



**UK TRADE & BUSINESS  
COMMISSION**

# **UKTBC POST-SESSION REPORT: STATE OF PLAY IN GLOBAL TRADE**

**MAY 2023**



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## 1. INTRODUCTION

The UK Trade and Business Commission brings together ten MPs from all nine Westminster parties and all four nations of the UK, along with business leaders and expert economists to provide independent scrutiny of the UK's trade deals and provide recommendations to the UK Government.

The Commission met on 11th May 2023 to take a holistic look at the question of world trade, and examine where the UK sits in the wider picture.

Post-Brexit, the UK is still finding its place in global trade. The Commission discussed what the state of play for international trade is in the UK, what the UK can learn from other countries, and how the UK can overcome the trade barriers it is currently facing.

Witnesses were clear that there are significant opportunities for the UK to build a closer relationship with the EU and successfully build multilateral relationships. With a coherent and comprehensive trade strategy, the UK can maintain its commitment to human rights and environmental protections, remain agile despite geopolitical tension, and successfully grow the UK economy.

## 2. SESSION WITNESSES

- 🗣️ **SIR PETER WESTMACOTT GCMG LVO**, Former UK Ambassador to the United States
- 🗣️ **PROFESSOR LORAND BARTELS MBE**, Professor of International Law, University of Cambridge
- 🗣️ **LAURENCE TURNER**, Head of Research and Policy, GMB
- 🗣️ **IANA DREYER**, Founder and Editor, Borderlex
- 🗣️ **DR KATI SUOMINEN**, Founder and CEO, Nextrade Group
- 🗣️ **JAMES KANE**, Associate, Institute for Government

### 3. KEY FINDINGS

1. **UK trade has reduced significantly since Brexit and new trade deals forged by the UK Government have not yet had a big impact.**
2. **The UK can learn from other countries how best to position itself within the current global trading environment. There are opportunities for the UK to build an agenda-setting, diplomatically agile position that supports the UK economy.**
3. **The UK does not have a coherent, demand-led and worker-centred approach to trade policy. Aligning domestic policy and national security with trade strategy will allow the UK to improve and develop its position in international trade.**

#### 3.1 THE STATE OF PLAY IN UK TRADE

UK trade is still developing post-Brexit. After leaving the EU, the UK had to develop a new position in global trade. While the EU remains the UK's largest trading partner, witnesses outlined that the UK's new position is weaker and UK businesses are experiencing trade friction.

*“There is a feeling there that in terms of trade volumes, difficulty of trade, barriers to trade, productivity, investment, FDI, that the UK is no longer what it was before 2016.” - Sir Peter Westmacott GCMG LVO, Former UK Ambassador to the United States*

*“There was a period of trying to figure out how the UK is going to land after Brexit, I think we are in the sort of landing phase and I think the UK has realised, started realising what its effective position is in the international trade world, which is now a small to middle sized economy on a global scale and overall rule taker.” - IANA DREYER, FOUNDER AND EDITOR, BORDERLEX*

*“In the EU the UK had a stronger voice on a range of trade policy issues and actually now one sees it for example in the WTO where the UK is active, I mean it's an active member, it sits on committees, the UK Ambassador leads currently the Environment and Trade Committee, it is active but there is a sense that its voice could be actually stronger, that there's some of its core interests that it could defend a bit stronger. So seen a little bit as having taken a little bit of a back seat and could do more.” - IANA DREYER, FOUNDER AND EDITOR, BORDERLEX*

The UK Government concluded negotiations on the UK's membership of the Comprehensive Progressive Agreement for Trans-Pacific Partnership (CPTPP) in March 2023. Witnesses highlighted that the UK's participation in the trade agreement had diplomatic potential and was an important move in terms of the UK's position in international trade and influence.

*“I think the most interesting development in trade policy post-Brexit has been this joining of the CPTPP [...] It's an interesting diplomatic move that might put the UK on a par with other very dynamic middle powers on the trade policy discussion, we'll get back to that later, such as Australia and Japan and Canada.” - IANA DREYER, FOUNDER AND EDITOR, BORDERLEX*

*“I think it's a very important move in terms of the UK being able to be in the room [...] and exercise kind of agenda setting power in the CPTPP and in the other trade arenas in Asia Pacific where I think the future of digital trade rules in particular is being negotiated and shaped, you are now around the table and thinking about what the CPTPP will look like which would shape other trade agreements as well as deciding as to who will get into these agreements and that's a hugely important issue when China is not playing at all by the rules in the digital area and the other areas of trade, yet is seeking to get into this agreement.” - DR KATI SUOMINEN, FOUNDER AND CEO, NEXTRADE GROUP*

*"I think CPTPP if you can shape the rules and then ensure that the agreement is well implemented by those countries that are part of it that would be I think very, very important for the UK and another step towards a direction of establishing yourselves as the leaders in trade policy discussions in Geneva as well as in other fronts."* - **DR KATI SUOMINEN, FOUNDER AND CEO, NEXTRADE GROUP**

Trade Unions are concerned about workers' voices being missed out of trade policy decision-making and, as a consequence, trade deals being negotiated with countries that do not uphold fundamental standards of human rights.

*"We're concerned that the UK is currently trying to negotiate trade deals with countries that violate fundamental workers' rights, including launching trade talks last year with three countries that have recorded widespread abuses of workers' rights, including India, Israel and the countries represented through the Gulf Cooperation Council. More than a third of the trade deals already in place are with countries that are rated worse in the World for workers' rights by the ITUC, there is a real risk of a race to the bottom on employment standards, we think this is a race that the UK cannot win, but it can do enormous damage to our own economic prospects through the pursuit of that aim."* - **LAURENCE TURNER, HEAD OF RESEARCH AND POLICY, GMB**

*"Worker voices are frozen out of the UK's thematic trade advisory groups and there is very little formal consultation happening outside of those groups due to the change in the machinery of Government as the DPT has set up."* - **LAURENCE TURNER, HEAD OF RESEARCH AND POLICY, GMB**

Without clear negotiating red lines, such as workers rights or food standards, compromises made to achieve trade deals could weaken the UK economy and fail to protect British consumers.

*"The one thing I would say is the UK should not compromise on any principals which it hasn't decided to compromise on, which might sound a bit circular but [...] the decision making structures in the UK and in particular the postponement of hard decisions till the latest possible moment and to the highest possible levels of Government presented a serious risk that the UK would end up making compromises that were not fully thought through or that were based on a desire to secure the publicity benefits of getting the deal over the line by a given arbitrary deadline."* - **JAMES KANE, ASSOCIATE, INSTITUTE FOR GOVERNMENT**

The UK has not developed appropriate commitments to enforce the provisions in Free Trade Agreements, and this compromises its ability to protect domestic consumers and international standards.

*"I am not really sure why the UK's position on certain types of rules in free trade agreements is that it doesn't want these rules to be enforceable, it is an FTA, so it carves out enforceability from SPS rules which is sanitary and phytosanitary measures, basically food. I don't know what the advantage of that is to the UK, it should be complying with those rules, shouldn't be scared of anything and it's got an economic interest in making sure those rules are complied with by countries to which the UK is exporting."* - **PROFESSOR LORAND BARTELS MBE, PROFESSOR OF INTERNATIONAL LAW, UNIVERSITY OF CAMBRIDGE**

*"The Trade Remedies Authority is an important and still maturing part of this picture, and the UK made the unusual decision to include an economic interest test as part of the TRAs procedures and in effect this means that even if there's a finding that there has been a trade distortion that the remedies may not be applied if there's a wider economic interest in doing so. There's an obvious subjective risk here of trade offs being made against domestic industrial interests and this goes into the age-old dilemma of between domestic jobs and potentially lower prices for consumers."* - **LAURENCE TURNER, HEAD OF RESEARCH AND POLICY, GMB**

There is a significant lack of Parliamentary scrutiny of new trade deals, which is weakening the UK's negotiating position shutting key stakeholders out of the process of trade deal negotiations.

*“I mean there is really seems to me with the current constitutional set up in the UK it’s really very odd that the British Parliament doesn’t have a final say really on the agreement, there is no formal ratification process and this is really a democratic deficit [...] in the long run it doesn’t stabilise trade policy, it makes the UK vulnerable in bilateral negotiations to back door deals that are not necessarily in its national interest, so Parliament I think is the way to start because a Parliament that is more empowered would also invite stakeholders, hold these more convening powers that it doesn’t have at the moment and at the moment they are at discretion of a Government that hasn’t really been very transparent about its trade policy.” - IANA DREYER, FOUNDER AND EDITOR, BORDERLEX*

Witnesses highlighted that while there is growing competence in conducting negotiations, the UK does not yet fully assess the impact of the new trading arrangements it enters into.

*“In terms of standing in the world, I think you can say that the UK has established itself as a trading partner, it’s got an awful lot of free trade agreements, albeit that lots of them are transitions of one that it already had as a member of the EU. But it’s done a lot of deals, what I have heard from people who have negotiated against UK negotiators is that there has been a growing competence on the UK’s side, that they find that they are getting plausible negotiating positions from them, so it’s definitely established itself, but in terms of doing what trade deals are at least in my view there to do, which is to make people in a given country better off, it really is impossible to say yet.” - JAMES KANE, ASSOCIATE, INSTITUTE FOR GOVERNMENT*

### 3.2 THE UK CAN LEARN FROM OTHER COUNTRIES AND GLOBAL TRADE NETWORKS

As the UK’s international trading frameworks develop and grow, it is important to learn from other countries and their trading relationships to build a trade policy that best suits the UK’s economy. A key part of this is understanding where the UK fits in amongst other global trading powers.

*“When you look at countries that trade experts have started comparing the UK to in terms of its position internationally as a trading power, such as Australia, Canada, Japan, New Zealand, etc what strikes me there are a few key differences. One of these issues is that obviously Canada, Australia, and these people, they punch above their actual weight democratically. They know what they want, they have very strong business engagement, very good domestic support for what they’re doing, mostly, they are very streamlined there, I think that is one thing. The other thing is that there is actually a form of diplomatic agility which I think the UK has the potential for.” - IANA DREYER, FOUNDER AND EDITOR, BORDERLEX*

Witnesses suggested that the UK should build an agenda-setting role, remaining diplomatically agile in multilateral agreements. Agility will allow the UK to adapt to new technology and geopolitical developments swiftly. The UK can look to partners such as Canada to see how an agenda setting role would help cement the UK’s position in global trade.

*“When I see that in my area of work a lot in the multilateral field in the World Trade Organisation right now what is going Canada, Canada convenes the so-called Ottawa Group on WTO, they have a convening role, so they’re not putting themselves out there but they are convening people and this group comes up with ideas to reform procedures in the WTO etc. The UK isn’t there, but Canada has taken this initiative to host and it’s offering this forum.” - IANA DREYER, FOUNDER AND EDITOR, BORDERLEX*

*“Japan and Australia, they are pen holders for a critical, very potentially very important agreement that is being negotiated at the WTO on ecommerce or digital trade if you want, and there are about 85 WTO members, perhaps it could see the daylight, perhaps not. But they’re the ones holding the pen, convening the meetings, presenting the agenda, preparing the draft text, etc. So, there is an influence that is soft power type of influence that is being played there. Korea and Chile is a small player but also one of those you know punch above your weight small players, Korea and Chile do the same for an investor facilitation agreement with among 110 or so WTO members that has been negotiated and it could be the next deal that is announced in the WTO.” - IANA DREYER, FOUNDER AND EDITOR, BORDERLEX*

UK trade policy development has been criticised for failing to include workers' voices. Looking to countries abroad, particularly Europe, provides a good model for how the inclusion of workers' voices can herald an inclusive approach to trade.

*“Worker voices are frozen out of the UK’s thematic trade advisory groups and there is very little formal consultation happening outside of those groups due to the change in the machinery of Government as the DPT has set up [...] there is a risk I think that the UK will end up being seen as an anti-worker odd man out between our two trading powers and blocs that account for 60% of exports.”* - **LAURENCE TURNER, HEAD OF RESEARCH AND POLICY, GMB**

*“The EU has a very evolved policy on making sure, and again it doesn’t work perfectly but the policy is there, of making sure that trade is conditioned on human rights compliance. It goes broader than just labour standards compliance. The UK’s position on this has changed a bit over the years and I think that’s something which may well be worth consideration”* - **PROFESSOR LORAND BARTELS MBE, PROFESSOR OF INTERNATIONAL LAW, UNIVERSITY OF CAMBRIDGE**

Our witnesses looked to countries that have effectively married domestic policy and trade to outline how this could deliver a coherence in trade strategy that is aligned with the needs of the domestic economy.

*“I think one useful comparison here is probably Singapore which is very different from the UK in a whole number of respects, but has pursued a number of quite successful industrial strategies by taking a whole Government approach, so back in the last 1980s for example the Singaporean Government came to the conclusion that it would like to develop a strong biotech sector and so put a lot of resources into creating conditions for that sector to evolve, even down to the Education Ministry instructing school teachers to push children towards biology, when they might otherwise choose physics.”* - **JAMES KANE, ASSOCIATE, INSTITUTE FOR GOVERNMENT**

Looking to other countries provides evidence of successful trade strategies, and also reveals areas where the UK’s international trade strategy could work better for the country. For example, there is an opportunity for the UK to develop trade processes that champion SMEs by effectively including them in the trade policy process and supporting them to access trade benefits.

*“There’s also huge interest around the World and I’m sure in the UK as well in promoting small businesses, SMEs in international trade, and perhaps you know this is an area that UK could also one way or the other champion. No country has really figured out how to effectively bring SMEs into all these trade discussions and promote the SME trade and of course everybody is trying and at least kind of paying lip service or what have you, so that could be another thing to pursue in the Asia Pacific where governments are really interested in these kinds of things.”* - **DR KATI SUOMINEN, FOUNDER AND CEO, NEXTRADE GROUP**

### 3.3 WHAT THE UK NEEDS NOW

The Commission asked what the current issues facing UK international trade were and how these issues could be solved. Post-Brexit, it is clear that there are barriers to trade for businesses across the UK. To move forward the UK needs to remove trade frictions, ideological barriers, and protect workers’ rights.

*“Let us try to be pragmatic and not ideological in terms of our approach to international trade. I mean the stuff about the bonfire of EU regulations you know; we probably really need a bonfire of the additional red tape that we’ve created as a result of Brexit rather than the other way round”* - **SIR PETER WESTMACOTT GCMG LVO, FORMER UK AMBASSADOR TO THE UNITED STATES**

*“We do see trade frictions, paperwork duplication in the rules of origin area. The UK could join the PEM, the Pan-Euro-Med system of rules of origin that harmonises rules of origin across the whole wider European area, that includes also EFTA countries, Turkey, Northern Africa, etc. So, these little stamps would be both diplomatically quite useful, a good way for the UK to focus on what’s more important for its general trade policy and its economics, and to do something that is business friendly.”* - **IANA DREYER, FOUNDER AND EDITOR, BORDERLEX**

*“We think that the 2025 review of the Trade and Cooperation Agreement should be seen as an opportunity to remove some of those ideological barriers to trade that are threatening jobs in the UK. And this means that the UK should be upholding and strengthening the commitments to a level playing field for workers’ rights under the TCA, the so-called level playing field clauses. Unions in the UK are concerned that the Retained EU Law Bill and the Minimum Strikes Service Legislation Bill will violate these clauses by ripping up the hard-won workers’ rights, many of which were instituted through EU directives in the first place, and of course we’ve seen just this week the news that the UK intends to remove Working Time Directive protections.”* - **LAURENCE TURNER, HEAD OF RESEARCH AND POLICY, GMB**

The UK would benefit from a more coherent, demand-led approach to trade. By joining up domestic and international policy, the UK can design a trade approach that meets the needs of UK businesses and national agendas.

*“The future of UK trade policy has probably got to take a more, what I would call a more demand-led approach than it’s taken up to this point. Since the referendum I think we’ve had a largely supply-driven approach to trade policy where the Government has sort of decided it wants to do trade policy and then has almost asked around after the fact to come up with reasons for doing it.”* - **JAMES KANE, ASSOCIATE, INSTITUTE FOR GOVERNMENT**

*“The UK is a knowledge and services industry that relies on making itself attractive as a place for academics, researchers, etc so there is a lot in the higher education industry to be done and not being too restricted here on student visas and other things which are also a good provider of cash for this sector. So, I think this is outside traditional trade policy conversations, but it goes to the heart of trading and being actually a global trader.”* - **IANA DREYER, FOUNDER AND EDITOR, BORDERLEX**

*“It’s quite clear that the decision to do trade deals with say Australia and New Zealand was not business driven, and so what I would say in answer to that question in future about how the UK should be looking to manage trade with the EU and other partners, is fundamentally it needs to draw more from the people who are actually doing business with the EU and other partners to ask them what they want, to take a more, perhaps a more problem solving approach to trade policy.”* - **JAMES KANE, ASSOCIATE, INSTITUTE FOR GOVERNMENT**

Witnesses agreed that it was important for the UK to have a clear regulatory role, enforcing trade rules and upholding international standards.

*“I think that now that we are not part of the European Union it is quite important that the UK tries even harder to ensure that some of the swingeing trade penalties, sanctions that are applied by the United States, do not apply to us as they have in the past. We’ve all been through squabbles over aluminium, Scotch whiskey, shortbread, whiskey, cashmere jumpers, you know, all these have been subject to sanctions from United States even when we were in the European Union, and it took quite a long time to clean up some of those frankly discriminatory if not illegal subsidies.”* - **SIR PETER WESTMACOTT GCMG LVO, FORMER UK AMBASSADOR TO THE UNITED STATES**

*"I think the UK is obviously a middle power, middle powers always benefit from multi-lateralism and what that means is not just warm words but it means binding rules and it also means dispute settlement [...], I think that is something that the UK could be a little bit more assertive about when it comes to dispute settlement because agreements aren't worth all that much if they can't be enforced and that I think is something where the UK has been a little bit slow."* - **PROFESSOR LORAND BARTELS MBE, PROFESSOR OF INTERNATIONAL LAW, UNIVERSITY OF CAMBRIDGE**

The UK can also ensure that it retains skills and investment by ensuring that there is a pipeline of future projects. This is particularly important in industries supporting the UK's green transition.

*"We're building at the moment at great cost, rebuilding a skilled workforce through the Hinkley Point C project, there is already international competition for those skills and unless we can ensure a pipeline of subsequent projects and the investment which is now at risk of being attracted either to the EU or to the US, we will lose those skills in the UK which are essential for delivering on agendas such as carbon capture utilisation and storage. So, when we look at the sectors that are particularly important for manufacturing, energy intensive industries, making sure that we have that investment in our energy infrastructure, in carbon capture and hydrogen which is critical for decarbonising some of those particularly hard to electrify sectors and it's going to be essential."* - **LAURENCE TURNER, HEAD OF RESEARCH AND POLICY, GMB**

As geopolitics becomes increasingly turbulent, the UK would benefit from a closer relationship with the EU and a commitment to international dialogue. Trade can be an important diplomatic dimension of national security.

*"We are in very turbulent times geopolitically, the US-China rivalry is upending just about everything in terms of what we've grown up with, in terms of multilateral trade rules etc, so we have this subsidy war going on, on green tech, and industry, electric vehicles where it's really striking to see how the UK has been out-competed, out-bid and the UK is not part of this big Trans-Atlantic dialogue, even very difficult, tough dialogue that's going on in frameworks such as the TTC, the Trade and Technology Council between the EU and the US. The UK is out of it, it has a bilateral dialogue with the US, but I don't have the impression that it is very lively, nor that it is a partnership of equals in that. So, I think this is something that the UK needs to focus on as a whole of Government exercise and then try to find a voice within that, engage the EU strongly, engage the US and why not try to be an active third party in these conversations."*  
- **IANA DREYER, FOUNDER AND EDITOR, BORDERLEX**



