 July 2019

Contents

Foreword from the Secretary of State for International Trade and President of the Board of Trade	3
Introduction	5
Background	5
What we asked	6
This report	7
Overview of the responses	8
Consultation feedback	12
Consultation events	12
Engagement with Devolved Administrations, Crown Dependencies and Overseas Territories	13
Engagement with Parliament	14
Summary of responses	16
General Themes	16
Overview of Priorities	19
Overview of Concerns	20
Analysis of responses by policy area	21
Summary of campaign responses	46
Next Steps	51
Annex A: Consultation Questions	53
Annex B: Demographics	60
Annex C: Glossary	64

Foreword from the Secretary of State for International Trade and President of the Board of Trade



The United Kingdom is on the cusp of a new era in our great trading history. , we will have the freedom to pursue an independent trade policy to build a stronger, fairer and more prosperous country, more open and outward-looking than ever before.

The Government, led by my Department for International Trade, has been preparing for the United Kingdom to have an independent trade policy after we exit the European Union. We have made great strides forward. We have opened 14 informal trade dialogues with 21 countries from the United States to Australia to the United Arab Emirates. We have also been working closely with our existing trading partners to ensure the continuity of European Union trade deals. The United Kingdom's trade with countries with which we are seeking continuity¹ accounted for £139 billion or 11 per cent of the United Kingdom's trade in 2018.²

We have already signed a number of these continuity agreements which replicate the effects of the existing agreements, as far as possible. This includes Switzerland, which is one of our key trading partners and worth 2.3 per cent³ of the United Kingdom's total trade. Other agreements have been signed with Israel, the Palestine Authority, Chile, the Faroe Islands, Eastern and Southern Africa, Caribbean countries, Iceland and Norway, Fiji, Papua New Guinea, Colombia, Peru and Ecuador.⁴ We have also agreed in principle an agreement with Korea which will be signed shortly. In addition to this, we have also signed Mutual Recognition Agreements with Australia, New Zealand and the United States. We will continue to work tirelessly to deliver the maximum possible continuity and certainty for when we leave the European Union.

In addition, we have made significant headway on the United Kingdom's future independent membership of the World Trade Organization: we have submitted our proposed commitments on goods and services; established our own independent trade remedies system (the Trade Remedies Authority); and published the Export Strategy and launched 14 working groups and a number of trade reviews with key partners.

The Government is determined to build a new economic relationship with the European Union. One which sees the United Kingdom leave the Single Market and the Customs Union to seize new trading opportunities around the world, while protecting jobs, supporting growth and maintaining security co-operation. We recognise that our Future Economic Partnership with the European Union will have considerable and immediate implications for the way the United Kingdom can develop its future trade policy, in terms of its trading agreements with the rest of the world. We will continue to listen and respond to our stakeholders' views on this as we develop our own independent trade policy in parallel with the direction of the future relationship negotiations with the European Union.

¹ This excludes Turkey (plus San Marino and Andorra) which is part of a customs union with the European Union, and excludes Japan, as the Economic Partnership Agreement only came into force on 1 February 2019.

² UK total trade: all countries, non-seasonally adjusted, October to December 2018.

³ UK total trade: all countries, non-seasonally adjusted, October to December 2018.

⁴ The trade continuity agreement with Iceland and Norway would only apply in a No Deal scenario. All others would apply after the proposed Implementation period as well.

An independent trade policy means we can negotiate trade agreements specifically tailored to the United Kingdom, building links with old friends and new allies, enabling the United Kingdom to take advantage of emerging sources of growth and to deepen ties with our established partners to create shared and sustainable growth.

In July last year, we launched consultations on new free trade agreements. The consultations demonstrated the United Kingdom's intention to seek free trade agreements with the United States, Australia and New Zealand, as well as the United Kingdom potentially seeking accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP, a plurilateral agreement with 11 existing members).

We have engaged fully with the devolved administrations, and consulted extensively with stakeholders across the business community, civil society, academia and the general public on priorities for trade negotiations to ensure we represent the interests of the whole of the United Kingdom in any future negotiation.

We have received 601,121 responses to the four consultations on future trade agreements. I would like to thank all those who took the time to contribute to this consultation. The Government is committed to an inclusive and transparent trade policy, so today, I am publishing a summary of the consultation responses we received across the four consultations.

A handwritten signature in blue ink, appearing to read 'Liam Fox', with a stylized flourish at the end.

The Rt Hon Dr Liam Fox
Secretary of State for International Trade and President of the Board of Trade

Introduction

Background

1. As the United Kingdom (UK) leaves the European Union (EU), we will have an independent trade policy for the first time in nearly 50 years. This will give us the opportunity to forge new and ambitious trade relationships around the world, and to enter into new Free Trade Agreements (FTAs) with other countries or groups of countries.
2. The Government remains committed to building a deep and special trading partnership with the EU, but through our new independent trade policy, we can also take advantage of shifts in the global economy: According to the IMF, 90 per cent of the world economic growth over the next five years is forecast to come from outside the EU⁵; and 54 per cent of the UK's exports of goods and services are now traded outside the EU⁶, compared with only 46 per cent in 2006.
3. Through negotiating FTAs, we can work with our trading partners around the world to break down barriers to trade in goods and services, ensure that UK businesses are treated fairly, and protect our right to regulate and maintain high standards, creating the conditions for individuals and businesses to prosper. Our ambition is to:
 - Increase economic growth and productivity, through increased trade and investment, promoting greater competition and innovation.
 - Provide new employment opportunities, including higher-skilled jobs, from greater specialisation, increasing wages and opportunity across the UK.
 - Deliver a greater variety of products for consumers at a lower cost while maintaining quality.

Why this Free Trade Agreement?

4. An early priority for the UK's independent trade policy will be to negotiate a comprehensive FTA with the United States (the US). UK-US trade was estimated to be worth £191 billion in 2018.⁷ The US is our largest trading partner outside the EU, in recent years accounting for nearly a fifth of all UK exports.⁸ The US is the top destination for UK Foreign Direct Investment (FDI), accounting for 20 per cent of the total UK outward FDI stock.⁹ The US is also the top investor in the UK, accounting for 26 per cent of the total UK inward FDI stock in 2017.¹⁰ A UK-US FTA would further cement our existing strong bilateral partnership. The US is also a country with which the UK has a strong and enduring bond. We have a shared heritage and values, and already cooperate extensively across security, prosperity and defence. Since the Second World War we have together led the work to build the international system on which global peace and prosperity depend, the UK works closely with the US in many multilateral forums

⁵ DIT calculations based on the IMF World Economic Outlook database, updated April 2019.

⁶ Source: ONS Balance of Payments 2019Q1.

<https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/balanceofpayments>

⁷ UK total trade: all countries, non-seasonally adjusted, October to December 2018.

⁸ UK total trade: all countries, non-seasonally adjusted, October to December 2018.

⁹ ONS Foreign Direct Investment involving UK companies, figure for 2017.

¹⁰ ONS Foreign Direct Investment involving UK companies.

including the United Nations (UN), NATO, G20 and the World Trade Organization (WTO). Our economies have never been more deeply intertwined, making the US a vital trading and investment partner for the UK.

A transparent and inclusive trade policy

5. As set out in the Trade White Paper *Preparing for our future UK trade policy* published in October 2017, the Government is committed to pursuing a trade policy which is inclusive and transparent. To ensure that any future FTA works for the whole of the UK, the Government is therefore committed to seeking views from a broad range of stakeholders from all parts of the UK. In July 2018, the Government published DIT's *approach to engagement for the pre-negotiation phase of trade negotiations* setting out its plan for pursuing new trade negotiations collaboratively by engaging with the widest range of stakeholder groups, as it takes forward its free trade agenda. For new FTAs, we have run broad open consultations. We will continue to engage as widely as possible as we look ahead to negotiations potentially starting soon.
6. On 20 July 2018, the Department for International Trade (DIT) launched four 14-week public consultations seeking views on potential FTAs with the US, Australia, and New Zealand, and potential accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). To support this, the Government ran a series of events around the UK to promote the consultations. All four consultations closed on 26 October 2018. This document sets out the findings from the responses received.
7. DIT welcomed feedback and comments from all interested parties to the consultations. Across the four consultations, the Government received over 600,000 responses including those submitted by campaigns. They have been analysed and are informing the Government's overall approach to the four potential future trade deals. The consultation feedback will also support the Government in meeting its commitment to delivering a UK trade policy which will benefit the UK economy, and businesses, workers, producers and consumers.
8. While many respondents welcomed the opportunities that an independent trade policy will bring as we leave EU, many respondents also mentioned the importance of the UK's future economic relationship with the EU. We recognise that the UK's future trade policy, including our ability to negotiate FTAs, will depend on the scope and substance of our future economic relationship with the EU. While comments on the UK Government's vision for the Future Economic Partnership (FEP) with the EU were outside the scope of the questions asked in this FTA consultation, they have, however, been included in our analysis.

What we asked

9. Each consultation was based on a series of questions concerning the respondent's priorities and concerns regarding the relevant agreement. The questions were broad to ensure the consultation exercise was inclusive and would encourage participation from a wide range of stakeholders. We received responses from individuals, businesses, business associations, public sector bodies, trade unions and other non-governmental organisations (NGOs). The online survey covered a range of policy areas which are typically included in any comprehensive FTA.

These were:

Tariffs	Rules of Origin (RoO)	Customs Procedures	Services	Digital
Product Standards, Regulation and Certification	Sanitary and Phytosanitary (SPS) Measures	Competition	Government (Public) Procurement	Intellectual Property (IP)
Investment	Labour & Environment	Trade Remedies and Dispute Settlement	Small- and Medium-sized Enterprise (SMEs) Policy	Other

Respondents were also able to submit additional comments not related to the areas listed above. A full list of all the questions asked during this consultation is available in Annex A.

This report

10. This document is a summary of what respondents said in the *consultation on trade negotiations with the US* (the consultation). The evidence provided from the responses to this consultation (as summarised in this document), will inform the Government's overall approach to our future trading relationship with the US, including our approach to negotiating any trade agreement. As we look ahead to finalising our negotiating objectives, we will continue to actively consider the consultation feedback to inform this work. Decisions made as a result of this consultation will therefore be published alongside our negotiating objectives before potential negotiations start. This report, therefore, does not set out Government policy with respect to future trade policy, but simply provides a summary of what consultation respondents have told us. The Government will take all responses to this consultation into account. A number of respondents raised points which fell outside the scope of this consultation. However, they have still been included in the statistical analysis.
11. We also received a large number of responses from outside the UK. The views provided in these responses will be analysed carefully and considered.
12. This document does not contain a list of the respondents or contain any personal or organisational details of the respondents. Their views are summarised in the following sections of this report but are not attributed to any individual respondent or business. The figures in this document refer to those who responded to the consultation, so should not be treated as statistically representative of the public at large.

13. The Government does not intend to publish any individual consultation responses it received. Many organisations have published their own responses independently.
14. DIT commissioned the research agency Ipsos MORI to analyse responses for all four consultations and produce statistical analysis with a summary of the overall findings. This analysis supplements the review of consultation feedback undertaken by the Government. Ipsos MORI developed a code frame to allow for systematic statistical analysis of the responses. The codes within the code frame represent a ‘theme’ based on an amalgamation of responses submitted and are intended to comprehensively represent all responses. The code frame and methodology, produced by Ipsos MORI, have been published alongside this report.

Overview of the responses

15. On the closure of the consultation on a potential UK-US trade deal, the Government had received 158,720 responses, submitted via the online survey and by email or post.

Table 1: A breakdown of the overall response numbers

Total number of emails, letters and online survey responses received	158,720
Online survey responses	6,299¹¹
Post	1
Emails [non-campaign]	105
Emails [campaign]	152,315

16. Respondents were categorised into one of the following five groups:
- **An individual** – Responding with personal views, rather than as an official representative of a business, business association or another organisation.
 - **Business** – Responding in an official capacity representing the views of an individual business.
 - **Business association** – Responding in an official capacity representing the views of a business representative organisation or trade association.
 - **Non-governmental organisation (NGO)** – Responding in an official capacity as the representative of a non-governmental organisation, trade union, academic institution or another organisation.

¹¹ The total number of consultees who completed an online response was 6,325 but only 6,299 were deemed as valid responses.

- **Public sector body** – Responding in an official capacity as a representative of a local government organisation, public service provider, or another public sector body in the UK or elsewhere.

Online consultation portal

17. The Consultation Portal was hosted by Citizen Space (an online software tool) and contained an online survey with a total of 67 questions. This was tailored to each of the five respondent groups with additional questions for certain groups. The survey for each group asked what areas of an FTA respondents viewed as being priorities and concerns and offered respondents the opportunity to select from across 14 trade policy areas relevant to an FTA. Respondents were also given the opportunity to submit supplementary comments and to raise any other issues. In addition, business respondents and business organisations were asked to select their top priority area and top concern. Respondents could simply answer the online survey questions selecting from the 15 options for priorities and concerns with textboxes available for additional comments. While many respondents chose not to submit additional comments after filling in the questionnaire, these responses are still subject to the same analysis and will be taken into account in developing our policy.
18. Of the 67 questions, there were five general questions for all respondents to answer, 11 specific questions for individuals to answer, ten specific questions for NGOs, 23 questions for businesses, 11 specific questions for business associations and nine specific questions for public sector bodies. See Annex A for the full list of questions asked.
19. Table 2 shows a breakdown of the number of Consultation Portal responses per respondent group.

Table 2: Total Consultation Portal responses broken down by respondent group

Respondent group	Number of responses
Individual	5,960
Non-governmental organisation (NGO)	47
Business	226
Business association	54
Public sector body	12
TOTAL	6,299

Respondents' demographic profile

20. The online survey gave respondents the option to provide additional data about themselves or their organisation. This included questions such as their geographical location, age, gender, size of business and the number of businesses the business associations represent. Using this data, we have provided a detailed breakdown of respondents' profiles in Annex B.

Responses via email and post

21. Some respondents opted to submit their responses to the consultation via email. On request, questions from the Consultation Portal survey were made available to respondents. In this case, the majority of respondents submitted a letter with specific comments tailored to the needs and circumstances of their organisation. The table below (see table 3) shows a breakdown of the number of responses by respondent group. Over two thirds of the responses sent via email were from business and industry.

Table 3: Total number of email responses broken down by respondent group

Respondent group	Number of responses
Individual	38
Non-governmental organisation (NGO)	13
Business	8
Business association	36
Public sector body	10
TOTAL	105

22. One response was submitted by post from an NGO.

Campaign responses

23. A number of campaigning groups organised and encouraged responses to the consultation. In particular, 38 Degrees actively encouraged its members to respond. Nearly 150,000 responses were submitted to the US consultation from 38 Degrees.

Table 4: Breakdown of the number of campaign responses

Campaigning Organisation	Number of Responses	Title of Campaign
38 Degrees	145,905	<i>Submission to DIT's consultation on future trade deals</i>
Global Justice Now	4,458	<i>US-UK trade deal: Respond to the public consultation</i>
War on Want	1,545	<i>Tell Liam Fox What You Think About a US Deal</i>
Open Rights Group	407	<i>Preserving digital rights in UK-US trade negotiations</i>

24. We have not categorised responses in any way other than how they were received. In the summary of responses section of this document, which summarises the detailed comments received by respondents, responses have been considered in the relevant policy area where they would be in a typical FTA.

Consultation feedback

Consultation events

25. As part of DIT's work to promote all four consultations, we held 12 'Town Hall' and roundtable events across the UK, seeking views from a broad range of stakeholders. Additionally, the Minister of State for Trade Policy, George Hollingbery MP, chaired a webinar (openly advertised on Twitter) with over 100 people registering. The webinar was specifically designed to discuss FTAs with specific relevance to how Small- and Medium-sized enterprises (SMEs) operate.

Table 5: Location, date and partner organisation of each event

Location	Date	Partner Organisation
Edinburgh	5 September 2018	The Scottish Council for Development and Industry
Manchester	21 September 2018	British American Business
Exeter	28 September 2018	Confederation of British Industry
Birmingham	1 October 2018	British American Business
Norwich	3 October 2018	Confederation of British Industry
Belfast	4 October 2018	Invest Northern Ireland
London	5 October 2018	Confederation of British Industry
Nottingham	8 October 2018	Geldards
Durham	10 October 2018	British Chambers of Commerce
Leeds	12 October 2018	Trades Union Congress
Cardiff	15 October 2018	British Chambers of Commerce
Reading	17 October 2018	Federation of Small Businesses
Webinar	22 October 2018	Federation of Small Businesses

26. The events were intended to encourage individuals and businesses from all parts of the UK to participate in the consultations. We partnered with leading business associations and other representative organisations to host these events with each event adapting to meet the needs and interests of the registered attendees. In total, there were over 300 attendees with a broad spectrum of trade policy interests.

27. The events were chaired by either the Secretary of State, a minister or a senior official from DIT. Leading country and policy team experts from the department were also available to answer questions. These events allowed us to hear first-hand from a range of experts from across business, trade unions, NGOs, consumer groups and other civil society representatives. Events were held under the Chatham House Rule, with comments not attributed to stakeholders. This facilitated an open and honest discussion. Feedback from attendees was positive with the events being reported as informative and valuable.
28. From these events, we gathered the following feedback to all four consultations:
- Appetite for engagement was high. Stakeholders valued the opportunity for a genuine dialogue with ministers and senior officials, an opportunity to exchange views, gather information and to be involved in the policy-making process.
 - Stakeholders welcomed the Government's commitment to an inclusive and transparent trade policy and asked for this transparency to continue throughout the negotiation process. They requested more digital content on trade to be made available, and for the Department to signpost main issues to assist them accessing pertinent information.
 - Levels of general knowledge of FTAs were mixed.
 - Many businesses were engaged but were open about the fact that the FEP with the EU and EU-Exit contingency planning was their main focus. This was consistently seen as the more immediate priority for business.
29. Understanding of FTAs varied across different stakeholder groups, with there being mixed levels of awareness about the impact of trade deals and their wider benefits to the general public. DIT recognises the need to raise awareness of future FTAs and their impact at both local and national level. The insights gained from these events will inform DIT's stakeholder engagement plans for any future stakeholder consultation exercises and for any future engagement during potential trade negotiations. The Government will continue to build upon its commitment to deliver an informed, inclusive and transparent trade policy.

Engagement with Devolved Administrations, Crown Dependencies and Overseas Territories

30. As set out in the Trade White Paper *Preparing for our future UK trade policy* the Government is committed to ensuring the devolved administrations (DAs) have a meaningful role in trade policy after we leave the EU. To develop and deliver a UK trade policy that benefits businesses, workers and consumers across the whole of the UK we will take into account the individual circumstances of England, Scotland, Wales and Northern Ireland. Working closely with the devolved administrations to deliver an approach that works for the whole of the UK continues to be a priority for DIT.
31. During the consultation, we took steps to engage widely in Scotland, Wales and Northern Ireland, including holding round tables in Edinburgh, Cardiff and Belfast.

32. The Scottish and Welsh Governments have provided views on the potential UK-US FTA via written responses and during discussion with DIT ministers and officials. We welcome and thank both Governments for these views.
33. The Northern Ireland Civil Service has published technical data in relation to the US and trade and discussed this data with DIT officials. We thank them for this information.
34. DIT will continue to actively engage with the devolved administrations regarding any new potential trade deal with the US through a new DIT/DA Ministerial Forum and our regular Senior Officials Group and Policy Roundtables.
35. We recognise the interest in potential UK FTAs from the Crown Dependencies and Overseas Territories, including Gibraltar, and remain fully committed to engaging them as we develop our independent trade policy for the UK. The Secretary of State for International Trade made this commitment clear in his letter to the Chief Ministers of the Crown Dependencies and Overseas Territories at the launch of the consultations in July 2018. Discussions between DIT and the Crown Dependencies continue on a range of Trade Policy topics.
36. We will continue to seek views from the Crown Dependencies and Overseas Territories, including Gibraltar, during any potential future FTA negotiations to ensure that their interests and priorities are properly taken into account.

Engagement with Parliament

37. The Government is committed to providing Parliament with the ability to inform and scrutinise new trade agreements as we progress with developing our future trade policy. The Secretary of State for International Trade, Minister of State for Trade Policy and the Government's Chief Trade Negotiation Adviser held a briefing session on the FTA consultations, open to all Members of Parliament (MPs), on 12 September 2018. Twenty-four MPs attended, and the questions were wide ranging, covering all four consultations. Comments sent to DIT by MPs on behalf of their constituents were also considered as part of our analysis of the consultation feedback. The House of Commons International Trade Committee also published a report on UK-US Trade Relations, to which the Government responded on 10 July 2018. We will consider the Committee's conclusions from its inquiry on Trade and the Commonwealth: Australia and New Zealand.
38. On 21 February 2019 there was a debate in Government time in the House of Commons on the four potential new FTAs. The purpose of this was to help the Government to understand parliamentarians' priorities for the new FTAs before formulating our negotiating objectives.
39. On 28 February 2019 we published a paper, *Processes for making a free trade agreement after the United Kingdom has left the European Union*, which sets out proposals on public transparency for future FTAs and the role of Parliament and the devolved administrations. This included confirmation that at the start of negotiations, the Government will publish its Outline Approach, which will include our negotiating objectives, and an accompanying Scoping Assessment, setting out the potential economic impacts of any agreement. The Government stands by its commitment to ensure that Parliament has a role in scrutinising these documents

so that we can widen the range of voices heard and ensure that as many views as possible are taken into account before commencing negotiations.

40. The Government plans to draw on the expertise and experience of Parliamentarians throughout negotiations, working closely with a specific parliamentary committee, or alternatively one in each House. We envisage that the committee would have access to sensitive information that is not suitable for wider publication and could receive private briefings from negotiating teams. This would ensure that the committee(s) was able to follow negotiations closely, provide views throughout the process and take a comprehensive and informed position on the final agreement.

Summary of responses

General Themes

Respondents identified a wide range of priorities for a potential future UK-US Free Trade Agreement. The summary below sets out the key themes by volume of comments and highlighted priorities. More detailed analysis can be found in the 'Analysis of responses by policy area' section. We also received a large volume of campaign responses, not all of which included individual comments. These are summarised in the 'Summary of campaign responses' later in this document.

That the UK could benefit from lowering or removing tariffs with the US, while recognising that there may be some industries where this approach would need further consideration

In general, respondents saw this as an area of opportunity. A key priority for individuals, business, and business associations was that the UK should aim for an FTA that increased market access into the US through low or zero tariffs. Some respondents made this conditional – for example on the continued enforcement of strict regulations on the quality of products imported and exported, as well as phase-out periods if and where needed to protect certain industries. Some respondents were also of the view that exceptions should be put in place for sensitive products, particularly in agriculture. Against these objectives, respondents also raised what they perceived as the 'protectionism' of current US use of tariffs – commenting that before starting trade negotiations, the UK should aim to discuss and eliminate current US tariffs imposed on UK exports (steel and aluminium). This was especially critical for labour unions, and the automotive and steel production industries.

The UK's current food and product standards should be maintained and not negatively impacted by an FTA with the US

Respondents identified the importance of maintaining what they saw as the UK's current high food and product standards. For food standards, this included ensuring that any FTA with the US supported robust Sanitary and Phytosanitary (SPS) provisions and high levels of animal welfare protection. Concerns were raised around US food standards in a number of areas, including use of Genetically Modified Organisms (GMOs), "hormone-fed or injected beef", over-use of pesticides, "chlorine-washed chicken" and levels of preservatives or additives. For both food and product standards, respondents also noted potential opportunities to reduce UK-US trade barriers by harmonising standards/levels of protection or through mutual recognition, as long as UK standards are maintained and there is continued alignment with the EU.

The UK's existing labour standards and environmental protections should not be reduced or negatively impacted by an FTA with the US

Across all stakeholder groups, respondents called for the UK to maintain its high labour and environmental standards in any FTA with the US. Many of the individuals responding were worried about the additional effect that transporting goods across the Atlantic would have on the UK's carbon footprint. Respondents were also concerned about what they perceived as the US's lower environmental standards, and the current US Administration's policy on climate change – and that these would affect the UK's own commitments to the environment. Some respondents noted that an FTA provided an opportunity to encourage the US to commit to additional environmental

protections. Respondents also highlighted that workers' rights and pay should not be undermined or adversely affected through a UK-US FTA trade deal, either due to unfair competition or the lowering of employment standards.

That the UK could benefit from an agreement with the US that reinforces high Intellectual Property (IP) standards, including maintaining our geographical brand names for food and drink products

Respondents noted the strength of the UK's IP protections and highlighted the potential opportunity that an FTA could bring for elements of the UK's 'gold standard' IP regime to be adopted in the US. Some specific examples given by business associations, of where they viewed the UK regime as stronger were in relation to the fair use and safe harbour provisions within the US copyright regime. Respondents argued this alignment with the UK regime could result in better IP protection and enforcement mechanisms in both countries, the two most innovative economies in the world.¹² Respondents highlighted the linked opportunity for the UK and US to become joint driving forces for setting and strengthening global IP standards. Many respondents called for the effective protection of UK Geographical Indications (GIs) with several asking for mutual recognition of legitimate GIs with the US. This was viewed as being particularly important for regional brands within the UK (and in Scotland in particular).

That the UK should maintain control over how we operate our public services and, in particular, the National Health Service (NHS)

Respondents (including 145,905 responses received through the 38 Degrees-organised campaign) highlighted the importance that they placed on the protection of the NHS. They noted that the NHS should remain free at the point of need. Individuals and NGOs, in particular, stressed therefore that any FTA with the US should contain sufficient protections for the NHS, and other UK public services, including in areas such as Government procurement.

That the UK's approach to Dispute Settlement under a UK-US FTA (in particular, in relation to any Investor State Dispute Settlement (ISDS) mechanism) should be carefully considered

Overall, respondents agreed that UK-US investment is essential for future prosperity, with a range of perspectives on investor protections, in particular regarding ISDS. Many respondents (including in the 'Global Justice Now' and 'War on Want' campaigns) expressed concerns around the ISDS mechanism. Concerns included the view that this could involve what were perceived as 'secret courts' and giving legal powers away outside the UK legal framework. Their strong opposition was also based on their perception that ISDS offers preferential treatment to investors and corporate organisations. In general, respondents wanted to see fair, robust and transparent state-to-state dispute settlement mechanisms. Many business respondents called for faster, easier and cheaper dispute settlement processes in order to allow access for SMEs. Other comments sought clarity over which criteria would determine which jurisdiction would apply in dispute cases. The Global Justice Now and War on Want campaign respondents called for an accessible grievance mechanism which would enable individuals, groups or communities to raise grievances against corporate investors.

¹² Global Innovation Policy Centre (2019) <https://www.theglobalipcenter.com/ipindex2019-chart/>

Other main themes

In addition to the above, a number of themes were reiterated through the responses to the consultation. For example, respondents identified opportunities within the services sectors for greater trade liberalisation and further visa liberalisation to support the movement of labour and students. Respondents noted the potential opportunity to support the free movement of workers and mutual recognition of professional qualifications between the UK and the US. This included a broad range of opportunities regarding professional qualifications and the importance of financial services to the bilateral trade relationship. Respondents identified Digital Trade as a key priority for a UK-US FTA, where many respondents were supportive of maintaining a high level of data protection and privacy standards in the UK. Respondents also recognised the opportunity to drive technological advances and expand consumer choice in the media industry and outlined opportunities for UK and US co-operation on cyber security issues.

Respondents identified a number of opportunities to facilitate trade in goods, through fair and balanced Rules of Origin (RoO) that are clear, less complex and bureaucratic, and take account of the existing international supply chains and logistics. Respondents also identified the modernisation of Customs Procedures as a way to increase efficiency via equivalence, technological solutions or mutual recognition of customs-related procedures/documents in order to reduce costs and production delays. These measures were identified as particularly important for SMEs. While the most common concern was that UK SMEs might not be able to compete with large US corporations following a UK-US trade agreement, many respondents were also of the view that a UK-US trade agreement could provide SMEs with numerous opportunities to expand their markets and grow.

Overview of Priorities

Respondents who completed their consultation response via the online survey, were classified into different respondent groups (Individual, NGO, Business, Business Association and Public Sector Body) and asked a series of questions (set out in Annex A).

All respondent groups were asked what they wanted the UK Government to achieve through a UK-US trade agreement and which of the 15 policy areas provided (as set out below) best described the priorities outlined in their previous answer. Business and business association respondents were also asked what they wanted the UK Government to achieve by reference to the 14 policy areas, and were provided with a supplementary question, asking which of these policy areas is their top priority.

The table below shows the top three policy areas selected as a priority for each of the different respondent groups.

Table 6: Top priorities selected by different respondent groups

Type of respondent (Total number)	First most selected priority (Total selected by)	Second most selected priority (Total selected by)	Third most selected priority (Total selected by)
Individuals (5,838)	Product Standards, Regulation and Certification 4,946	Sanitary and Phytosanitary Measures 3,838	Labour and Environment 3,285
Businesses (213)	Product Standards, Regulation and Certification 33	Tariffs 30	Services 28
Business Associations (47)	Tariffs 12	Product Standards, Regulation and Certification 11	Services 6
NGOs (44)	Product Standards, Regulation and Certification 27	Labour and Environment 21	Public Procurement 20
Public Sector Bodies (12)	Tariffs 6	Investment/Sanitary and Phytosanitary Measures 5	Rules of Origin/Product Standards, Regulation and Certification 5

Overview of Concerns

All respondent groups were asked what concerns they had about a UK-US trade agreement and which of the 14 policy areas provided (as set out below) best described the concerns outlined in their previous answer.

Business and business association respondents were also asked about their concerns by reference to the 14 policy areas, and were provided with a supplementary question, asking which of these policy areas was their top concern.

The table below shows the top three policy areas selected as a concern for each of the different respondent groups.

Table 7: Top concerns selected by different respondent groups

Type of respondent (Total number)	First most selected concern (Total selected by)	Second most selected concern (Total selected by)	Third most selected concern (Total selected by)
Individuals (5,770)	Product Standards, Regulation and Certification 4,928	Sanitary and Phytosanitary Measures 3,834	Labour and Environment 3,192
Businesses (186)	Product Standards, Regulation and Certification 31	Tariffs 27	Services 25
Business Associations (43)	Tariffs 9	Product Standards, Regulation and Certification 8	Intellectual Property 8
NGOs (45)	Product Standards, Regulation and Certification 23	Labour and Environment 19	Sanitary and Phytosanitary Measures 17
Public Sector Bodies (11)	Product Standards, Regulation and Certification 6	Sanitary and Phytosanitary Measures 5	Tariffs 5

Analysis of responses by policy area

This section contains a detailed analysis of the free text comments submitted. The feedback has been summarised with reference to the 14 policy areas and other comments provided and grouped by respondent type: (1) Individuals (2) Businesses (3) Business Associations (4) NGOs (5) Public Sector Bodies. Please note that where respondent feedback from across these different groups reflected similar views, comments or issues highlighted might overlap. Technical terms can be found in the glossary located in Annex C.

Tariffs

Overall, respondents saw tariffs as an area of opportunity in any potential UK-US FTA. Many respondents stated that the Government should seek to eliminate or lower tariffs on all goods, with exceptions potentially required for sensitive products, such as in the agri-food sector, while some respondents called for the UK Government to maintain current tariff rates. Respondents, in general, were open to the benefits that greater tariff liberalisation could achieve, while maintaining the UK's high levels of protection and standards, and ensuring that cheaper, less regulated products are not able to flood the UK market.

Individuals

Six hundred and fifty-nine individuals submitted comments referencing tariffs as a priority in any potential UK-US FTA, with 268 individuals calling for an FTA that eliminates tariffs on US goods. Several comments referred to the potential consumer benefits for both countries that might result from a reduction or removal of tariffs with reduced prices for imported goods. However, 202 individuals raised concerns about tariffs, which included comments around lowering tariffs due to potential negative effects on UK production and manufacturing in areas such as agri-food and steel. Several individuals raised concerns over the high tariffs that the US has recently placed on steel and aluminium from China and the EU. Seventy-six individual respondents raised concerns about the potential for trade wars on tariffs.

Businesses

One hundred and sixty-four businesses prioritised tariffs in their comments, with most respondents favouring low tariffs or their complete removal. Thirty-seven stated that a deal should prioritise fewer barriers as well as lower tariffs. Fifty-nine businesses saw tariffs as a concern, with 11 businesses highlighting that UK exports to the US could potentially be subject to higher tariffs than the US ones to the UK in a potential UK-US FTA. Some businesses were of the view that there should be no reduction in tariffs on agricultural products, such as meat or dairy. A few businesses called for UK tariffs to be increased to protect UK businesses.

Business Associations

Sixty-two business association respondents asked for the UK Government to prioritise the reduction of tariffs in a UK-US FTA to enable trade without barriers. Some of these respondents remarked that any future trade agreement should be balanced, to benefit both trading parties, while 30 business associations raised concerns, which included remarks about the UK being subject to potentially higher tariffs in a UK-US FTA. A need to respect the WTO Pharmaceutical Tariff

Elimination Agreement was also raised as being important. Some business association respondents noted that the UK should aim to eliminate its existing high tariffs, with phase out periods, if needed. Respondents also suggested that tariff-free trade could lead to an increase in competition or the undermining of preferential market access for developing countries. Respondents were of the view that preferential access granted unilaterally by the UK for products from developing countries might partly lose its value if those products needed to compete in the UK market with similar products from the US, which are also subject to preferential treatment.

NGOs

Twenty-two NGO respondents called on the UK Government to prioritise tariffs in any potential UK-US FTA, with the elimination of tariff barriers being a recurring theme in the feedback for both imports and exports. One NGO respondent requested that current tariff levels be maintained, and not reduced, to protect UK agriculture. Thirteen NGOs raised concerns about tariffs, with the issue of US tariffs being imposed on UK steel and aluminium exports frequently raised. Five NGOs raised concerns about the potential for a trade war on tariffs.

Public Sector Bodies

Thirteen public sector bodies in their comments viewed tariffs as a priority, with five calling for them to be lowered and two commenting that tariffs should be removed. Three public sector respondents called for the prioritisation of export trade. Three respondents raised concerns on tariffs, relating to high tariffs, particularly in the meat industry. In general, the public sector body feedback was positive with respondents of the view that tariff-free trade could be beneficial.

Rules of Origin (RoO)

Responses across all respondent groups highlighted the need for the UK Government to prioritise RoO in any potential UK-US FTA, with a need for them to be fair and beneficial to both sides. Respondents also made comments on GIs. However, in a typical FTA, GIs are contained within the IP chapter and, therefore, we have considered the relevant comments in that section.

Individuals

One hundred and forty individual respondents referenced RoO in their comments as a priority in any potential UK-US FTA. Individual respondents also commented specifically on labelling as a priority, although this is not an issue that is covered by RoO provisions in FTAs. A point repeatedly made was the need to achieve an agreement that continues the UK's adherence to EU RoO. One hundred and twenty-one individuals raised RoO as a concern, with 80 individuals making specific comments about the problem of low-quality imported products.

Businesses

Overall, businesses were of the view that a UK-US FTA could have a positive impact by simplifying imports and certification of origin requirements, driving efficiencies within the supply chain and thereby lowering costs for consumers. One hundred and twenty-one business respondents viewed RoO as a priority. A request repeatedly made in the feedback by 51 businesses, was for the UK to retain current standards and regulations applied in the EU on RoO. A further 35 respondents

raised concerns about RoO, with the most common concern being the complexity and bureaucracy of RoO provisions in any potential UK-US FTA. Other points raised included a request for any UK-US FTA to recognise the EU and the UK as a single entity with regard to RoO, so that products that are exported from the UK with EU content could be identified as originating in the UK. Respondents from the manufacturing sector pointed out that this might help them to simplify RoO. Ensuring that the transshipment of goods from areas operating to lower standards with minimum value added is not permitted, was also requested by several business respondents.

Business Associations

Forty-three business associations asked the UK Government to prioritise RoO in any potential UK-US FTA. Sixteen business associations supported maintaining current standards and regulations applied in the EU on RoO. Respondents also called for the rules to be clear and to take account of the existing international supply chains and logistics. Twenty-four business associations raised concerns around RoO. Comments included the need to reduce the complexity and bureaucracy of RoO. Other concerns focused on potential negative knock-on consequences from a UK-US FTA for some supply chains.

NGOs

Four NGOs in their comments referenced RoO as a priority in any potential UK-US FTA. Two NGOs asked for the current UK RoO standards and regulations to be maintained. Four NGOs raised concerns around RoO, including concerns on regional content thresholds (with the US requiring 75 per cent for some goods in some of its FTAs, while the UK generally only requires 45 per cent where regional content forms part of the product origin requirements).

Public Sector Bodies

Four public sector bodies in their comments prioritised RoO in any potential UK-US FTA. Respondents called for retaining standards and regulations applied in the EU on RoO, as well as a call for the UK to harmonise international standards on RoO. Three public sector bodies respondents raised concerns with respect to RoO, commenting on the potential negative impact that removing current EU regulations on RoO could have on the Welsh meat industry.

Customs Procedures

Overall, respondents were of the view that maintaining existing customs arrangements with the EU was a key priority. A general theme highlighted in the feedback from across all respondent groups was for customs procedures to be modernised to increase efficiency via equivalence, technological solutions or mutual recognition in order to reduce costs and production delays.

Individuals

One hundred and thirty individuals referenced customs procedures in their comments as a priority. Twenty-nine individual respondents asked for the complexity of regulations and administrative burdens to be minimised. Many respondents raised remaining in the EU Customs Union and maintaining frictionless trade with the EU as their main priority when commenting on customs procedures. However, the focus of most of the comments was on the potential benefits of replicating frictionless EU arrangements with the US. Sixty-eight individuals had concerns about

customs procedures, with most unease expressed around the potential to lose control over products entering the UK market if custom procedures become too simplified. Eighteen individual respondents asked for product controls to be reduced on imports coming into the UK.

Businesses

One hundred and nineteen businesses in their comments viewed customs procedures as a priority in any potential UK-US FTA, with 65 respondents calling for minimising existing complex and bureaucratic customs paperwork. Thirty-two respondents emphasised the importance of maintaining the current EU customs arrangements. Some business respondents suggested that any FTA should implement the WTO Trade Facilitation Agreement and that technology-based measures should be used to make customs procedures more efficient. Sixty-eight businesses expressed concerns around customs procedures, with 46 respondents raising concerns about administrative burdens and requesting customs provisions to be included in future FTAs with the aim of minimising these.

Business Associations

Forty-five business associations viewed customs procedures as a priority in their comments. Twenty-nine of these respondents considered minimising the complexity and bureaucracy of customs paperwork to be of paramount importance. A common theme in the feedback was the request for existing customs fees to be removed. Twenty-one business associations raised concerns on customs procedures relating to the existing border enforcement rules which might cause additional costs. Many respondents asked for the UK and the US to have standardised customs procedures introduced as part of any potential FTA, with authorities using coordinated customs clearance and security methods, and technology to increase efficiency.

NGOs

Six NGOs in their comments referenced customs procedures as a priority. Comments included calls for greater controls over trade in goods to prevent low-quality imports from entering the UK market. Views were mixed as to what the process for customs procedures should be, with one NGO calling for streamlined border checks to reduce complexity, while another NGO respondent asked for stricter customs procedures, particularly in the agri-food industry. Three NGOs raised customs procedures as a concern, with comments focused on regulations leading to custom delays. Some NGO respondents called for the UK to maintain current customs arrangements with the EU, while other respondents asked for better guidance on customs procedures for SMEs exporting to the US.

Public Sector Bodies

One public sector body viewed customs procedures as a priority in their comments and asked for the administrative burden to be reduced with the threshold on import duties increased. There was a call for UK and US standards to be harmonised and for fewer barriers at the border to facilitate more trade between the UK and the US. Two public sector bodies raised customs procedures as a concern, with one expressing unease about future changes potentially adding to the complexity and regulatory burden of customs procedures.

Services

Overall, respondents identified opportunities within the services sectors including opportunities for greater trade liberalisation and further visa liberalisation to support the movement of labour and students. Many respondents also raised Mutual Recognition of Professional Qualifications (MRPQs) as one way to support this liberalisation. Several respondents expressed concern about the potential impact a UK-US FTA might have on public services, including the NHS, in the UK. Relevant comments on public services, including the NHS, were also raised in the consultation sections on Investment and Government procurement but have been considered in this section. Some respondents highlighted other mechanisms, such as Mutual Recognition Agreements (MRAs) as an alternative vehicle to liberalise free trade. For financial services, respondents covered a broad range of sectors which included asset management, banking, insurance, capital markets and financial technology (FinTech), and highlighted the importance of financial services to the bilateral trade relationship and a future FTA. Relevant comments on MRPQs, mobility and the visa system that were raised in the consultation with regard to labour and environment have been considered in this section.

Individuals

Six hundred and eighty-seven individuals asked for the UK Government to prioritise elements of trade in services in any potential UK-US FTA. The most frequent point made by individual respondents was the importance of protecting UK public services, with 410 comments. The majority of these focused on the NHS, while also highlighting concerns related to education, social services. Several respondents called for the NHS to be out of scope of potential FTA negotiations, with some highlighting their concerns that a trade agreement with the US might result in the UK moving towards a US-style health insurance system. Individual respondents also proposed visa liberalisation as a potential benefit. Fifty-three respondents asked for the UK to maintain current standards applied in the EU on services. Four hundred and ninety-four individuals raised concerns about trade in services, with the main concern (highlighted by 295 respondents) being the potential impact on public services, as described above. Individuals also expressed concerns around the potential consequences of US companies having the ability to invest in UK public services or infrastructure, again with particular reference to the NHS. One hundred and sixty-seven respondents supported a UK-US FTA which would liberalise the temporary entry of workers, making it easier for skilled workers to temporarily move to the US to supply services.

Businesses

Eighty-three businesses prioritised services as part of a UK-US FTA in their comments. Twenty-six of these business respondents emphasised the need to maintain standards and regulations applied in the EU on services. Many businesses were positive, highlighting the removal of barriers to US service markets as a potential benefit, and nine businesses called for trade in services to be specifically included in a potential UK-US FTA. Several businesses encouraged strengthened ties between the New York and London financial centres and identified that there might be scope to expand the list of cross-border commitments for financial services in an ambitious UK-US FTA. Respondents also called for closer co-operation on regulatory and supervisory matters to support the depth of the UK-US relationship in financial services. Respondents also encouraged closer co-operation on insurance, both through commitments and scheduling, in an FTA and by building on precedents, such as the covered agreement.

Several respondents supported a US-UK FTA which would liberalise the temporary entry of workers. Responses highlighted the uncertainty, expense and complexity of the US visa system as reasons for this and wanted any FTA to reduce administrative barriers for workers applying for temporary US and UK visas. Fifty-five business respondents expressed concerns in relation to trade in services. Thirteen businesses were concerned that the US could benefit more from trade in services than the UK in an FTA between the two countries. Six businesses were also concerned about the impact of regulation at a state level on UK services trade with the US. Frequent comments were made on the need to protect the NHS as part of a potential FTA (raised by 26 businesses).

Business Associations

Thirty-three business associations were of the view that trade in services should be treated as a priority in any potential UK-US FTA, with 13 business associations raising the facilitation of access to the US market as a key priority. Eight respondents commented on the need for mutual recognition of services standards. Some business associations identified that an FTA should support the strengthening of ties and co-operation between UK and US financial centres. Business associations were particularly supportive of greater regulatory dialogue and co-operation between financial regulatory authorities in the UK and US. Some business associations also put forward specific suggestions for deeper co-operation, which included calls for increased co-operation on emerging technologies such as FinTech and crypto-assets. More widely, business associations highlighted the importance of cross-cutting trade issues relevant to financial services, particularly IP, source codes, data localisation and ISDS. The importance of further liberalisation of cross-border business travel and MRPQs was also raised as priorities.

Sixteen business associations raised concerns, in particular about the potential for barriers to UK exports in services at both the state and federal level. At the state level, differences in regional and local practices can be an impediment to UK SMEs who cannot always invest in local talent. Meanwhile, several business associations felt that regulation at a state level could act as a significant impediment to UK services export. Some business association respondents provided support for the WTO's national treatment principle and called for the liberalisation of services which operate in support of trade in goods.

NGOs

Twenty-five NGOs referenced trade in services as a priority in their comments, with nine NGOs specifically calling for public services to be protected, particularly the NHS. Respondents also called for the Government to protect their authority in defence, education, public services and local authorities. Seventeen NGO respondents expressed concerns in relation to trade in services. Eleven NGOs expressed concern that a future UK-US FTA may potentially lead to the privatisation of all or parts of the NHS. Several comments were also made on the education sector and public broadcasting. Some NGO respondents called on the UK Government to include professional qualifications (eg veterinarian qualifications) in a future FTA with the US with provisions on mutual recognition. NGO respondents identified the UK as a leader in financial services and, as a result, suggested that the UK's high regulatory standards should be protected. One respondent in particular, called for financial services to be treated on an equal home market footing.

Public Sector Bodies

Six public sector bodies asked for the UK Government to prioritise trade in services, with two respondents specifically mentioning protecting public services. Additional points made by public sector bodies included the need for any FTA to cover financial services to boost trade in this sector. Respondents identified that cross-border trade in financial services supports competition across financial markets and offers a wide range of choice to consumers. Public sector bodies also identified the benefits of free movement of financial service employees and welcomed strong financial services elements in any future FTAs.

Two public sector bodies raised concerns related to trade in services. One respondent highlighted the restrictions on visa and work permits (particularly on the movement of labour in the arts and creative sector) and noted that visa barriers could be removed by a potential UK-US FTA, while another respondent commented that the full benefits of any trade agreement could not be realised until visa restrictions were lowered. Comments from public sector bodies were also focused on protecting public services, including the NHS, and maintaining regulations in line with current EU rules.

Digital

The most commonly raised theme in the feedback was data protection and privacy standards in the UK, with many respondents supportive of maintaining a high level of data protection, including compliance with the EU General Data Protection Regulation (GDPR). Some respondents suggested that the US has lower privacy and data protections than the UK. Maintenance of data flows was also viewed as important, with the need to prevent data localisation and for the UK Government to reach an agreement equivalent to the EU-US privacy shield, with some calling for consideration of exemptions. Respondents were both for and against greater platform liability and for greater protection of source codes (which is generally seen as an IP issue), including algorithms. There were also calls for greater transparency in public procurement and for better cyber security capacity to be built. There was general support for global rather than national responses to the tax challenges of digitisation and for rules on digital goods not being a barrier to trade.

Respondents also recognised potential opportunities, including technological advances which could be achieved through a UK-US FTA. However, some respondents focused their comments on the need for an FTA with the US to not jeopardise the UK's relationship with the EU. Telecommunication respondents covered a range of issues – an advanced and comprehensive telecoms chapter; greater liberalisation and better access to infrastructure; reduction of data localisation requirements and foreign ownership restrictions; protection of net neutrality; and the need for transparent cost-oriented pricing models.

Many respondents were of the view that US businesses can already access the Audio Visual (AV) market. A number of comments focused on how an FTA might adversely affect the UK's AV ecosystem, with one respondent making particular reference to the positive impact of the UK's Public Service Broadcasting (PSB) system to the success of UK businesses abroad. In terms of the newspaper industry, there were calls for there be no unjustified restrictions on the cross-border publication dissemination of UK newspapers, in print and online, or news brand subscriptions and advertising services. For gaming sector respondents, there was an emphasis on maintaining frictionless trade with countries like the US and breaking down barriers

where these existed with partners. Some respondents also raised the issue of provisions on disclosure of source codes (trade secrets), safe harbours and algorithms. However, in a typical FTA, these are contained within the IP chapter and, therefore, we have considered these comments in that section of the document.

Individuals

One hundred and eighty-three individual respondents referenced digital trade as a priority in any potential UK-US FTA. One hundred and twenty-seven individuals called for harmonisation of GDPR requirements between the UK and the US, with some respondents calling for the US to adopt GDPR. Eleven comments were raised that included a preference to retain current EU data regulations. In addition, 140 individuals raised concerns in relation to digital trade, with the most frequent comment (made by 89 individual respondents) being around the importance of data protection and privacy. Many respondents pointed out that the different digital framework between the EU and US was potentially an issue for electronic commerce (e-commerce) with equal access viewed to be a critical factor in an FTA. The opportunity to drive technological advantages and expand consumer choice in the media industry were also highlighted as potential benefits.

Businesses

One hundred and twenty-four businesses in their comments viewed digital trade as a priority. The most frequently-made point was the need to maintain current digital standards set by the European Telecommunications Standards Institute (ETSI). Forty business respondents called for the UK to have better harmonisation with its trading partners and 34 businesses expressed their preference to retain European standards. Other key priorities flagged in the responses were for the US to adopt a higher level of data protection and for the US to implement GDPR. Sixty-four business respondents expressed concerns on digital trade, with 14 raising concerns specifically on cyber security. Other key concerns raised included maintaining the US-EU privacy shield and the need to have transparent regulations.

Business Associations

Twenty-eight business associations referenced digital trade as a priority in their comments, with a wide range of views expressed. Eleven business associations called for the UK Government to prioritise data exchange protections in line with GDPR. Twenty business associations raised concerns on digital trade, with the potential impact and interaction between trade provisions on data and data privacy and protection raised by six business associations as their main concern. Three comments focused on the potential impact of an FTA with the US on existing and future commercial digital business models and contracts in the UK. The importance of data privacy was a general theme raised, as well as the need to ensure global approaches to taxation practices for the digital economy and the prevention of data localisation. One business association commented on the importance of the free flow of financial data and specifically suggested that anti-data localisation provisions in FTAs should be incorporated for the financial services sector. There was also a call for the UK Government to consult at a detailed sectoral level throughout the negotiation process.

NGOs

Eight NGO respondents prioritised digital trade, with two comments focusing on the need to reach a mutually beneficial agreement on issues such as cyber security. One NGO commented that a UK-US FTA could potentially benefit consumers by providing greater access to US digital media. An NGO respondent also highlighted the opportunities available for greater co-operation between online platforms on regulatory issues. Four NGOs expressed concerns around digital trade, with three commenting on the lack of harmonisation between the UK and the US. The main feedback from NGOs was that data privacy is essential.

Public Sector Bodies

One public sector body prioritised digital in their comments. Their comment included a request for no compulsory data localisation and for international co-operation between the UK and the US on cyber security. One public sector body raised concerns over the current lack of access to data.

Product Standards, Regulation and Certification

This policy area covers technical regulations, voluntary product standards and the procedures to ensure that these are met. Standards and measures to protect humans, animals and plants as well as to regulate food, animal and plant safety are discussed under the SPS section of this report.

The terms 'standards' and 'technical regulations' are used frequently in trade agreements when addressing 'technical barriers to trade'. While the word 'standard' is used informally to mean a level of quality or attainment, in the context of trade agreements, 'standards' have a formal technical meaning. 'Standards', in this sense, are voluntary documents developed through consultation and consensus which describe a way of, for example, making a product, managing a process, or delivering a service. While standards are voluntary, when cited in a regulation, their use can become compulsory. Standards are not set or controlled by the Government. 'Technical regulations' are mandatory requirements set out in legislation and are controlled by governments and legislators (UK Parliament). For regulated products and services, standards can be used to support compliance.

Overall, respondents across all respondent groups focused on the need to maintain the UK's standards and levels of protection, continuing alignment with those applied in the EU. Respondents also raised the importance of greater harmonisation or mutual recognition of UK and US practices to enhance trade between the UK and the US in a trade agreement. A clear labelling system as part of the trade facilitation provisions within an FTA was also seen as being essential. Relevant comments regarding standards and levels of protection that were raised in the consultation section on labour and environment have been considered here.

Individuals

Two thousand and eighty-nine individuals referenced product standards, regulation and certification as a priority in their comments. One thousand two hundred and thirty-eight individuals highlighted the need to maintain all UK current standards along with EU regulations and certification, and for the US to adopt UK standards if and where US standards are lower. Some individual respondents asked for consumer rights to be protected in any trade agreement with the

US. One thousand four hundred and sixty-two individual respondents had concerns, with 739 individuals focusing on the impact of different standards of pharmaceutical products, production methods and environmental standards amongst other things. However, many individual respondents viewed a potential UK-US FTA as an opportunity to harmonise standards and regulations.

Businesses

One hundred and fifty-two businesses asked the UK Government to prioritise product standards, regulation and certification, with maintaining current standards seen as a key priority (raised by 81 businesses). Eighty business respondents raised concerns, with some highlighting the potential impact of trade with the US on UK standards. Some business respondents stated that most EU and US standards are compatible, and that any potential UK-US FTA should seek to harmonise standards. Maintaining, among other things, sector-specific marks of conformity and international standards was seen to be important by many business respondents. To enhance trade, businesses were of the view that the UK should seek to attain mutual recognition of testing, certification and accreditation to allow businesses to export products and services without the need for the testing and certification to be repeated in the US. Some business respondents highlighted that mutual recognition of testing, certification and accreditation should not detrimentally affect the UK's regulatory alignment with the EU.

Business Associations

Forty-seven business associations viewed product standards, regulations and certification as a priority in their comments, with several respondents asking the UK Government to strive to maintain current standards and regulations in any potential UK-US FTA. Continued alignment with standards and regulations used in the EU including future co-operation with the European Medicines Agency (EMA) was flagged as a top priority for the pharmaceutical industry associations who responded. Some business associations called for greater harmonisation or mutual recognition of standards. Reducing the complexity and bureaucracy of complying with standards was also viewed as being important in a UK-US trade agreement. Twenty-seven business associations expressed concerns related to product standards, regulation and certification. These included the negative impact of trade with the US on standards, current lack of mutual recognition and lack of harmonisation.

NGOs

Twenty-two NGOs referenced product standards, regulation and certification as a priority in their comments. NGOs asked for the UK Government to ensure similar levels of safety and standards for products and production methods, especially in chemical and pesticides usage, cosmetics and pharmaceuticals. Eight NGO respondents emphasised the importance of protecting UK consumer rights. Three respondents focused on improving standards to ensure ethical production of food and other goods. Twenty NGOs raised concerns on product standards, regulation and certification, with eight respondents concerned that the UK-US trade agreement might have a negative impact on UK standards, specifically on household and medical products. Other comments included the need to ensure clear labelling to show country of origin request for controls on food colourings.

Public Sector Bodies

Five public sector bodies asked for the UK Government to prioritise product standards, regulation and certification in their comments. Three respondents focused on ensuring UK standards and regulations are maintained and requested greater harmonisation between the two countries. Two public sector bodies viewed product standards, regulation and certification as a concern, as they highlighted the potential for a UK-US trade agreement to make trade more problematic with the EU if the UK aligns its standards and regulations more closely with the US.

Sanitary and Phytosanitary (SPS) Measures

This policy area covers standards and measures to protect humans, animals and plants as well as to regulate food, animal and plant safety. Voluntary product standards and the procedures to ensure that these are met are discussed under the product standards, regulation and certification section of this document.

Overall, respondents asked for the UK Government to focus on securing robust standards particularly in agri-food, animal welfare, product safety, environment and chemicals that were either maintaining or going beyond current EU standards. Animal welfare was frequently viewed as a concern across the different respondent groups, with respondents noting the UK's high standards in this area. Some respondents were concerned that a UK-US FTA might lead to new SPS measures. Other respondents were of the view that this provided the UK with an opportunity to go beyond current WTO SPS agreements and to share best practice.

Individuals

Three thousand four hundred and fifty-three individuals viewed SPS as a priority in their comments, with 2,563 respondents focusing on the need to improve or maintain existing food standards. Two hundred and sixty individuals focused on the need to implement controls or bans on the trade in Genetically Modified (GM) food. Specific issues raised repeatedly included the potential risks associated with "chlorine-washed chicken", "hormone beef" and high levels of pesticides. Three thousand two hundred and eighty-one individuals raised concerns in their comments on SPS issues, with the potential impact of lowering UK standards on food safety and hygiene being a recurring theme in the feedback. There were also concerns around maintaining UK public health standards and on the potential impact that a UK-US FTA would have on UK farming.

Businesses

One hundred and ten business respondents prioritised SPS in their comments. Forty-seven respondents emphasised the need for the UK to maintain EU standards, particularly on food. The feedback focused also on the importance of maintaining or improving health and safety standards. Many businesses stated that there might be potential opportunities through the adoption of an agreed international level of standards by both the UK and US, which should be explored. Businesses noted that this could provide a level playing field for UK and US producers, with most respondents calling for the UK to achieve robust standards. Businesses also raised greater access to market opportunities for a number of specific sectors (including fisheries) as important. Fifty-eight businesses raised concerns on SPS, with potential impacts suggested in comments by 21

respondents. Specific concerns included the impact on standards and regulations in the food industry and the potential use of GMO ingredients.

Business Associations

Thirty-five business associations asked for the UK Government to prioritise SPS. Comments included the need to maintain or improve food standards, maintaining the UK's health and safety standards and improving animal welfare standards. Many business association respondents also highlighted that a UK-US FTA might be used as an opportunity to enforce higher welfare and environmental standards globally. Twenty-four business associations had concerns about SPS, notably regarding impacts of certain practices and potential imports from the US, such as GM food, on food quality and safety.

NGOs

Twenty-three NGOs raised SPS as a priority in their comments. Fifteen respondents emphasised the need to maintain UK food standards while 11 NGOs raised animal welfare and husbandry safety standards as their main priority. Some NGO respondents stated it would be unacceptable to have a loose equivalence programme. Twenty-six NGOs raised SPS as a concern, with 17 making comments on the potential impact of the perceived lower US standards on food safety. Concerns were also raised around the use of "chlorine-washed chicken", egg production standards and ensuring the WTO's SPS agreement principles are upheld.

Public Sector Bodies

Five public sector bodies asked for SPS to be prioritised, with two respondents focusing on the need for the UK to maintain standards on animal welfare and husbandry. Some respondents were of the view that any lowering of standards, especially environmental, animal welfare or food safety might have a negative impact on public health and industry. Some pointed out the potential benefits if UK-US regulations were to be harmonised following an FTA. Six public sector bodies had concerns around SPS including the potential negative impact of lowering UK standards, particularly related to food quality and safety.

Competition

Although the terms 'competition' and 'competitiveness' are sometimes used interchangeably, they have distinct technical meanings. Competition policy covers the rules and regulations concerning the way businesses operate within a market and the enforcement of such rules. Competition laws, for example, typically cover anti-competitive agreements between firms, abuse of a dominant position and merger control. Competitiveness refers to the general ability of a firm to operate in a market compared to other firms that operate in the same market, or the strength of a whole industry or economy relative to another.

Overall, most respondent groups commented on the impact of FTAs on competitiveness, not on competition policy or legal regimes. Most respondent groups were positive, highlighting potential gains from increased competition for UK industry in any potential UK-US FTA. Some respondents also focused on the advantages US businesses might have over UK business due to their size or the application of different labour rights. There was strong support for robust state aid and

competition provisions that are in line with current EU regulations. Concerns were also raised about anti-competitive practices, which can act as a barrier to trade.

Individuals

Eight hundred and two individual respondents viewed competition as a priority for any potential UK-US FTA, with the most frequently made point (raised by 203 individuals) being around the need to protect UK industries and markets from increased competition from the US, including agriculture and manufacturing. Seven hundred and sixteen individual respondents expressed concerns about competition, with 209 commenting on the potential for the dumping of cheap imports into the UK market given the perception by some consumers of the US operating to lower standards than the UK. One hundred and fifty-nine individuals raised concerns in their comments on the impact of higher competition in UK markets. Other general concerns flagged in the feedback included the potential for UK wages to be reduced and the perception of current US protectionism in some areas of trade having an impact on UK producers.

Businesses

One hundred and five businesses viewed competition as a priority, with the most frequently made point (raised by 40 business respondents) being the importance of both the UK and the US benefiting fairly from the potential increase in competition. Seventy-two business respondents expressed concerns in their comments, with the biggest concern (raised by 24 businesses) being that a potential UK-US FTA could lead to unfair competition and the perceived potential negative impacts on UK business that might result. There was general unease expressed by some respondents about the perceived current US protectionist stance on trade issues. There were also calls for more support for SMEs and a request for a UK-US FTA to adhere to EU state aid rules.

Business Associations

Forty-seven business associations referenced competition as a priority in their comments, with 17 business associations asking the UK Government to ensure fair treatment in relation to competition in any potential UK-US FTA. Eight business associations called for greater harmonisation in competition rules. Thirty-three business associations raised concerns. These included a request to push the US to adopt equal rules on state aid and for provisions to tackle anti-competitive practices to be included in any potential UK-US FTA. Other general themes from the feedback received included a recognition of the potential to boost economic growth in the UK via increased effective competition and for the UK Government to secure robust competition provisions in any potential future UK-US FTA.

NGOs

Fourteen NGOs were of the view that competition should be prioritised in a UK-US FTA. There were calls for protections for UK industry, particularly agriculture (five NGOs) and creative sectors. One NGO highlighted the potential significant benefits of gaining access to the US market with greater consumer choice and more jobs. Twenty-seven NGOs raised concerns, with ten respondents concerned that a potential UK-US FTA could have a negative impact on UK prices. Several NGOs asked for regulatory co-operation on financial services and the potential of anti-competitive provisions to act as a barrier.

Public Sector Bodies

Eight public sector bodies referenced competition as a priority in their comments. The potential gains from having greater access to the US market were recognised with consumers having more choice and the potential for lower prices. Six public sector bodies had concerns about competition and highlighted the impact of higher competition on the UK agriculture sector. Other points made included the need to maintain UK competition rules and preserving the competitiveness of the UK's financial sector.

Government (Public) Procurement

A recurring theme of the feedback on government procurement was the need to protect UK public services, particularly the NHS, from any impact of liberalising procurement provisions in a potential UK-US FTA. Comments relating to public services focused on the NHS (which emerged as a very high priority for all respondents) and have been addressed in more detail in the services section of this document. Many respondents were receptive to opportunities in liberalised US procurement markets, particularly at a sub-federal level, and called for ambitious objectives to be pursued by the UK Government to bring the US provisions in line with those applicable in the UK. Respondents also frequently highlighted the US 'Buy American' policy as a barrier to accessing US procurement markets.

Individuals

One thousand nine hundred and forty-eight individual respondents regarded government procurement as a priority in any potential UK-US FTA. One thousand nine hundred and eight individuals expressed concerns, with 1,880 individual respondents focusing on public services. Other concerns were raised around the perceived protectionism of US procurement policies and some called for greater procurement market access for UK SMEs.

Businesses

Eighty-three business respondents raised government procurement as a priority issue. Fourteen businesses called for the UK to prioritise retaining EU requirements on government procurement. Other points made included greater transparency in government procurement and expanding US Government procurement market access. Thirty-eight businesses expressed concerns on government procurement, with the perceived privatisation of public services by 11 respondents highlighted as a concern. Some respondents were concerned about an FTA having a negative impact on UK producers and called for procurement provisions to favour domestic suppliers in the UK. Many businesses also saw a FEP with the EU as being of paramount importance. Some businesses called for a level playing field between the UK and the US procurement systems.

Business Associations

Twenty-one business associations viewed government procurement as a priority in a UK-US FTA, with nine respondents calling for better access to the US market for UK businesses. Nine respondents focused on the need to ensure an FTA is of mutual benefit. Ten business associations expressed concerns about government procurement, with three commenting on potential impacts on public services. Other comments included requests for a level playing field, conformity with EU regulations, concerns around the level of UK access to the US sub-federal markets and calls for

the removal of anti-competitive procurement practices. Opportunities for defence procurement were also outlined in comments from respondents from this sector.

NGOs

Nineteen NGOs were of the view that government procurement should be prioritised. Eighteen NGOs raised government procurement as a concern. Key themes included limiting the liberalisation of government procurement, and the potential implications for UK businesses of “Buy American” procurement policies.

Public Sector Bodies

Four public sector bodies noted government procurement as a priority in their comments. One respondent raised concerns on government procurement, calling for the UK Government to protect public services during negotiations, and to exclude public healthcare and social services from procurement requirements, as well as adhering to WTO rules.

Intellectual Property (IP)

Responses from across the different respondent groups called for the UK to maintain its strong regime in a future UK-US FTA, particularly in relation to copyright. Many respondents highlighted potential opportunities for the UK and the US to learn from each other’s best practice around the protection and enforcement of IP rights and to become driving forces for setting and strengthening global IP standards. Other respondents expressed reservations about potentially extending IP protections in some areas, such as pharmaceuticals and patents generally. GIs were also an area that respondents highlighted as a priority. Relevant comments on GIs, copyright, source codes (relating to trade secrets), safe harbours and algorithms were also raised in the consultation section on RoO and digital respectively but have been considered in this section.

Individuals

Two hundred and forty-one individual respondents raised IP as a priority in any UK-US potential FTA. Of these, 95 supported maintaining our existing high standards for IP protection. One hundred and twelve individuals had concerns about IP in future trade agreements (or related talks) with the US. IP protection in the US was generally perceived to be weaker than in the UK. Some individuals highlighted areas of concerns as being weak copyright protections and possible loss of GI protections for UK protected food names.

Businesses

One hundred and twenty-nine businesses asked for the Government to prioritise IP, with 49 businesses calling for the Government to retain EU standards on IP. Twenty-five business respondents wanted the UK to prioritise the protection of regulations on GIs in any future trade agreement. Fifty-one businesses raised concerns about IP in any future trade agreement with the US highlighting the need to protect the UK’s existing framework and current high standards for IP protection. Nine respondents expressed concerns about the potential reduction or removal of EU regulations. Some business respondents stated that they would like to see measures that reduce the cost and make it easier to register and enforce their IP rights in the US. Many respondents were concerned that SMEs could be litigated into administration despite IP protection. Business

respondents also raised concerns about enforcement action by the US. One respondent suggested that FTAs should commit to putting robust enforcement mechanisms in place in cases where IP rights are breached. The FEP with the EU was also seen as an important factor when considering IP in new trading relationships.

Business Associations

Forty-six business associations raised IP as a priority in a UK-US FTA. Fourteen of these respondents stated that current regulations around GIs should be protected. Some respondents called for the effective protection of GIs asking for recognition of legitimate GIs with the US. Several respondents called for the UK Government to ensure that a future UK-US FTA would not put the UK's membership of the Unified Patent Court (UPC) and European Patent Convention (EPC) at risk. Some business associations highlighted the need to protect innovation in the pharmaceutical sector and called for alignment of the highest IP standards (recognising that UK-EU alignment is the priority). Thirty-one business associations raised concerns about the need to prioritise existing protections. Comments also highlighted US fair use exceptions to copyright as an area of concern. Rules on safe harbours for Internet Services Providers (ISP) were highlighted as a concern for some respondents, while other respondents supported their inclusion to strengthen incentives for online innovation. Business associations also highlighted the importance of using trade secrets for protection of source code and algorithms. Some respondents would like to see the Artists' Resale Rights adopted in the US. A few business associations viewed public performance rights for music performers as being an issue in the US.

NGOs

A total of 14 NGOs viewed IP as a priority in a future FTA, with three responses calling for greater harmonisation of IP, copyright, trade mark and patent regimes as well as the maintenance of existing high IP standards. Fourteen NGOs highlighted concerns, including comments on the potential for US IP to restrict UK market access. Extensive patent protections in the US were identified as a concern. NGO respondents argued that wider medical patent protections, beyond the WTO Agreement on Trade-Related Aspects of IP Rights (TRIPS) provisions, affect access to generic or affordable medicines in the UK. Some NGOs raised concern around the prevention of forced transfer of source code and algorithms.

Public Sector Bodies

Five public sector bodies prioritised IP, with their comments showing a strong preference for the US to harmonise its IP rules with the UK. Two respondents viewed IP as a concern, with comments focusing on protecting IP standards to ensure they are not undermined in future FTAs. Respondents also commented on the need to protect UK local brands.

Investment

Overall, there was agreement across the different respondent groups that UK-US investment is essential for future prosperity. Some respondents viewed increased investment from the US in UK regions like the North of England as being a major potential benefit from a trade agreement with the US. A recurring point, particularly from the campaign responses, was the importance of investment between the countries being facilitated, albeit not at the expense of labour and

environmental protections, nor public services. Comments on public services, including the NHS are normally contained within the services chapter of a typical FTA and, therefore, we have considered relevant comments in the services section of this document. Some respondents also suggested that countries that do not pose a risk to national security should not be subject to a review by the Committee on Foreign Direct Investment in the United States (CFIUS).

There were a wide range of respondent views regarding the potential inclusion of investment protection and an associated ISDS mechanism. Businesses, including multinational companies headquartered in the UK, and business associations were generally in favour of including robust investor protection provisions in a future UK-US FTA and viewed ISDS as the most effective mechanism for resolving disputes. NGO respondents, however, were strongly opposed to ISDS and other provisions which they perceive as offering preferential treatment to investors and corporate organisations. Individuals generally tended to agree with NGOs on this issue, with 61 individuals opposed to an ISDS mechanism. Relevant comments regarding an ISDS mechanism were also raised in the consultation section on trade remedies and dispute settlement but have been considered in this section.

Individuals

Eighty-seven individuals viewed investment as a priority in a UK-US FTA with 24 respondents raising the importance of promoting and encouraging US businesses and Government to invest into the UK. Eight respondents specifically recognised the potential benefits that could come from job creation. Manufacturing and engineering, renewable energy, science and technology, and pharmaceutical sectors were singled out in the feedback as particularly likely to benefit. A common priority raised was for the UK to ensure disputes would not go through corporate or so-called 'kangaroo courts'. Maintaining control of critical UK services, with foreign investment limited to 40 percent and hostile takeovers from US companies prevented, was also raised as being important. Nineteen individual respondents raised concerns about investment. Their biggest concern was around the view that ISDS could potentially enable large corporations to sue the UK Government. Several individuals thought national courts should have the ultimate power to influence UK policies.

Businesses

Sixty-eight business respondents considered investment to be a priority, with 11 respondents raising the need for investment mechanisms to be streamlined and mutual investment to be fair and equally beneficial for both nations. Greater consideration for SMEs was raised as being important with several UK firms commenting that they had wanted to establish subsidiaries in the US, but local requirements and transfer pricing considerations made establishing operations there complex and expensive, which was prohibitive for SMEs. Twenty-three businesses raised investment as a concern, with the biggest concern being the impact of barriers on investment.

Business Associations

Nineteen business associations prioritised investment in their comments, with points made around reducing barriers to foreign investment, greater transparency and reduced administrative requirements. The most common theme from business associations, particularly from associations representing the financial services and technology industries, was support for robust investment protection provisions for investors and business interests. Fifteen business associations raised concerns, including a small number of respondents who flagged that the UK should carefully

review an ISDS mechanism before its inclusion in a trade agreement with the US. The need to remove investment barriers to entering the US market such as equity caps and performance requirements was also raised, for example, in the railway industry.

NGOs

Eight NGOs viewed investment as a priority in a future trade agreement with the US, with comments focusing on the importance of reducing any barriers for foreign investment and encouraging US businesses and Government to invest into the UK. Six NGOs were concerned about investment, with points raised around the US's protective approach and the lack of benefit for SMEs. Twenty-one NGOs had concerns about the potential inclusion of an ISDS mechanism. A specific objection made by NGOs was that US corporations should not be able to overrule or influence UK Government, and that the UK Government should have mechanisms in place to hold corporations to account.

Public Sector Bodies

Five public sector bodies asked for investment to be prioritised and were generally in favour of encouraging more investment between the UK and the US. They saw US investment as an opportunity to boost the UK economy and create jobs. One public sector respondent expressed concerns mirroring those of NGOs around Government interference and the perceived US protectionist approach.

Labour and Environment

The impact of a trade agreement with the US on the environment was a recurring theme in the consultation feedback with some respondents setting out their concerns around the impact on the UK's carbon footprint as a result of the transportation of goods across the Atlantic. Respondents also expressed reservations about the US position on climate change. Some respondents were also concerned that a trade deal would be used as an opportunity for US fracking firms to begin exploration in the UK. Some respondents viewed a trade agreement as an opportunity to push the US to commit to higher environmental protections. Respondents also noted the opportunity to establish secure and sustainable supply chains. Other points included recognising that a trade agreement could promote a greener economy and support the renewable technology sector. Some respondents argued that perceived lower employment standards for workers in the US might drive down employment standards in the UK.

Many comments were raised by respondents in this section on MRPQs, mobility and the visa system. However, in a typical FTA, these are contained within the services chapter so relevant comments have been addressed in that section. Some respondents also made comments on human rights, public health, quality of life and impact assessments in this section. These comments have been addressed in the other issues section. Respondents also commented on standards beyond labour and environment. These comments have been addressed in the standards section of this document.

Individuals

Two thousand and twenty-three individuals asked for the UK Government to prioritise labour and environment policies in a trade agreement with the US, with 1,842 raising these issues as a concern. One thousand and fifty-one respondents called for environmental standards to be maintained and potentially improved. Respondents expressed concerns about climate change with the geographical distance to the US, and increased travel as a result of an FTA, highlighted as a particular issue. Eighty-one respondents requested a future UK-US trade agreement include initiatives aimed at combating climate change and 98 individuals called for a trade agreement to promote the reduction of carbon emissions. Eighty-five respondents were concerned about the US position on climate change and its position on the Paris Agreement. They called for the US Government to commit to environmental legislation to prevent climate change as well as the UK ensuring that a UK-US FTA does not negatively affect the environment. Nine hundred and sixteen individuals raised labour protections for workers and employees as a key priority with 114 comments referencing pay and wages and 50 maintaining safety regulations in line with current EU rules.

Businesses

One hundred and twenty-three businesses asked for the UK Government to prioritise labour and environment policies, with 30 respondents highlighting a need to maintain existing levels of protection, particularly for labour and workers' rights. Eighty businesses had concerns, which included comments on the effect of an UK-US FTA on environmental protection. Some business respondents' made references to climate change, calling for the US to both recognise the importance of climate change as well as adhering to key commitments on the environment, such as the Paris Agreement on climate change that the EU has adopted.

Business Associations

Forty-one business associations viewed labour and environmental policies as a priority under a UK-US trade agreement, while 22 raised these as a concern. The biggest priority raised by eight business associations was for the UK Government to ensure current environmental standards are maintained. Respondents also called for the Government to seek greater harmonisation with international standards on the environment and climate change. The potential loss of worker's rights was also mentioned as a concern by respondents.

NGOs

Thirty-two NGOs viewed labour and environmental policies as a priority in a future UK-US trade agreement, and 28 NGOs considered these as a concern. Eleven NGO respondents commented on improving climate change initiatives and 11 provided comments on labour rights. Some NGOs also called for a UK-US trade agreement to not mirror the Transatlantic Trade and Investment Partnership (TTIP) or the North American Free Trade Agreement (NAFTA), as they were perceived to have a negative impact on jobs and workers' rights. NGOs also stated that the agreement should promote the International Labour Organisation (ILO) core labour standards and voiced concerns that the US has not ratified all eight ILO fundamental conventions. Some NGO respondents also called for the UK Government to make labour provisions enforceable and stated that violations should be subject to penalties. One NGO recommended that all future FTAs must be enforceable through citizen and civil society organisations.

Public Sector Bodies

Nine public sector bodies raised labour and environment as a priority and six as a concern. Several public sector bodies prioritised maintaining or improving standards. One public sector body made a comment in relation to climate change, stating that from an environmental and climate change perspective, it makes sense for the UK to trade with its most immediate neighbours.

Trade Remedies and Dispute Settlement

Overall, businesses and business associations wanted to see fair and transparent state-to-state dispute settlement mechanisms. They also called for SMEs to have access to dispute settlement. There were concerns across the respondent groups around the recent actions taken by the US under Section 232 of the Trade Expansion Act, through which the US decided to impose a 25 per cent tariff on steel and 10 per cent on aluminium imports from all countries on the basis of national security. The majority of business associations delivered a strong and consistent message in favour of the inclusion of trade remedies provisions in an FTA. Many comments were also raised by respondents in this section on Investor State Dispute Settlement (ISDS) mechanisms. However, in a typical FTA, ISDS is contained within the Investment chapter and, therefore, we have considered the relevant comments there. During the consultation, trade remedies and dispute settlement were considered within the same section. However, these are different policy areas contained within different chapters of an FTA. Given we have received distinct comments relating to these issues, the analysis has been separated below.

Two hundred and two individuals raised comments on trade remedies and dispute settlement as a priority, while 242 raised these areas as a concern. One hundred and four businesses raised comments on trade remedies and dispute settlement as a priority, while 51 businesses raised concerns in these areas. Thirty-four business associations raised trade remedies and dispute settlement as a priority, while 18 business associations raised these areas as a concern. Overall, 11 NGOs called for the UK Government to prioritise trade remedies and dispute settlement in any future UK-US FTA, while 24 NGOs raised concerns in these areas. Two public sector bodies asked for the UK Government to prioritise trade remedies and dispute settlement in any UK-US FTA, with one public sector body raising these areas as a concern.

The numbers above reflect those who have highlighted trade remedies and dispute settlement as a priority or concern. The detailed analysis below focuses on the specific comments received relating to either trade remedies or dispute settlement.

Trade Remedies

Individuals

There were 25 individual respondents who referred specifically to trade remedies. Those respondents voiced concerns about unfair competition from the US and the need to protect UK businesses by reaffirming protections provided by current trade rules.

Businesses

Two businesses made comments related to trade remedies, with one calling for a trade remedies chapter which reaffirms the parties' commitment to WTO trade remedies law, and the other raising concerns over the US's recent use of Section 232 of the Trade Expansion Act.

Business Associations

There were 12 business associations which called for the inclusion of a trade remedies chapter in a UK-US FTA, 11 associations called for the parties to reaffirm their obligations under WTO law and six business associations wanted the inclusion of provisions on bilateral safeguards. Five business associations called for provisions committing the parties to applying the lesser duty rule and an economic interest test in calculating anti-dumping and counter-vailing duties. Eight business associations stressed the importance of transparency provisions in a UK-US trade remedies chapter, such as notification requirements and information-sharing. Five business associations called for the exclusion of trade remedies covered by WTO Agreements from the FTA dispute settlement mechanism, while two associations asked for trade remedies to be included. Four business associations were concerned over the recent use of Section 232 measures by the US.

NGOs

Five NGOs referred to trade remedies in their responses, of which three expressed concerns about recent actions taken by the US under Section 232 and the US Department of Commerce's decision in favour of Boeing's application for anti-dumping and counter-vailing measures.

Public Sector Bodies

One public sector body requested protection for UK industry through the use of tariff rate quotas.

Dispute Settlement

Individuals

There were 56 individuals who made specific comments relating to state-to-state dispute settlement. There were 12 individuals who called for greater transparency over dispute settlement, with some individuals warning against the resolution of disputes taking place in private. Many individuals said there was a danger that any dispute settlement process may unfairly favour the US.

Businesses

There were 21 businesses who made comments relating to state-to-state dispute settlement. Their main concern was about having a fair dispute settlement mechanism under a UK-US FTA. Two businesses also requested that any dispute settlement mechanism be kept similar to those found at the WTO or under existing EU trade agreements. Three businesses warned against costly dispute settlement, while another three were concerned about the inclusion of time-consuming mechanisms. Furthermore, four businesses called for the inclusion of a transparent dispute settlement mechanism.

Business Associations

There were 27 business associations which made specific comments relating to dispute settlement. The inclusion of clear, robust and strong dispute settlement mechanisms was an ask of five business associations. They also raised a number of questions relating to the involvement of businesses in any dispute resolution process, particularly SMEs. Three business associations also stated that dispute settlement mechanisms under a UK-US FTA should be based on those used at the WTO.

NGOs

No NGO respondents made specific comments on either their priorities or concerns for dispute settlements within an FTA with the US.

Public Sector Bodies

One public sector body stated that effective dispute settlement mechanisms are very important in any potential UK-US FTA.

Small- and Medium-sized Enterprise (SME) Policy

The most common concern across all respondent groups was that UK SMEs might not be able to compete with large US corporations following a UK-US trade agreement, and that any UK-US FTA may not be able to replace SME trade with the EU. The limited organisational capacity of many SMEs was also identified as a concern. However, many respondents were also of the view that a UK-US trade agreement could provide SMEs with numerous opportunities to expand their markets and grow. Respondents noted that reducing tariffs and streamlining customs procedures were a priority to ensure SME growth.

Individuals

Eighty-three individual respondents viewed SME policy as a priority in future trade agreements with the US. Protecting UK SMEs from competition from US companies was the greatest priority raised by individuals. They also called for the UK Government to provide support for SMEs wishing to enter the US market, in order to ensure a trade agreement benefits SMEs and not just large companies. A few individual respondents went further and recommended reducing the administrative burden to make it easier for SMEs to enter the US market. Sixty-six individuals had concerns about SME policy, the greatest being SMEs' ability to survive given the prospect of them being highly vulnerable to aggressive take-overs or asset stripping by large US businesses. Concerns were also raised by individuals about the lack of capability of SMEs and the administrative burden of exporting internationally. Respondents were concerned this would increase if procedures were not simplified and streamlined.

Businesses

One hundred and six businesses viewed SME policy as a priority in their comments, raising the importance of greater support for SMEs and entrepreneurs. Businesses also asked for support for SMEs with regard to trade promotion, as well as in reducing the administrative burden on SMEs. Respondents noted the importance of SMEs having access to the US markets without the threat of larger corporations pushing them out. Forty-two businesses had concerns about SME policy, the

greatest being administrative burdens and the potential for increased complexity, which they thought could have a negative impact on those seeking to enter the US market. Respondents also called for transparency in regulations, as well as harmonisation of standards. The lack of familiarity with the US market and legislation was mentioned and was often linked to concerns about their business' ability to thrive in the US market.

Business Associations

Thirty-two business associations considered SME policy to be a priority in a UK-US FTA. They called for the UK Government to support SMEs and emphasised the need to reduce the bureaucracy that SMEs face. Several business associations called for an SME chapter to be included in any future FTA. Some respondents requested access to a dedicated website for SMEs to address the current perceived lack of information. Respondents also called for an engagement programme to encourage SME investment and to provide correct market intelligence to help SMEs. Eleven business associations had concerns on SME policy including the issue of US companies holding monopolies which could have a negative impact for UK SMEs. There was also a concern expressed around the direct barrier that SMEs face in taking advantage of preferential tariffs due to the complexities around RoO.

NGOs

Two NGOs viewed SME policy as a priority in an FTA with the US. Comments included the need for mutual recognition of qualifications. They highlighted that a successful system could unlock new business opportunities in the US for UK SMEs and provide them with the potential to expand. Responses also included a preference for protecting SMEs in trade negotiations and called on the UK Government to recognise the potential negative impacts that a poorly negotiated trade agreement could have on SMEs. NGOs noted that, although there are opportunities for market expansion, the opening of the market for US food exports could have a negative impact on SMEs. Two NGOs had concerns about SME policy relating to increased bureaucracy as a result of trading with the US.

Public Sector Bodies

One public sector body referenced SME policy as either a priority or a concern in an UK-US FTA in their comments. They specifically made mention to the impact of increased complexity in international trade on SMEs

Other policy issues raised by respondents

Respondents made other points and highlighted issues that were outside the scope of the trade policy areas provided. The most frequently made points were related to EU-Exit and an emphasis on the importance of the FEP with the EU. Concerns were also expressed about the potential impact of a future UK-US FTA on the protection of human rights and civil liberties. Other comments related to the need to maintain the UK's and the Government's ability to strike a successful FTA with the US that could benefit the UK. Respondents were also concerned that the US will be tough negotiators, and that the UK might rush into negotiations with the US and may make concessions in order to secure a trade deal.

Respondents were also concerned that the UK might be compelled to align with US geopolitical goals (eg containment of China) through a 'non-market economy' clause like the one in the United States-Mexico-Canada Agreement (USMCA) (NAFTA's successor). Further points made focused on the need for greater transparency in the negotiation process and parliamentary scrutiny, provisions related to anti-corruption, FTA impact on public health, as well as gender equality policy in the context of impacts of a trade agreement on gender and mainstreaming gender equality into an FTA. Relevant comments on human rights, public health, quality of life and impact assessments that were raised in the consultation section on labour and environment have been considered in this section.

Individuals

Two thousand seven hundred and fifteen individuals provided comments on other priorities. Two hundred and thirty-four respondents focused on the importance of protecting human rights and raised concerns that a UK-US FTA might have a potentially negative impact on the respect for human rights. Maintaining or improving quality of life, health and wellbeing standards featured in feedback from 291 individual respondents. The minimal access that US workers have to universal healthcare was also raised by respondents as a specific concern. Some respondents asked for the UK Government to focus on ensuring a level playing field where the protection of rights and freedoms, including workers' rights, were provided for. Some individual respondents raised gender equality issues, and the perceived reduction of rights that transgender people have in the US as compared to the UK. Several respondents also called for gender and racial equality provisions to be included in any FTA.

Some respondents had reservations about the policies of the current US administration, which were outside the scope of this consultation. Points were made about the perceived impacts for UK business of an 'America First' policy pursued by the current US administration in the context of negotiations of a potential UK-US FTA. One hundred and ninety-nine individuals also emphasised that a trade agreement with the US should not compromise existing trade agreements with the EU, with several raising concerns that a UK-US FTA would not be as beneficial as existing arrangements with the EU. The UK being too small to negotiate on its own with the US was also mentioned as a concern by 816 respondents.

Businesses

One hundred and forty-four businesses provided comments on other priorities, including that any FTA with the US should be balanced, and should not compromise existing trade agreements with the EU (13 comments). Many business respondents called for the UK Government to ensure transparency across all the different policy areas. Some businesses were concerned that US policies that are perceived as being protectionist might limit the opportunity to negotiate a fair trade agreement that would equally benefit both the US and the UK. Moreover, 21 businesses were of the view that the UK is too small to negotiate an FTA on its own.

Business Associations

Sixty-nine business associations provided comments on other priorities. Several respondents mentioned anti-corruption, stating that the UK has led the way in tackling corruption through the UK Bribery Act and that a UK-US trade agreement should create a level playing field by expanding access in public procurement while setting new requirements for transparency and anti-corruption.

One business association referred to human rights and noted that they are strong supporters of the Universal Declaration of Human Rights and the European Convention on Human Rights. Concerns over animal welfare were also raised by business associations. Ensuring that negotiations involve business and industry experts was also highlighted as a priority for 13 respondents.

NGOs

Forty-two NGOs responded on other issues. Nine respondents focused on human rights protections. There was also a mention of the FEP with the EU, and the need to place services as one of the most significant areas within the scope for a UK-US FTA. Several NGOs raised concerns over the high rates of obesity in the US and any potential related impacts on UK public health policies, such as the childhood obesity strategy. Respondents stated that UK domestic policy must not be adversely affected by a trade agreement with the US. Several NGO respondents also expressed concern about the eroding of preferential access for developing countries into the UK market, due to tariff liberalisation between the UK and the US.

There was also recognition that provisions across FTAs (including, for example, on labour, intellectual property, and procurement and regulation of public services) could have social impacts that are likely to be gendered. Four respondents noted that women suffer a financial disadvantage in the labour market and raised concerns about trade liberalisation increasing the gender wage gap. Respondents called also for UK FTAs to protect and promote strong labour rights, as well as to uphold international commitments on gender equality and other human rights. Several NGOs also called for the monitoring of gender impacts over time, and for impact assessments to be conducted which cover issues including gender equality, human rights, labour rights, environment and the economic impacts of trade agreements in the UK and third countries. Some NGOs also called for these impact assessments to have the option to conduct further reviews every five years.

Public Sector Bodies

Eighteen public sector bodies commented on other priorities in their responses. Several respondents called for commitments on human rights, wellbeing, and quality of life to be maintained or improved. The need for parliamentary scrutiny was also mentioned by one public sector body. Concerns over a trade deal compromising relations with the EU and other trading partners was raised by two respondents, as well as concerns that the UK would make concessions in order to achieve a trade deal with the US (two comments). Three public sector bodies also called for economic growth to be a priority within a UK-US FTA.

Summary of campaign responses

Four campaigning groups encouraged their members to submit a response to the US consultation.

38 Degrees

Submission to DIT's consultation on future trade deals

145,905 supporters submitted a response to the consultation on a US trade deal. Of these, 52,396 respondents included specific individual comments in addition to the campaign's proposed template response.

The template response called for the protection of the NHS in future trade agreements, expressing concerns about allowing companies from other countries to deliver NHS (healthcare) services, and under-mining the principles of the NHS, removing caps on how much money companies could charge to deliver NHS services and on the potential increase in the price of medicines. The template response asked for laws to be introduced to protect the NHS in future UK trade agreements.

38 Degrees

Additional comments

- Most additional comments made by 40,565 individuals commented on the need to protect the NHS. Respondents commented that the NHS should remain free at the point of need. Comments would sometimes highlight that a US-style system of healthcare could be perceived as negative and profit-based.
- 183 comments were made on the impact of the availability and supply of medicines in a UK-US FTA, and 184 comments were raised on healthcare training calling for money to be spent on increasing the skills of medical professionals in the UK.
- While most comments focused on healthcare, some comments were raised on prioritising food standards and food safety in future trade agreements due to the perceived lower standards in the US.
- 683 comments were raised with regards to EU-Exit, with some stating their desire to stay in the EU and 90 comments raised regarding a second referendum.
- 1,049 individuals commented on the perceived difficulty of dealing with the current US administration. It was also commented more generally that other countries should not be allowed to dictate or influence UK policy or culture.

Global Justice Now

US-UK trade deal: Respond to the public consultation

4,474 members submitted a response to the consultation on a US trade deal. Of these, 1,080 respondents included specific individual comments in addition to the campaign's proposed template response.

The template response asked for *UK public services (including the NHS) to be protected*, for any UK-US trade deal to recognise and take lower precedence to other areas of

international law (such as human rights, labour rights and the environment, including climate change) and for any UK-US trade deal to include a *grievance process* to enable individuals, groups or communities to raise grievances against corporations.

The template response outlined concerns about the potential inclusion of *ISDS in any UK-US trade deal*, on food standards, on wages and working conditions and on transparency of negotiations.

The template response also asked for democratic scrutiny of negotiations (including Parliament being consulted on the mandate, referred to in this Government response as the Outline Approach), for impact assessments to be published, and for Parliament to be able to review any UK-US trade deal agreed every five years. Furthermore, the template response asked for the devolved administrations to play a strong role in negotiations, and that if standards or regulations are harmonised for them to be raised rather than lowered.

Global Justice Now *Additional comments*

- Additional comments raised by individuals included 63 comments on the issue of dealing with the current US president and administration (this included comments on the US president's perceived stance on climate change as a major factor to consider in trade talks with the US).
- 136 comments were raised by individuals on the importance of protecting UK public services, including but not limited to the NHS, from procurement.
- 49 comments mentioned animal welfare, with concerns that a trade deal with the US could lead to the UK adopting the perceived lower welfare and husbandry standards of the US. Related to this was a concern around the impact of a UK-US trade deal on what is seen as the currently good general food standards in the UK.
- 35 comments were raised on ISDS, with individuals concerned that including ISDS in a UK-US FTA would impact the UK's ability to retain control of current UK standards and on British sovereignty. The importance of transparency of negotiations, democratic parliamentary processes and the upholding of human rights were also reiterated in the bespoke comments.

War on Want

Tell Liam Fox What You Think About a US Deal

1,795 members submitted a response to the consultation on a US trade deal. Of these, 319 respondents included specific individual comments in addition to the campaign's proposed template response.

The template response asked for any UK-US trade deal to support human and labour rights, international environmental law and climate commitments, for tariffs to take social and environmental factors into account, for trade deals to be subordinate to international law, and for a grievance mechanism to be included. The template response also called

for protection of public services and domestic regulations as well as for assurances that certain areas of policymaking would not be overridden by a UK-US trade deal.

The template response also asked for negotiations to be transparent and for Parliament to get a vote on the final agreement.

The template response outlined concerns on the inclusion of ISDS in any trade deal and on food, environment and animal welfare standards.

The template response also outlines concerns on the regulation and protection of personal data.

War on Want *Additional comments*

- 31 comments were raised on considerations about the protection of the NHS from public procurement.
- 24 comments included opposition to an FTA with the US. There were a further 11 comments made about not wanting any trade agreement with the US to prioritise profit or benefit corporations more generally.
- Ten comments raised considerations about the impact of an FTA on environmental standards, particularly in relation to damaging business practices and the need to adhere to international environmental law.
- Five comments emphasised that current UK environmental standards should be maintained or improved, with five comments explicitly considering the potential impact of a trade agreement on climate change and global warming.
- Seven comments expressed the potential impact on people, their quality of life, health, wellbeing and welfare. This included comments on homelessness, putting people before profit and a decline in health from perceived lowering standards such as food standards.
- Other considerations raised were 16 comments on dealing with the current US president and administration, and 11 comments relating to concerns on the UK Government and politicians.

Open Rights Group *Preserving digital rights in UK/US trade negotiations*

408 members submitted a response to the consultation on a US trade deal. Of these, 323 respondents included specific individual comments in addition to the campaign's proposed template response.

The campaign called for the protection of digital rights, and encouraged members to request that Parliament should have a central role (eg the final say over agreements), for negotiations to be transparent, for civil society to be able to participate, for digital privacy to not be undermined (protecting the 'free flow of data') and for censorship to not be promoted through voluntary online intellectual property enforcement commitments.

Open Rights Group *Additional comments*

- 169 comments were raised on prioritising the transparency of negotiations through democratic, parliamentary and public scrutiny. 67 individuals raised comments on prioritising transparent negotiations and 111 individuals commented on prioritising the protection sovereignty and democratic parliamentary processes.
- 113 comments called for parliament to have the final say on any trade agreement.
- 147 comments were raised on censorship practices. Of these, 55 comments were in relation to intellectual property enforcement measures and 45 comments were on prioritising freedom of expression and speech. 28 comments were on maintaining or improving UK standards around human rights and civil or political rights were raised in 34 comments. 20 individuals raise concerns around the impact on human rights and ten on civil or political rights.
- There were 135 comments on prioritising data protection and privacy in any trade agreement with the US. 67 comments concerned the perceived potential impact on UK data protection that would arise from a UK-US free trade agreement. Specific comments raised related to net neutrality and freedom of interest (41 comments), retaining current European standards and EU regulations (Nine comments) and 50 comments on concerns about the flow and exchange of data movements.
- 59 comments raised concerns that a trade agreement with the US would potentially prioritise profit and benefit corporations over consumers, with 44 comments made on the avoidance of this as a priority. 74 comments were made on the importance of transparency by allowing the general public to have a say in any agreements made.

We also received one petition on the consultation:

- 'Don't put our NHS up for Negotiation' – 38 Degrees - 229,699 signatures. This echoed the issues raised above, calling for the "NHS is kept out of any future trade deals after Brexit".

DIT recognises that respondents who elected to reply via a campaign hold strong views and opinions on the issues highlighted in those campaigns. For this reason, DIT has already made the following commitments:

- The Government will not compromise the high quality of British food or agricultural standards in any UK-US free trading relationship. We are committed to maintaining high standards on animal welfare and food safety after the UK leaves the EU.
- The NHS will never be privatised, and any future trade agreements will not change that.
- The Government will continue to ensure that decisions about public services, including the NHS, are made by the UK Governments, including the devolved administrations, and not our trading partners. Protecting the UK's right to regulate public services is of the utmost

importance. The UK's public services are protected by specific exemptions and reservations in EU trade agreements and, as we leave the EU, the UK will continue to ensure that the same rigorous protections are included in trade agreements to which it is party.

- The Government will ensure that Parliament can inform the Government's approach to negotiations and scrutinise new trade agreements.

- The Government will develop an inclusive and transparent future trade policy for the UK.

There were other issues raised by respondents, which were discussed in the Government's White Paper *Preparing for our future UK trade policy*. For instance, the Government's commitment to supporting developing countries to reduce poverty through trade, including through enhancing market access, tackling barriers to trade and promoting investment to allow better uptake of trading agreements was detailed in this White Paper. In other areas flagged by respondents as a concern, the Government is already undertaking work to address many of the issues identified. For example, the Government is focused on promoting gender equality through trade, with activities planned to support these efforts.

Next Steps

The Government is carefully considering the points raised from the public consultations as it develops a new independent trade policy for the UK.

We recognise the importance of developing a trade policy that commands broad public support, with policy objectives that can be met while mitigating the concerns raised by respondents and maximising the benefits felt across UK society and its regions.

The public consultations attracted significant public interest. DIT was grateful to those who took the time to submit responses and attend events. We recognise the strength of feelings on some of the topics raised. The purpose and use of the response feedback gathered from this consultation will be to inform our overall approach to negotiating a potential new trade agreement with the US. Decisions that are made as a result of this consultation will therefore be published alongside our negotiating objectives before potential negotiations begin. The Government also intends to keep views expressed by respondents in mind for future development and review of trade policy.

DIT worked closely with other government departments during the consultation period and subsequently to analyse the consultation feedback. Prior to entering into any formal negotiations with the US as part of a follow-up Government Response, the Government will publish its conclusions from this consultation. The Government has also made clear that an Outline Approach, setting out the UK's high-level negotiating objectives, will also be published before negotiations commence.

In preparation for the start of any potential negotiations, DIT is undertaking a programme of work helping to shape the UK's overall approach to negotiations; considering what organisational mechanisms and structures are needed to facilitate trade negotiations and engage effectively with stakeholders throughout. Suggestions made by respondents in this consultation and issues raised will be considered as part of this work.

We will explore ways in which we can build upon the consultation engagement activity. Plans are already in place to work with a range of experts and practitioners to help shape our future trade policy and realise opportunities across the UK. The membership of the Strategic Trade Advisory Group representing a cross section of interests and expertise from civil society, businesses, workers, consumers and academics was announced on 3 April and held its first meeting on 6 June. The group provides a forum for high-level strategic discussions on trade policy matters. The Minister for Trade Policy, George Hollingbery MP has also announced the first wave of Expert Trade Advisory Groups that will be used to ensure that detailed expert knowledge is available on specific sector and thematic areas to contribute to our policy development at a technical level. The structure and membership of these stakeholder groups will evolve over time according to the needs of the UK's trade negotiations.

We will continue to engage and take into account views from devolved governments, business, civil society groups and consumers to ensure we build a trade policy that works for the whole of the UK.

We recognise there is strong public interest around issues raised in this consultation. The Government will continue to engage with stakeholders in order to understand their concerns and to

help develop UK trade policy. The Government will continue to promote the benefits of free trade and to raise public awareness on trade and inform consumers and businesses about the opportunities that reducing barriers to trade can bring, alongside the broader economic and social welfare gains.

Annex A: Consultation Questions

Provided below are the questions that were asked via the online portal on Citizen Space to the consultation on a trade deal with the United States.

Questions 1-5 were asked to all five respondent groups (Individuals, NGOs, Business, Business Associations and Public Sector Bodies). Different questions were then asked to each respondent group based on their answer to question 5, who they were responding as.

The answers to each question were either provided by a tick box or a free text box. A combination of a tick box and free text box was also used on multiple questions. These options have not been displayed below. Only the questions asked are provided.

An overview and a privacy and confidentiality section were also provided before the survey.

1. Do you consent for the voluntary information you provide in this consultation to be used as part of the Government's published consultation response?
2. Do you consent for the Department for International Trade, or organisation working on their behalf, to contact you regarding the responses you have given?

Who are you responding as?

3. What is your name (first name and surname)?
4. What is your email address?
5. Please tell us who you are responding as?
 - o An Individual/Non-Governmental Organisation/Business/Business Association/
Public Sector Body

Individual

Individual – about you.

6. Where do you currently live (your main address)?
7. What was your age at your last birthday?
8. What is your gender?
9. To which of these ethnic groups do you consider you belong?
10. Are you a member, supporter or donor of an organisation with an interest in trade?
11. If you are a member, supporter or donor of an organisation with an interest in trade, has that organisation contacted you about UK trade talks or a possible free trade agreement with the US?

Individual – The UK's future trade relationship with the United States – priorities.

12. What would you want the UK Government to achieve through a free trade agreement (or related trade talks) with the United States, and why?
13. Which of the areas of a free trade agreement best describes the priorities that you have outlined above? (the survey listed the 14 policy areas plus Other. The respondent was able to select all that apply).

Individual – The UK's future trade relationship with the United States – concerns.

14. What concerns, if any, do you have about a free trade agreement (or related trade talks) with the United States, and why?
15. Which of the areas of a free trade agreement best describes the concerns that you have outlined above? (the survey listed the 14 policy areas plus Other. The respondent was able to select all that apply).

Individual – The UK's future trade relationship with the United States – other comments.

16. Is there anything else that you would want to say about the UK's future trade relationship with the United States?

Non-Governmental Organisations (NGOs)

Non-Governmental Organisations (NGOs) – about you.

6. What is the name of the organisation (eg trade union, interest group, charity or academic institution) you are responding on behalf of?
7. Which area does your organisation represent?
8. How many members does your organisation represent in total?
9. Does your organisation have a presence in, or operate in, the United States?

NGOs – Questions about the UK's future trade relationship with the United States.

10. Have any of your members been in contact with your organisation about the prospect of a free trade agreement (or related trade talks) with the United States?

NGOs – The UK's future trade relationship with the United States – priorities.

11. What would you want the UK Government to achieve through a free trade agreement (or related trade talks) with the United States, and why?
12. Which of the areas of a free trade agreement best describes the priorities that you have outlined above? (the survey listed the 14 policy areas plus Other. The respondent was able to select all that apply).

NGOs – The UK's future trade relationship with the United States – concerns.

13. What concerns, if any, does your organisation have about a free trade agreement (or related trade talks) with the United States, and why?
14. Which of the areas of a free trade agreement best describes the concerns that you have outlined above? (the survey listed the 14 policy areas plus Other. The respondent was able to select all that apply).

NGOs – The UK's future trade relationship with the United States – other comments.

15. Is there anything else that you would want to say about the UK's future trade relationship with the United States?

Businesses

Businesses – about you.

6. What is the name of your business?
7. What is your Company Number with Companies House?
8. Is your business a subsidiary of a company whose headquarters are based outside the UK?
9. If your business is a subsidiary of a company whose headquarters are based outside the UK, in which country is your parent company's headquarters?
10. Approximately how many employees are currently on your business's payroll in the UK across all sites?
11. Does your business currently employ people in the United States?
12. In what sector does your business predominantly operate in?

Businesses – Exporting, Importing and Investment.

13. Which of the following has your business done or tried to do outside the EU in the last 12 months?
14. Which of the following has your business done or tried to do in the United States in the last 12 months?
15. If you said you did not try to export to, import from or invest in countries outside the EU, or specifically to the United States, is this something that you would like to do in the future?
16. If you said you have (or attempted to) export to, import from, or invest in countries outside the EU, including the United States, did you get assistance from the UK Government in any form?
17. What existing government or business association-led initiatives, if any, support you in doing business with the United States?

Businesses – The UK's future trade relationship with the United States – priorities.

18. What would you/your business want the UK Government to achieve through a free trade agreement (or related talks) with the United States? The options below are structured around the typical content of a free trade agreement. Where possible please provide information on the importance of this issue to your business:
 - Tariffs – What would you want the Government to achieve in this area?
 - Rules of Origin – What would you want the Government to achieve in this area?
 - Custom Procedures – What would you want the Government to achieve in this area?
 - Product Standards, Regulation and Certification Information – What would you want the Government to achieve in this area?
 - Sanitary and Phytosanitary Measures – What would you want the Government to achieve in this area?
 - Services Trade – What would you want the Government to achieve in this area?
 - Digital – What would you want the Government to achieve in this area?
 - Competition – What would you want the Government to achieve in this area?
 - Public Procurement – What would you want the Government to achieve in this area?

- Intellectual Property – What would you want the Government to achieve in this area?
 - Investment – What would you want the Government to achieve in this area?
 - Social, Labour and Environment – What would you want the Government to achieve in this area?
 - Trade Remedies and Dispute Settlement -- What would you want the Government to achieve in this area?
 - Small- and Medium-sized Enterprises (SME) Policy – What would you want the Government to achieve in this area?
 - Other - What would you want the Government to achieve in this area?
19. Which of these areas is your top priority? (the survey listed the 14 policy areas, plus Other and Don't Know. The respondent could select only one).

Businesses – The UK's future trade relationship with the United States – concerns.

20. What would be your concerns about a free trade agreement (or related talks) with the United States be? The options below are structured around the typical content of a free trade agreement. Where possible please provide information on the importance of this issue to your business:

- Tariffs – What would your business's concerns be, if any, in this area?
- Rules of Origin – What would your business's concerns be, if any, in this area?
- Custom Procedures – What would your business's concerns be, if any, in this area?
- Product Standards, Regulation and Certification Information – What would your business's concerns be, if any, in this area?
- Sanitary and Phytosanitary Measures – What would your business's concerns be, if any, in this area?
- Services Trade – What would your business's concerns be, if any, in this area?
- Digital – What would your business's concerns be, if any, in this area?
- Competition – What would your business's concerns be, if any, in this area?
- Public Procurement – What would your business's concerns be, if any, in this area?
- Intellectual Property – What would your business's concerns be, if any, in this area?
- Investment – What would your business's concerns be, if any, in this area?
- Social, Labour and Environment – What would your business's concerns be, if any, in this area?
- Trade Remedies and Dispute Settlement -- What would your business's concerns be, if any, in this area?
- Small- and Medium-sized Enterprises (SME) Policy – What would your business's concerns be, if any, in this area?
- Other - What would your business's concerns be, if any, in this area?

21. Which of these areas is your top concern? (the survey listed the 14 policy areas, plus Other and Don't Know. The respondent could select only one).

Businesses – The UK's future trade relationship with the United States – other comments.

22. Is there anything else that you would want to say about the UK's future trade relationship with the United States?

Business Associations

Business Association – about you.

6. What is the name of the trade association or businesses representative organisation that you are responding on behalf of?
7. What business area does your organisation represent?
8. How many businesses does your group represent in total?
9. Do you have a presence in, or operate in, the United States?

Business Association – Exporting, Importing and Investment.

10. Approximately what proportion of your members export to / invest in the United States?
11. Approximately what proportion of your members have indicated they would like to do more exporting to / investment in the United States?
12. Approximately what proportion of your members import from / have investment from the United States?
13. Approximately what proportion of your members have indicated they would like to do more importing from / seek investment from the United States?
14. What existing UK Government or regional / business group-led initiatives, if any, have your members said support them in doing business with the United States?

Business Association – Questions about the UK's future trade relationship with the United States.

15. Have your members been in contact with your organisation about the prospect of a free trade agreement (or related trade talks) with the United States?

Business Association – The UK's future trade relationship with the United States – priorities.

16. What would your organisation want the UK Government to achieve through a free trade agreement (or related talks) with the United States? The options below are structured around the typical content of a free trade agreement. Where possible please provide information on the importance of this issue to your business:
 - Tariffs – What would you want the Government to achieve in this area?
 - Rules of Origin – What would you want the Government to achieve in this area?
 - Custom Procedures – What would you want the Government to achieve in this area?
 - Product Standards, Regulation and Certification Information – What would you want the Government to achieve in this area?
 - Sanitary and Phytosanitary Measures – What would you want the Government to achieve in this area?
 - Services Trade – What would you want the Government to achieve in this area?
 - Digital – What would you want the Government to achieve in this area?
 - Competition – What would you want the Government to achieve in this area?
 - Public Procurement – What would you want the Government to achieve in this area?

- Intellectual Property – What would you want the Government to achieve in this area?
- Investment – What would you want the Government to achieve in this area?
- Social, Labour and Environment – What would you want the Government to achieve in this area?
- Trade Remedies and Dispute Settlement – What would you want the Government to achieve in this area?
- Small- and Medium-sized Enterprises (SME) Policy – What would you want the Government to achieve in this area?
- Other - What would you want the Government to achieve in this area?

17. Which of these areas is your top priority? (the survey listed the 14 policy areas, plus Other and Don't Know. The respondent could select only one).

Business Association – The UK's future trade relationship with the United States – concerns.

18. What would your organisation's concerns about a free trade agreement (or related talks) with the United States be? The options below are structured around the typical content of a free trade agreement. Where possible please provide information on the importance of this issue to your business:

- Tariffs – What would your organisation's concerns be, if any, in this area?
- Rules of Origin – What would your organisation's concerns be, if any, in this area?
- Custom Procedures – What would your organisation's concerns be, if any, in this area?
- Product Standards, Regulation and Certification Information – What would your organisation's concerns be, if any, in this area?
- Sanitary and Phytosanitary Measures – What would your organisation's concerns be, if any, in this area?
- Services Trade – What would your organisation's concerns be, if any, in this area?
- Digital – What would your organisation's concerns be, if any, in this area?
- Competition – What would your organisation's concerns be, if any, in this area?
- Public Procurement – What would your organisation's concerns be, if any, in this area?
- Intellectual Property – What would your organisation's concerns be, if any, in this area?
- Investment – What would your organisation's concerns be, if any, in this area?
- Social, Labour and Environment – What would your organisation's concerns be, if any, in this area?
- Trade Remedies and Dispute Settlement – What would your organisation's concerns be, if any, in this area?
- Small- and Medium-sized Enterprises (SME) Policy – What would your organisation's concerns be, if any, in this area?
- Other - What would your organisation's concerns be, if any, in this area?

19. Which of these areas is your top concern? (the survey listed the 14 policy areas, plus Other and Don't Know. The respondent could select only one).

Business Association – The UK's future trade relationship with the United States – other comments.

20. Is there anything else that your organisation would want to say about the UK's future trade relationship with the United States?

Public Sector Bodies

Public Sector Bodies – about you.

6. What is the name of the public sector body you are responding on behalf of?
7. What area does your public sector body represent?
8. Does your public sector body have a presence in, or operate in, the United States?

Public Sector Bodies – Questions about the UK's future trade relationship with the United States?

9. Have any of your members been in contact with your public sector body about the prospect of a free trade agreement (or related trade talks) with the United States?

Public Sector Bodies – The UK's future trade relationship with the United States – priorities.

10. What would you want the UK Government to achieve through a free trade agreement (or related trade talks) with the United States, and why?
11. Which of these areas of a free trade agreement best describes the priorities that you have outlined above? (the survey listed the 14 policy areas plus Other. The respondent was able to select all that apply).

Public Sector Bodies – The UK's future trade relationship with the United States – concerns.

12. What concerns, if any, does your public sector body have about a free trade agreement (or related trade talks) with the United States, and why?
13. Which of these areas of a free trade agreement best describes the concerns that you have outlined above? (the survey listed the 14 policy areas plus Other. The respondent was able to select all that apply).

Public Sector Bodies – the UK's future trade relationship with the United States – other concerns.

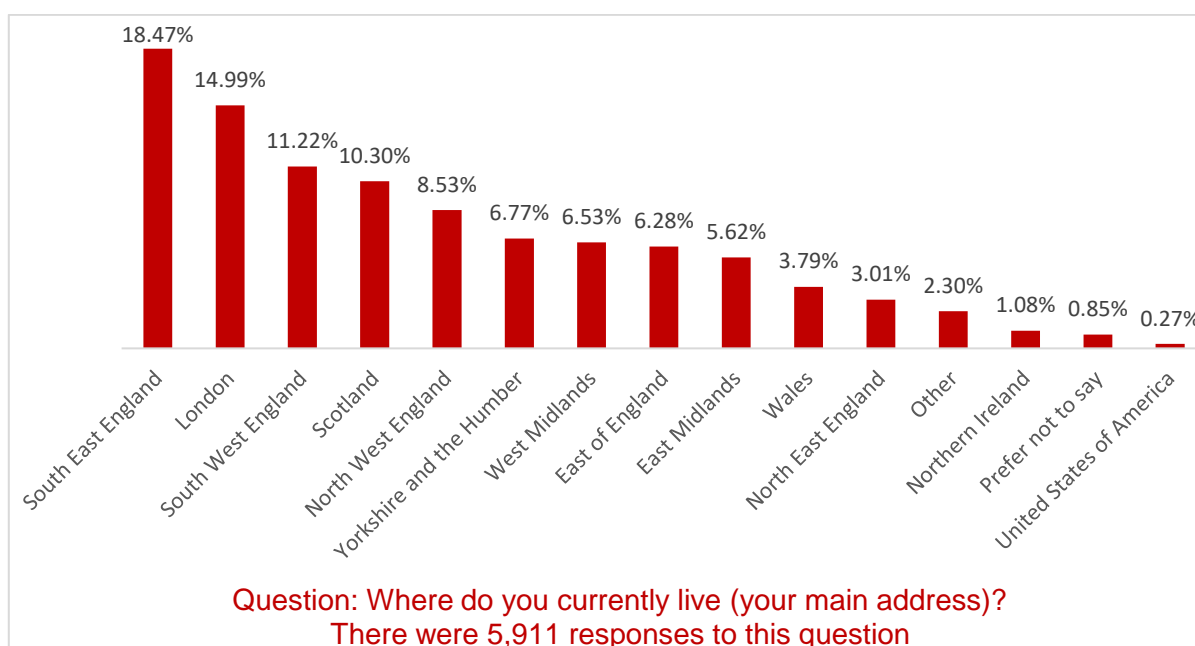
14. Is there anything that you would want to say about the UK's future trade relationship with the United States?

Annex B: Demographics

Individual respondents' demographic profile

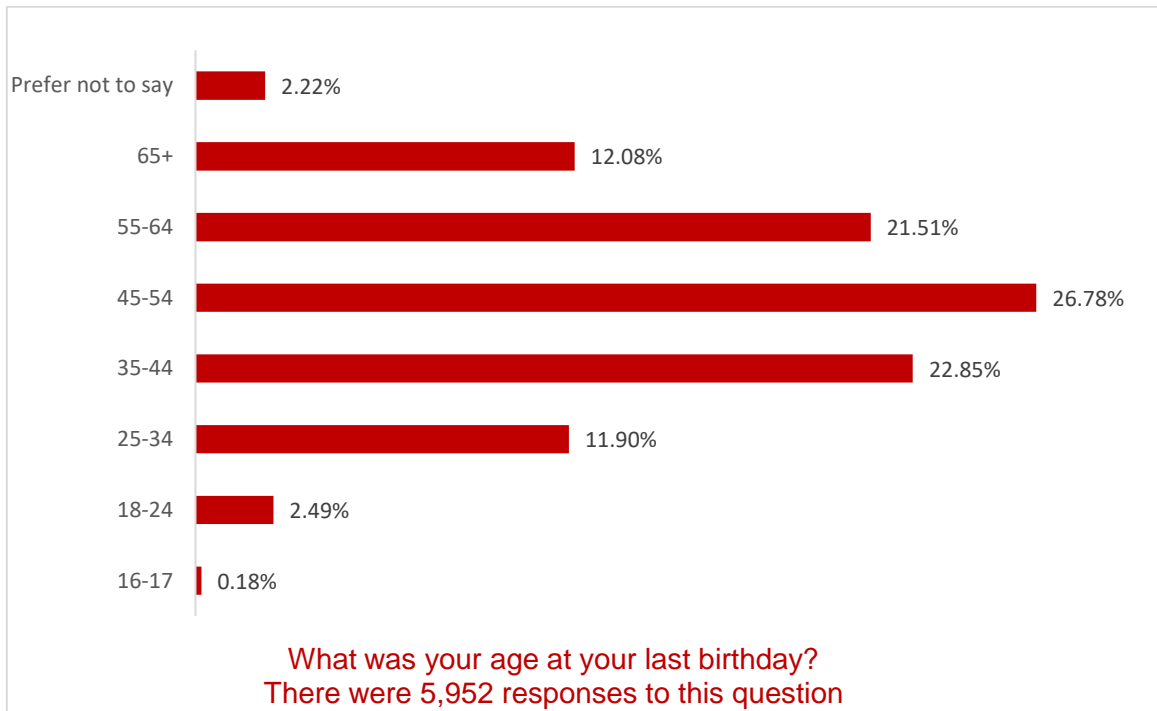
1. The geographical location of respondents varied with responses received from across the UK. More than two thirds of responses came from outside of London and the South East of England, and around one in ten responses came from Scotland. See Figure 1 for an overview of the respondents' location.

Figure 1: Location of individuals who responded to the consultation online



2. The age of respondents to the Consultation Portal varied with 14.57 per cent being between 16-34 years old and just under half of respondents being aged between 35 and 54 years old. See Figure 2 for a breakdown of the ages of respondents.

Figure 2: Age of individuals who responded to the consultation online



- Over a third of individuals who responded online were female (35.82 per cent) with just under two thirds male (61.15 per cent). The reason for the lower response rate from women is unclear and the Government has identified a need to review our engagement strategy to ensure any future consultations have greater participation from women. The Government is committed to creating a framework for trade that supports female exporters and upholds gender equality.

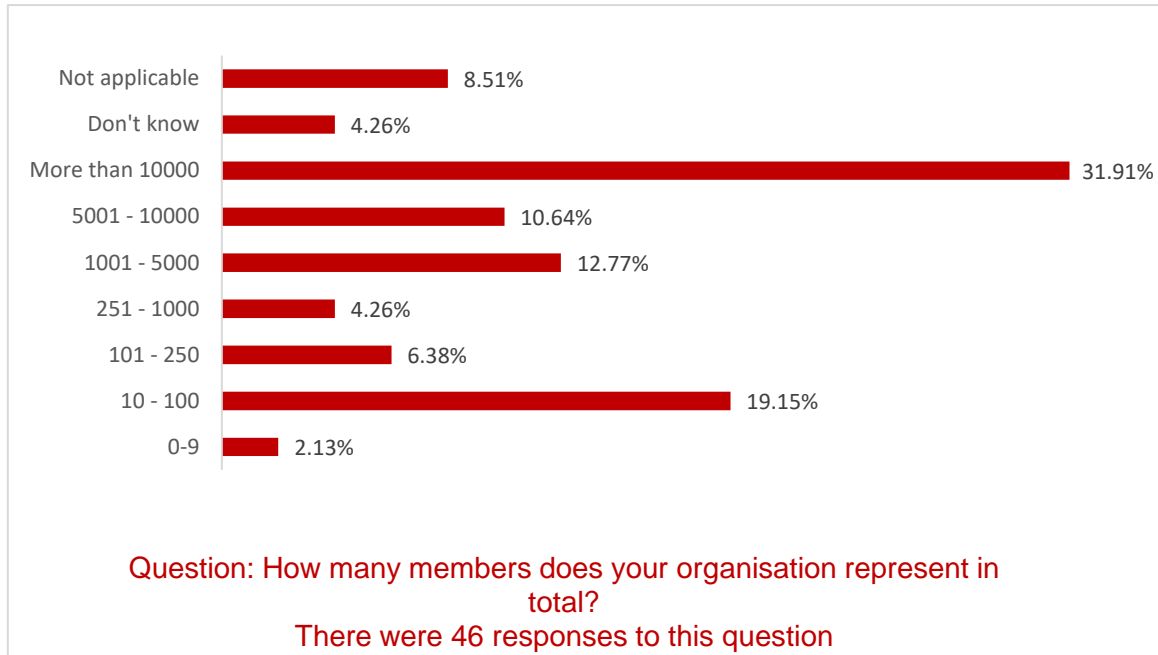
Table 8: Gender of individuals who responded to the consultation online

Gender Group	Percentage of Responses
Male	61.15%
Female	35.82%
Other	0.32%
Prefer not to say	2.71%

Question: What is your gender?
There were 5,946 responses to this question

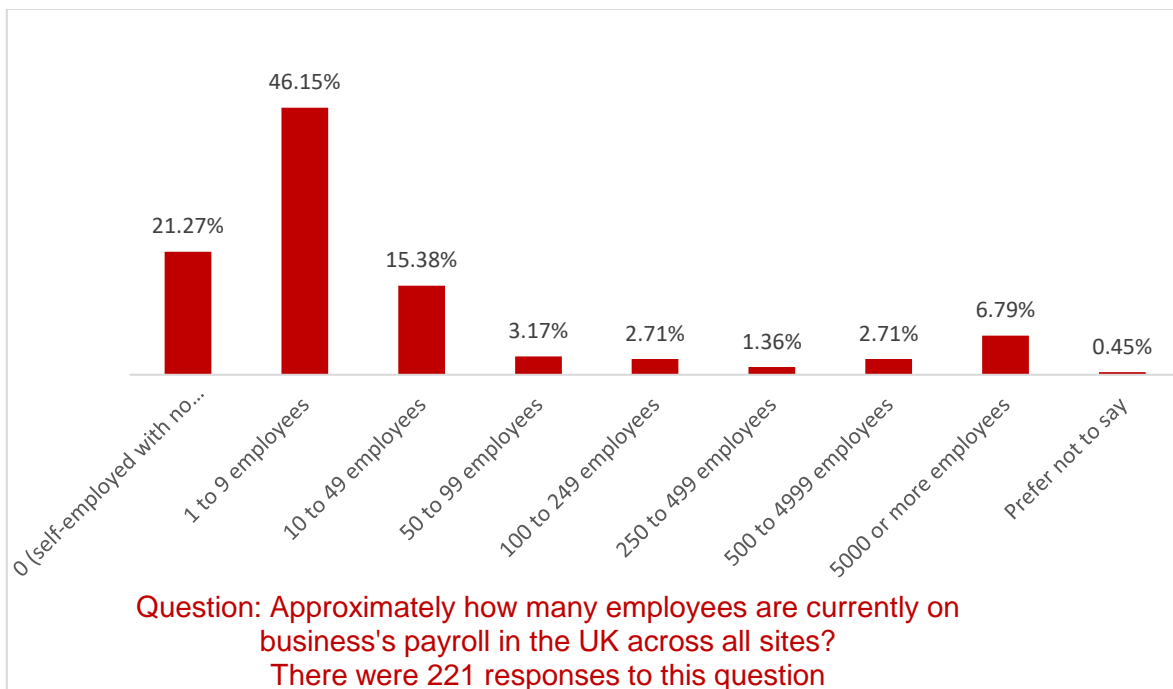
Organisation respondent profile

Figure 3. Total number of members that the NGO represents



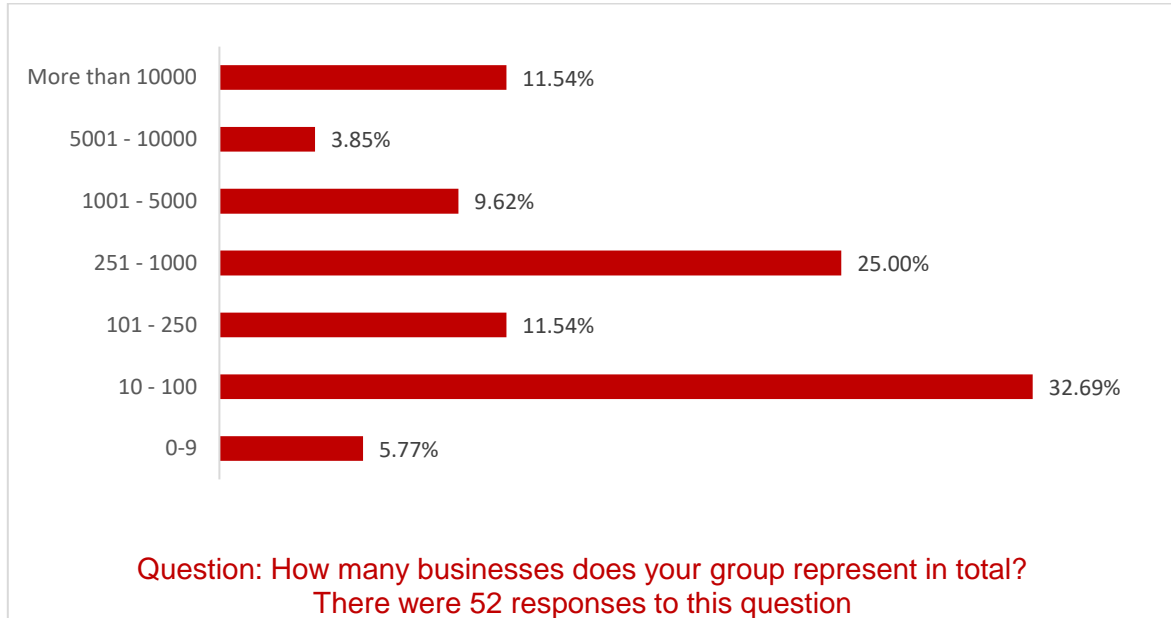
4. Over half (55.32 per cent) of NGOs who responded online had more than 1000 members. Over one fifth (21.28 per cent) of organisations had 100 or less members.

Figure 4. Number of UK employees per business



- Nearly half (46.15 per cent) of businesses who responded online had 1-9 employees. 9.5 per cent of businesses had 500 or more employees.

Figure 5. Number of businesses the business associations represent



- Over half (50.01 per cent) of businesses associations who responded online represented 251 or more businesses.

Annex C: Glossary

This glossary contains general descriptions of some commonly used trade and investment terms. Some of the terms have meanings that vary within different areas of trade and investment, or between different trade and investment agreements. The descriptions in this glossary are intended to provide a general approximation of these meanings and therefore will not always align with legal definitions or references in legal texts; or with the meaning of these terms in a particular context or area of trade.

Term	Definition/Description
Accession	Means to join or become a part of – eg accession to an international trade agreement by new members, accession to an international organisation or a state's accession to a multilateral treaty already negotiated and signed by other states.
Anti-dumping duty	Under WTO rules, countries can counteract the practice of 'dumping' by imposing additional duties on imported goods found to be 'dumped' and causing injury to domestic producers, after having conducted a domestic investigation (see also Dumping below).
Applied tariffs/Applied rate	Duties that are actually charged on imports of goods. These can be the same, below, but not above, the bound rates (see also Bound Tariffs/rates).
Artist's Resale Rights	The Artist's Resale Right (ARR) is a specific form of copyright, which gives the author of an original work of art the entitlement to royalties each time one of their works is sold through an art market professional (such as an auction house or art gallery). This royalty has the same duration as copyright; life or the author plus 70 years.
Bilateral agreement	An agreement negotiated between two sides. One or both sides could be made up of multiple states, eg the EU-CARIFORUM FTA which has more than 40 parties.
Bilateral Investment Treaty (BIT)	An agreement between two states in which each state affords certain protections to the other state's investors and their investments. This normally includes an obligation not to discriminate or expropriate without compensation. Investors may be provided with a right to enforce these provisions through Investor-State Dispute Settlement, ISDS (defined below). Modern FTAs often include a separate Investment chapter which will have similar provisions.
Bound Tariffs (also known as bound rates)	The maximum rate of duty (ie tax) that can be applied by a WTO Member to an imported product from another WTO Member. Each WTO member has a goods schedule in which it sets out its commitment to these most favoured nation rates.

Business Representative Organisation (BRO)	An administrative body who acts for or on behalf of businesses they represent. Usually runs a membership programme.
CE marking	A certification mark on products traded on the extended Single Market in the European Economic Area (EEA). 'CE' signifies that the product has been assessed and meets the EU's safety, health and environmental protection requirements.
Commercial presence	In the services trade context, refers to having an office, branch or subsidiary in a foreign country. It refers to mode 3 supply of services (see also Mode of supply for services).
Common market / single market	This is a deeper level of economic integration than an FTA. It is a free trade area established between states to give free movement of goods (without tariff and quotas), services, capital and labour between them.
Competition	Ensuring businesses are treated fairly in each other's markets, including the application of competition law, the role of state-owned enterprises and the use of state aid and subsidies.
Competitive Tendering	Competitive tendering is a procurement method where firms bid for the right to run a service or gain a certain contract.
Conformity Assessments	Tests on goods and services to see if they meet the standards required by the country they are to be sold in. In the UK, these tests are carried out by various assessment bodies accredited by the UK Accreditation Services (UKAS).
Cost, Insurance and Freight (CIF)	A recognised international trading term (see Incoterms) meaning the value of goods, including insurance of the goods and transport to the point where they are lifted over the ship's rail at the port of importation. The equivalent for transport other than sea is CPT (cost paid to).
Countervailing Measure (CVM)	Additional duties that WTO rules authorise countries to impose on imported goods to offset state subsidies received in the country of export after having conducted a domestic investigation and establishing that the subsidised imports are causing injury to the domestic industry.
Crypto-assets	Crypto-assets or 'cryptocurrency' are cryptographically secured digital representations of value or contractual rights that can be stored, transferred or traded electronically eg Bitcoins.
Cumulation	When determining the origin of goods for customs purposes, this means the capacity to include materials and/or processing from other countries as qualifying content in determining if an imported good is an 'originating good' and consequently qualifies for preferential tariff treatment.

Customs authority	<p>A government body that administers laws and regulations relating to goods crossing a border, particularly import, export, movement and storage of goods. This can be by:</p> <ol style="list-style-type: none"> 1) Collecting duties and taxes. 2) Controlling import & export of restricted goods, eg animals, and weapons. <p>In the UK, Customs functions are undertaken by HM Revenue & Customs and Border Force.</p>
Customs Duty	A charge imposed by a country on the import or export of goods.
Customs procedures	Processes and procedures applied by customs authorities to control the export, import and transit of goods. Their improvement and simplification may lower costs and facilitate trade.
Customs union	Distinct from agreements on regulatory alignment, or single market regulatory integration, a customs union treats two or more countries as a single customs territory, eliminating duties and most other restrictive measures on substantially all trade in goods between its members, and collectively applying substantially the same duties and other measures to trade in goods from third countries.
Designation of Origins	See Geographical Indications.
Dispute settlement	The term is commonly used in reference to the formal state to state mechanism for resolving disputes where one or more parties consider that there has been a breach of obligations under the relevant international trade agreement and it has not been possible to resolve the dispute informally.
Distortion	This refers to a situation in which prices and production are higher or lower than levels that would usually exist in a competitive market.
Domestic support	Where a country acts to maintain producer prices at levels above those dominant in international trade.
Dumping	Dumping occurs when goods are exported at a price less than their 'normal value', generally meaning they are exported for less than they are sold in the domestic market or are sold in export markets below the cost of production. WTO rules authorise action to counteract the practice of dumping when dumped imports are shown to cause injury to domestic producers (see Anti-Dumping Duty).
Duty-Free Quota-Free (DFQF) access	This refers to preferential market access for goods, free of import duties or quotas. DFQF on a lasting basis for all "least developed countries" or "LCDs" is included as a target in the UN Sustainable Development Goals. DFQF can be offered

	unilaterally to developing countries, under the WTO 'Enabling Clause'.
Economic Operator Certification	Documentation for the authorisation of a party involved in the international movement of goods in whatever function that has been approved by a national customs administration.
Electronic commerce (e-commerce)	Production, advertising, sale and distribution of products via telecommunications networks.
Environmental Goods Agreement (EGA) / Green Goods	A proposed agreement being negotiated by a group of WTO members seeking to end tariffs for environmentally beneficial products.
European Patent Convention	The European Patent Convention is a multilateral treaty finalised in 1973 establishing the European Patent Organisation, an intergovernmental organisation (non-EU body) that grants European patents.
Excise Duty	A tax or duty on the manufacture of goods. Excise applies in the UK to goods which contain alcohol, mineral oils or tobacco. The charge to excise is payable on purchase or importation.
Ex works	A recognised international trading term (see Incoterms) meaning the value of goods at the point that they left the factory without the addition of any transport, insurance or other costs.
Fair dealing	'Fair dealing' is a UK concept and relates to limited situations set out in UK legislation where the use of a work, protected by copyright, does not require permission or a licence from the rightsholder so long as the use is also considered 'fair'. There is no statutory definition of fair dealing - it will always be a matter of fact, degree and impression in each case.
Fair use	'Fair use' is a defence against a claim of copyright infringement in the US. It constitutes any copying of copyrighted material done for a limited and 'transformative' purpose, such as to comment upon, criticise or parody a copyrighted work.
Financial Technology (FinTech)	Providing or enabling financial services using software and modern technology
Food security	Refers to a situation where the nutritional needs of a country or population are met consistently.
Foreign Direct Investment (FDI)	Investment by an entity in a foreign operation, or establishment of a new operation in another country ("greenfield investment"). Foreign Direct Investment implies significant control of the operation by the foreign entity.
Free circulation	A customs status relating to goods which have had all the taxes and duties paid, are not subject to any other restriction or

	prohibition and can therefore move freely within the relevant customs territory.
Free Trade Agreement (FTA)	A treaty among two or more countries to form a free trade area. This means having zero tariffs (or reduced tariffs) and reducing other regulatory restrictions on trade in substantially all goods and/or services.
Free trade area	Describes territories that have liberalised trade between them in most areas of trade in goods (similar arrangements for trade in services are known as economic integration agreements). Each participating territory applies its own independent trade policy with territories that are not part of the free trade area.
GATS	General Agreement on Trade in Services, a WTO agreement governing trade in services.
GATT	General Agreement on Tariffs and Trade, a WTO agreement governing trade in goods.
Generalized System of Preferences (GSP)	Measures applied by developed countries granting unilaterally preferential (reduced or nil rate) tariffs to imports from developing countries.
Geographical Indications (GIs)	An identification of a product from a particular country, region or locality where a given quality, reputation or another characteristic of the product is essentially attributable to the place where it is produced. For instance, 'Cornish Pasty', 'Welsh Lamb', 'Scotch Whisky' or 'West Country Farmhouse Cheddar Cheese' are UK GIs.
Government procurement	Procurement by government or other public entities of goods and services from the private sector. This usually covers both goods and services, and purchasing, leasing and acquiring by other commercial means.
Government Procurement Agreement (GPA)	A plurilateral WTO agreement, currently among 19 parties, covering the procurement of goods and services by governments and other public authorities.
Gravity model of trade	The prediction of joint trade flows based on the economic sizes and distance between two states. GDP measurements are often used to measure economic size.
Green Finance	Financial instruments or investments in environmental and sustainable projects and infrastructure
Harmonized System (HS)	Forms the basis of how most countries describe and classify goods for the purpose of applying customs tariffs. A system, managed by the World Customs Organisation, that gives different categories of goods a 6-digit number so their characteristics can be recognised and understood.

Import Entry Transaction Fee	The payment charged to process and risk assess imported goods.
Import licensing	Administrative procedures requiring the submission of an application or other documentation (other than those required for customs purposes) to the relevant administrative body as a prior condition for importation of goods.
Import quota	A trade restriction that sets a limit on the quantity of a good that can be imported into a country. Import quotas are generally prohibited by the GATT, other than in limited circumstances.
Incoterms	International commercial terms that are standard terms developed by the International Chambers of Commerce and in common use that define the responsibilities of the seller and the buyer for the sale and delivery of goods. Examples include ex works, FCA (free carrier), CIF (cost insurance and freight), DDU (delivered duty unpaid) and DDP (delivered duty paid).
Intellectual Property (IP)	Creations of the mind, such as inventions, literary and artistic works, designs, and symbols, names and images used in commerce. These creations are protected by law by a variety of intellectual property rights such as patents, copyright, trade marks, design rights and geographical indications.
Investor State Dispute Settlement (ISDS)	A mechanism that allows a foreign investor to bring legal proceedings and seek compensation from a state, if the state has breached its obligations under a Bilateral Investment Treaty (defined above) or an Investment chapter in an FTA. The legal proceedings are usually brought via an arbitration process that is independent of each state's domestic courts.
Inward Processing Relief (IPR)	A customs procedure that allows goods to be temporarily imported duty-free on the condition that they are to be processed and re-exported.
Labour and Environment	In the context of a trade agreement, protection of workers and the environment, consistent with international commitments of a country.
Market access	Conditions set by governments to control which goods or services can or cannot enter their domestic market.
Mode of supply of services	This describes how international trade in services is supplied and consumed, with mode 1: cross - border supply (eg a user in country A receives services from abroad through its telecommunications or postal infrastructure); mode 2: consumption abroad (eg nationals of country A travel or move to country B as tourists, students, or patients to consume the services); mode 3: commercial presence (eg the service is provided within country A by a locally-established affiliate, subsidiary, or representative office of a foreign-owned and controlled company in country B); and mode 4: movement of

	<p>natural persons (eg a national of country B provides a service within country A as an independent supplier (like a consultant or health worker) or employee of a service supplier (like a consultancy firm or construction company)).</p>
<p>Most Favoured Nation (MFN)</p>	<p>A non-discrimination principle enshrined in many WTO rules that prohibits a WTO member from treating some WTO members more favourably than others. The MFN obligation requires each WTO member, in its trade with all other WTO members, to give the best (“most-favoured”) treatment that it accords in trade with any other WTO member. If, for example, a country lowers tariffs on goods from India, it must also do so on similar goods from Argentina. Exceptions to the MFN principle exist under WTO law, such as in the form of Customs Unions, Free Trade Agreements, Generalized System of Preferences and certain trade remedies.</p> <p>FTAs often contain their own MFN commitments between the treaty partners.</p> <p>Bilateral Investment Treaties also include MFN obligations to investors and their investments from each participating state (party). Under MFN, a host state may not treat an investor from a BIT party less favourably than it does a foreign investor from another country.</p>
<p>Multilateral agreement</p>	<p>An agreement among several countries. At the WTO, multilateral agreements normally refers to agreements reached by all WT members.</p>
<p>Mutual Recognition Agreement (MRAs)</p>	<p>An international agreement by which two or more countries agree to recognise one another's conformity assessments (see conformity assessments above).</p>
<p>Mutual Recognition of Professional Qualifications (MRPQ)</p>	<p>Enables individuals to have their professional qualifications recognised in a state other than the one in which the qualification was obtained.</p>
<p>National Treatment</p>	<p>A non-discrimination principle enshrined in many WTO rules that prohibits a WTO member from treating imported goods or foreign services and services suppliers less favourably than domestic goods or services and services suppliers in its domestic market. The national treatment obligation helps ensure imported goods and services are not unfairly disadvantaged compared with their domestic counterparts. Such obligations may also be included in FTAs between the country parties.</p> <p>Bilateral Investment Treaties also usually contain provisions that parties should not discriminate between domestic and foreign investments.</p>

Natural persons	Refers to people, as distinct from juridical persons such as companies and organisations.
Non-Tariff Barriers (NTBs) or Non-Tariff Measures (NTMs)	Any policy that restricts exports or imports other than a simple tariff.
North America Free Trade Agreement (NAFTA)	North American Free Trade Agreement, comprising Canada, Mexico and the US. This FTA may be replaced by the United States-Mexico-Canada Agreement (USMCA).
Outward Processing Relief	A customs procedure that allows goods to be temporarily exported for processing with goods in another country and then re-imported. On re-importation the element that constitutes the original exported goods in the final imported product are imported free from duty.
PBS	Professional and business services
Plurilateral agreement	An agreement between more than two parties. At the WTO, plurilateral agreements typically refer to agreements reached by several, but not all, WTO members.
Products standards, regulations and certification	<p>'Standards' are documents developed through consultation and consensus which describe a way of, for example, making a product, managing a process, or delivering a service. Compliance with standards is not mandatory. Typically, they are not set or controlled by government or legislators but can be used by legislators to establish a basis for compliance with the law. The term 'standard' is also used informally to refer to a level of quality or attainment.</p> <p>'Regulations' are legal requirements. In the context of international trade, the term 'Technical Regulations' is used frequently in trade agreements when addressing 'technical barriers to trade'. Technical Regulations are mandatory requirements set out in law – they are controlled by governments and legislators.</p> <p>Certification is the provision by an independent body of written assurance (eg a certificate) that the product, service or system in question meets specific requirements.</p>
Protected Geographical Indications	See Geographical Indications.
Quantitative Restrictions (QRs)	Specific limits on the quantity or value of goods that can be imported (or exported) during a specific time period).
Red tape	Excessive regulation or rigid conformity to formal rules that is considered redundant or bureaucratic and hinders or prevents action or decision-making. In trade relations, it imposes an administrative burden on economic operators that will frequently involve additional costs and may have the effect of limiting trade.

Regional Trade Agreement (RTA)	A free trade agreement between a group of countries. Although originally used to describe such agreements when concluded among countries that shared common borders or were located within the same region, it is now often used more generally. For example, in mega-regional free trade agreements such as the CPTPP, the parties do not all border each other.
Regional Value Content (RVC)	A percentage that indicates to what extent a good is produced in the producer's local region. This can be affected by the origin of the good's components or materials.
Regulatory Data Protection	A period during which Company B cannot refer to data produced by Company A to support B's marketing authorisation for a pharmaceutical (generic) or agrochemical (eg a pesticide) drug. This authorisation is a requirement for the generic drug to reach markets.
Rules of Origin (RoO)	Rules used to determine where goods are "from", for example, where they have been produced or had substantial work done to them. This is used in determining appropriate tariff rates, access to preferential trade arrangements or application of trade sanctions.
Safeguard Measures	Actions taken to protect a specific industry from an unexpected build-up of imports. They are generally governed by Article 19 of GATT and the Agreement on Safeguards.
Sanitary and Phytosanitary Measures (SPS)	Measures to ensure that food is safe for consumers, and to prevent the spread of pests or diseases among animals and plants.
Schedule	In WTO context, this is a WTO member's list of commitments to other WTO members regarding how much market access it is prepared to offer and its bound tariff rates.
Small- and Medium-sized Enterprises	Businesses with fewer than 250 employees.
Small- and Medium-Sized Enterprises (SME) Policy	Policy designed in a way which supports Small- and Medium-Sized businesses.
Special and Differential Treatment	WTO agreements contain special provisions which give developing countries special rights and allow other members to treat them more favourably than non-developing members.
Supply chain	The sequence of processes involved in the production and distribution of a good.
Sustainable Development	Development that meets the needs of the present generations without compromising the ability of future ones to meet their own needs. It contains three pillars: economic development, social development and environmental protection.

Tariff binding	A commitment by a country not to increase a customs duty beyond a specified level. (See Bound Tariffs).
Tariff Rate Quota (TRQ)	The application of a higher tariff or tax on certain goods once an agreed quota (amount) of imports is reached.
Tariffs	Refers to customs duties on imports of goods, levied either as a percentage of value or on the basis of a formula (eg 10 per cent or £7 per 100 kg).
Technical Barriers to Trade (TBT)	These are regulations, standards, testing and certification procedures applied to imports and exports which could obstruct trade. The WTO's TBT Agreement aims to ensure that these do not create unnecessary obstacles to trade.
Trade liberalisation	The removal or reduction of restrictions or barriers to trade.
Trade remedies	Measures which allow WTO members to operate a safety net and protect domestic industry from injury caused by unfair trading practices or from injury caused by surges in imports. They are taken in response to subsidies, dumping and import surges. These usually take the form of additional duties on those imports.
Transatlantic Trade and Investment Partnership (TTIP)	The Transatlantic Trade and Investment Partnership is a proposed trade agreement between the European Union and the United States.
Treaty	A treaty is an agreement under international law between states or international organisations.
WTO	The World Trade Organization.
WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)	The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) is the principal WTO agreement on intellectual property (IP) rights and applies to all WTO members. It covers key types of IP, including copyright, trade marks, geographical indications and patents and provides for the minimum standards of IP protection that each member needs to provide.
WTO Trade Facilitation Agreement	The WTO agreement which aims to simplify, modernise and harmonise procedures and controls governing the movement of goods across borders by WTO members.

The Department for International Trade (DIT) helps businesses export, drives inward and outward investment, negotiates market access and trade deals, and champions free trade.

Legal disclaimer

Whereas every effort has been made to ensure that the information in this document is accurate the Department for International Trade does not accept liability for any errors, omissions or misleading statements, and no warranty is given or responsibility accepted as to the standing of any individual, firm, company or other organisation mentioned.

Copyright

© Crown Copyright 2019

You may re-use this publication (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence.

To view this licence visit:

www.nationalarchives.gov.uk/doc/open-government-licence or email: psi@nationalarchives.gov.uk.

Where we have identified any third party copyright information in the material that you wish to use, you will need to obtain permission from the copyright holder(s) concerned.

This document is also available on our website at gov.uk/dit

Any enquiries regarding this publication should be sent to us at

enquiries@trade.gov.uk.