



**UK TRADE & BUSINESS
COMMISSION**

FREE TRADE AGREEMENT: USA

EVIDENCE IN BRIEF



UK-CANADA FREE TRADE AGREEMENT

STATUS OF THE DEAL

KEY TAKEAWAYS

- 1 Despite the United Kingdom and the United States having been in negotiation talks since May 2020, the **US is unwilling to conclude negotiations of the UK-US free trade agreement while the Northern Ireland Protocol Bill remains on the table.**
- 2 Negotiations of the UK-US free trade agreement are unlikely to proceed even in the event of a change of US administration, as **opposition to the Northern Ireland Protocol Bill enjoys bi-partisan support.**
- 3 The **ongoing friction between the UK and the EU** over Northern Ireland including the Northern Ireland Protocol Bill is **hindering diplomatic relations between the UK and the US** beyond the negotiations of a UK-US free trade agreement.
- 4 **State Level agreements** such as the UK-Indiana agreement are **not equivalent or comparable** replacements for a UK-US free trade agreement as US states are not able to set tariffs.

STATISTIC



While as a bloc the EU is the UK's largest trading partner, as an individual country the US holds that position

STATISTIC

5%

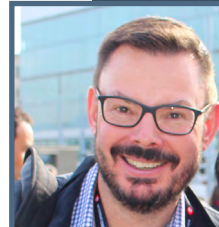
The UK is the US' seventh largest trading partner, amounting to about 5% of their trade

SESSION WITNESSES



Emanuel Adam

Chief Trade and Policy Officer,
BritishAmerican Business



Nick Crook

Head of International Relations,
Unison



**Congressman
Brendan F. Boyle**

U.S. House of Representatives

UK-CANADA

What is the current status of trade negotiations and what value is placed on them?

Negotiations regarding a UK-US Free Trade Agreement have stalled, with no meaningful negotiations taking place since the Autumn of 2020. The UK Government has admitted that there is little chance of these restarting in the near future because of the issues the US has with the UK's actions around the Northern Ireland Protocol.

The Commission heard that the stalling of negotiations was also due to general hesitance towards FTAs from the US side. The UK Government has presented a Free Trade Agreement with the US as an early priority following the UK's exit from the EU. However, the US sees less value in the Free Trade Agreement this, with Congressman Brendan Boyle emphasising that it was not a priority for their US administration. The previous US administration

has instead focused instead on negotiating trade deals with China and its Northern American neighbours, Mexico and Canada.

While negotiations between the UK and the US federal government have stalled, the British Government has undertaken talks with individual US states, leading to the signing of a Memorandum of Understanding (MOU) with the states of Indiana and North Carolina. Since only the US Federal Government can sign trade deals, these MOUs are not legally binding and do not replace a Free Trade Agreement

Nick Crook suggested that these MOUs were being pursued by the UK as part of a public relations campaign to cover for the lack of progress on a UK-US Free Trade Agreement.

"Negotiations started in May 2020 and there actually haven't been any meaningful negotiations since October that year. I don't think that's particularly a reflection of the UK, I think that's where the Biden Administration is on trade in general, generally the Biden Administration isn't looking for particularly new trade agreements."

Nick Crook

"43% of US trade comes with three countries, Canada, Mexico, and China. So when we're talking about scale and in terms of significance you can understand why we spent a lot of time with what is essentially NAFTA 2.0, the USMCA [US-Mexico-Canada Agreement]. And then of course our relationship with China. Those two by far take the most focus. When President Obama went over at David Cameron's invitation in 2016 and he used the line that the UK would be at the back of the queue, I know some took that as an insult, he didn't mean it as such it was just a reflection of reality and what our priorities are."

Congressman Brendan Boyle

"I think there is a PR war going on here because you know the Government has clearly failed to deliver on the trading agreement that they said ever since Brexit was the most important one and they have to cover for that in some way. So far, the Government has really tried to avoid scrutiny on trade in Parliament. The government is trying to avoid scrutiny on trade deals. When looking at the New Zealand and Australia deal. And the Government has been running from any kind of effective scrutiny, whether from the House of Commons as a whole or from the committee for international trade."

Nick Crook

What are the main barriers to securing a UK-US trade deal?

All three witnesses emphasised that the UK government’s antagonistic position towards the EU is a barrier to a trade deal. The US is unwilling to continue with negotiations while tensions persist between the EU and UK around the Northern Ireland Protocol Bill. The witnesses warned that it would be very problematic if this Bill, which is currently passing through the House of Lords, is to become law.

The commission heard that the US’ reluctance to sign a Free Trade Agreement whilst the UK Government continues to threaten to unilaterally disrupt the Northern Ireland Protocol was bipartisan. Congressman Boyle emphasised that irrespective of the party in control of the US

Congress, Senate, or Presidency the position has remained consistent. This dismissed the hopes of some that if the Protocol Bill was passed a change in the US Presidency would facilitate a Free Trade Agreement.

The evidence heard by the Commission made clear that in order to secure a trade deal, the UK Government must ensure political stability by resolving tensions with the EU. Chief Trade and Policy Officer at BritishAmerican Business, Emmanuel Adam, emphasised that trade and political negotiations work best when the US, EU, and the UK “pull on the same string” and have good economic and political relationships.

“There’s this sort of urban legend growing around that if there was a change of control of the House of Representatives with the Senate that somehow this US position would change, I say people have short memories because in fact for most of the last six years Republicans actually controlled Congress from June of 2016 up until January 2019, Republicans had the House, Republicans had the Senate from before 2016 up until January 2021 and of course Donald Trump was President from January 2017 to January 2021. And that was still the US position, it’s a pretty strongly held bipartisan view.”

Congressman Brendan Boyle

“The United States Trade Representative, Catherine Tye, she’s made it clear that any conversations with the UK are at the back right now and other things are taking priority, until we see the way that the UK finally resolves itself with the EU in relation to the Protocol.”

Congressman Brendan Boyle

“There’s a limited chance for a deal to be negotiated or concluded as long as the Northern Ireland issue has not been resolved. The US doesn’t want to take sides in what are two very important relationships to them. If the Bill passed both houses this would become very problematic because I feel that the US will not want to move even if they could, if the tension has not been resolved between the UK and the EU.”

Emmanuel Adam

STATISTIC



In 2020, the outward stock of foreign direct investment (FDI) from the UK in the US was £399.9 billion, this accounts for 24.1% of the total UK outward FDI stock.

UK-CANADA

What impact would a potential trade deal have on the UK?

The witnesses differed on the opportunities a potential Free Trade Agreement would create. The Commission heard that a deal could lead to an increased partnership between UK and US institutions and tech hubs. Emmanuel Adam also noted that there would be significant benefits in production and regulatory alignments.

However, there were some questions about the size of impact a Free Trade Agreement would have on UK trade and exports. The UK and US are already strong economic partners and yearly trade between them is around £223 billion. Nick Crook highlighted that according to estimates from the Department of International Trade a Free Trade Agreement would increase this trade by £15 billion. However, here it was emphasised that there is no prediction from the Department on the time period in which this benefit would be realised.

For reference, trade between the UK and the US increased £23 billion between the four quarters to the end of Q1 2022 from the four quarters to the end of Q1 2021.

As highlighted already, the UK-US Free Trade Agreement has often been touted as the most significant post-Brexit trade deal for the UK. However, Nick Crook noted that the increase in bilateral trade by £15 billion would do little to replace the loss of British exports caused by the UK leaving the EU.

“It’s not easy to point to specific areas for where you want to see benefits right away but of course you would look at historic sectors that have been strong in terms of UK trade and the UK economy etc, indeed life sciences or services, but also machinery and vehicles which are a big export item for the UK as we know. So, obviously there is the argument that there are benefits to be seen quite quickly in terms of production and regulatory alignment.”

Emmanuel Adam

“The idea that we could partner with British institutions and work together on research, produce a number of things that can be life-saving or life-improving, as we saw during Covid I would think of that area more than any other. And then also I think the UK would obviously benefit from the kind of cross pollination that comes between Silicon Valley, Austin, Boston, and some other tech hubs and what’s going on again at British universities.”

Congressman Brendan Boyle

STATISTIC



The US was the UK’s largest trading partner at the end of the first quarter of 2021, accounting for 16.6% of total UK trade. This includes total UK exports of £133.9 billion.

STATISTIC

In 2019, US goods and services exports to the UK totalled \$147.4 billion, whereas imports totalled \$125.6 billion. These are UK figures, as both the UK and US claim a trade surplus with each other.



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