



# A FAIR BREXIT FOR CONSUMERS

THE TARIFF ROADMAP  
FOR THE NEXT GOVERNMENT

April 2017



# CONTENTS

Introduction	2
Recommendations	3
First things first – the tariff roadmap	4
Risks and opportunities – food and non-food imports	6
Looking to the future – UK trade with the world	8
Glossary	10

## INTRODUCTION

The Prime Minister has called an election in the belief that it is essential in order to ‘make a success of Brexit.’

The BRC’s goal in our *A Fair Brexit for Consumers* project is to support the next Government in ensuring a fair deal for consumers in the forthcoming negotiations with the EU. We believe that promoting the interests of consumers – and we are all consumers – will lead to the fairest settlement for our country as a whole. We argue for neither a hard nor a soft Brexit but believe our efforts should concentrate on mapping out what a smart Brexit looks like for the UK. This will be a key point in the forthcoming election.

*A Fair Brexit for Consumers – The Tariff Roadmap For The Next Government* focuses on the tariff aspects of Brexit. It clearly shows Britain’s current retail import trade relationships, illustrated with data and facts and assesses the journey ahead – a journey which we stress presents both risks and opportunities.

Ensuring this journey is positive for retailers and consumers requires the Government to lead an orderly and sequenced process, where we renegotiate to continue across the board tariff-free arrangements with the EU before securing new trading relationships with the rest of the world. By preserving the openness in trade we already have with our existing partners in the short-term and reaping the benefits of new trade deals in the medium-term, consumers get continued and even greater access to a diverse range of goods at competitive prices.

Ahead of the general election and into the next parliament, the BRC’s *A Fair Brexit for Consumers* project will look at how we can keep prices low for consumers by achieving frictionless customs arrangements; how we can provide certainty for EU colleagues working in the UK; and how we ensure the continuity of existing EU legislation as it transfers to the UK.

## RECOMMENDATIONS ON TARIFFS FOR THE NEXT GOVERNMENT

- Across the board tariff-free trade with the EU should be the top priority of negotiations for the next Government.
- The cliff edge should be avoided through a transitional arrangement that recognises all goods in free circulation.
- Existing benefits of EU preferential trade agreements should be secured before pursuing new trade deals.
- A UK Generalised Scheme of Preferences<sup>1</sup> should be introduced that is at least as generous as that currently offered by the EU.
- The UK Government should define its independent trade policy early in consultation with UK businesses.



KEY  
1  
Glossary of acronyms – Pages 10-11

# FIRST THINGS FIRST - THE TARIFF ROADMAP

A free and liberal trading environment allows retailers to keep prices low for consumers.



**1** EU and UK agree exit deal and commence negotiations of new trade agreement. EU and UK conclude agreement for transitional measures.

**2** UK and EU implement transitional measures.

**3** UK/EU free trade agreement comes into force.

If the EU and UK fail to come to a transitional agreement this would mean defaulting to WTO rules. New tariffs would lead to higher prices for consumers.



**1** UK opens negotiations for 'me too' agreements - trade deals with the EU's existing trade partners.

**2** UK implements 'me too' agreements and opens negotiations on next generation of trade deals.

**3** UK negotiates new deals with preferential partners.

Without replication of existing agreements, imports from preferential partners would have new or higher tariffs, increasing prices for consumers.

The opportunities for the UK to negotiate its own new deals are realised through greater choice and lower prices for consumers.



**1** UK Government consults with businesses on new trade policy. Government notifies its new national trade policy.

**2** UK implements new UK trade policy, and becomes a member of the WTO.

Certainty is created quickly and continuity of supply of goods for consumers assured.

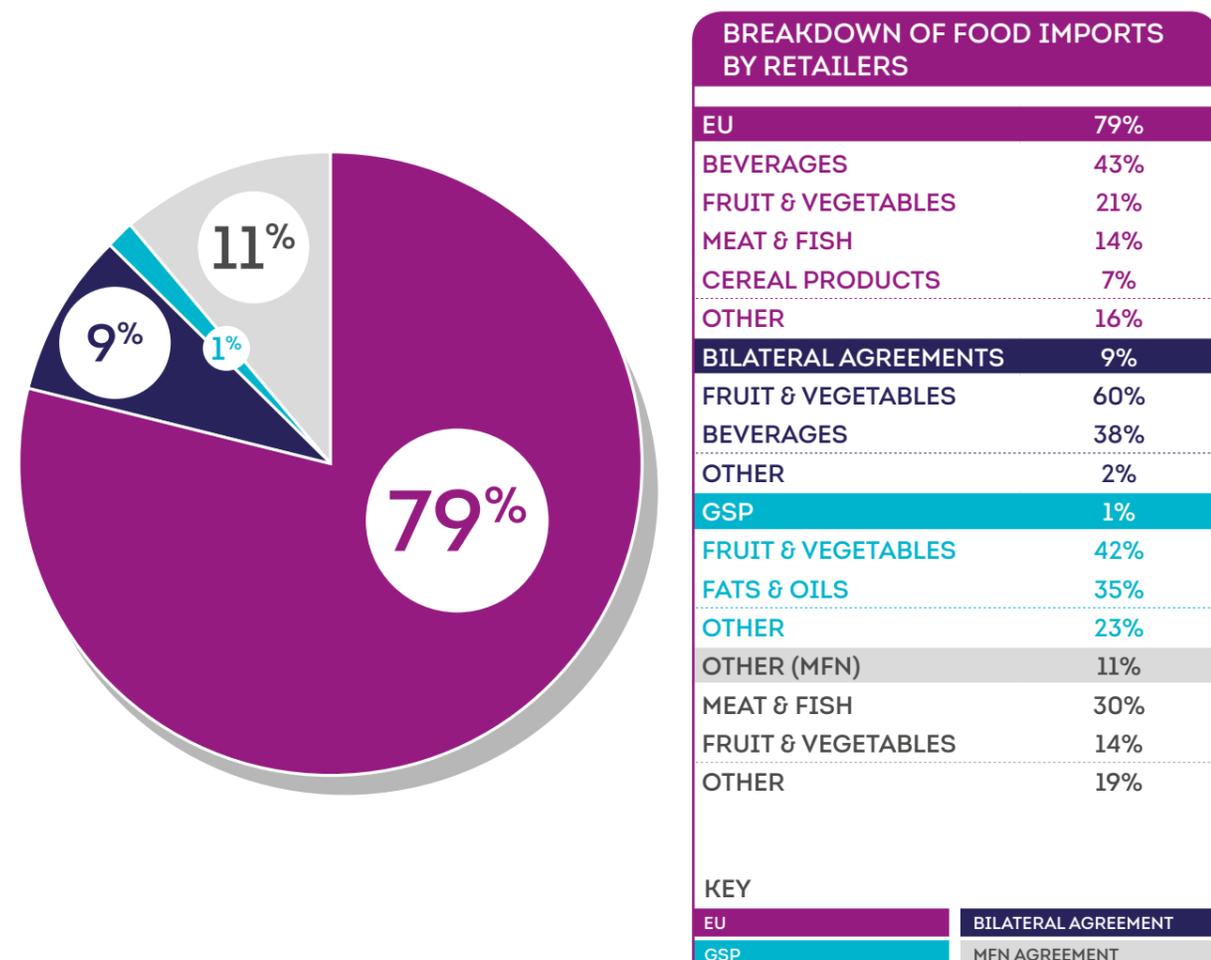
Without the protections of WTO membership there would be a legal void and an uncertain trading environment.

An orderly and sequenced process will ensure that risks are mitigated and opportunities seized.

**KEY**  
 Opportunity Risk

# RISKS AND OPPORTUNITIES FOOD IMPORTS

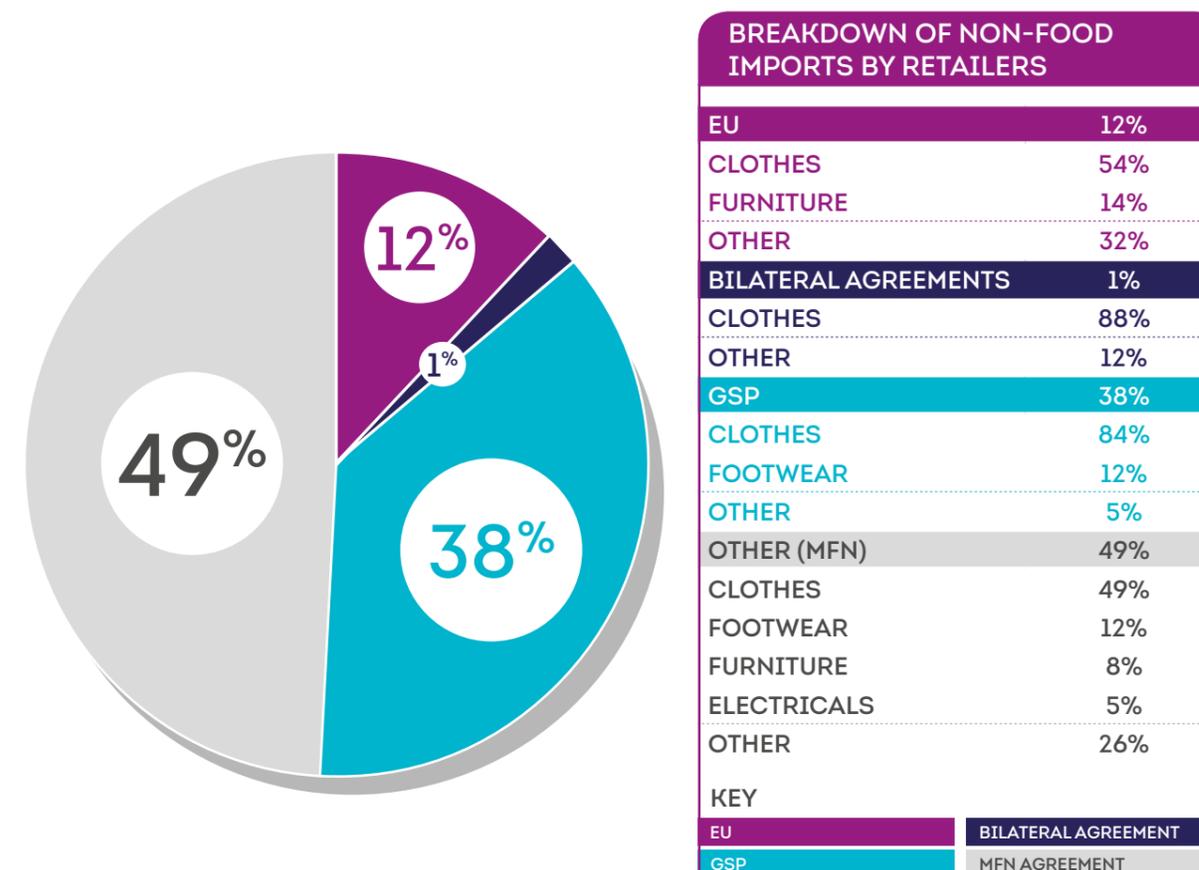
For food, it is trade with the EU that is most significant to UK retailers and hence the most critical to food prices paid by UK consumers. To ensure a fair deal, it is crucial that the Government negotiates continued tariff-free trade with the EU in order to avoid upward pressure on food prices. In the view of BRC members, this should be a priority in the negotiations.



- Based on our survey covering 50 per cent of the retail industry by value, we estimate that retailers directly import approximately £5 billion of food products and indirectly import approximately £15 billion through wholesalers or manufacturers.
- Beverages, fruit, vegetables, meat and fish are the UK's biggest imports from the EU and without continuation of tariff-free trade, tariffs could be as high as 46 per cent for cheese or 21 per cent for tomatoes.
- The weighted average tariff, if the UK were to default to [WTO](#) tariffs on UK food imports from the EU, would be 22 per cent. Such a scenario would put upward pressure on consumer food prices.
- That cliff edge scenario of defaulting to [WTO](#) tariffs should be avoided through a transitional arrangement that recognises all goods in free circulation.

# RISKS AND OPPORTUNITIES NON-FOOD IMPORTS

The UK is much less reliant on the EU for non-food goods. The UK's retailers import non-food goods from all over the world including those countries not covered by existing trade agreements. This presents significant new opportunities for the UK which could represent benefits for consumers.



- We estimate that retailers directly import approximately £26 billion of non-food products. Estimating total indirect imports of non-food products is more complicated than for food but if the ratio of direct to indirect imports is the same as for food, it would suggest that retailers indirectly import more than £100 billion of non-food goods.
- New partners in the rest of the world present a big opportunity as nearly half the UK's non-food imports come from countries where there is no pre-existing EU trade arrangements. If new deals were negotiated with these countries, UK retailers could see for example, reductions in tariffs on clothes of 12 per cent and leather handbags at 3.0 per cent.
- In negotiating and securing 'me too' agreements - new trade deals to replace the EU's existing preferential trade partners - it is the [Generalised Scheme of Preferences \(GSP\)](#) and not existing [Free Trade Agreements \(FTAs\)](#) that have most impact on the prices consumers pay for clothing and footwear. Currently, these products attract lower tariffs than the default [World Trade Organization \(WTO\)](#) tariff, although they are not tariff-free.
- There are therefore opportunities to further lower tariffs if the UK implemented more generous [GSPs](#) and secured new deals with new preferential partners. Both of these opportunities would potentially be beneficial to UK consumers.

# LOOKING TO THE FUTURE – UK TRADE WITH THE WORLD

The country colours on the map represent the UK's current (by virtue of its EU membership) trade agreements and a selection of goods commonly imported into the UK from a variety of countries.

The price tags on the map show:

**Current:** current tariff applying to the various goods which depend on both the nature of the existing EU (and hence UK) relationship with the exporting country and of the product.

**No deal:** what the tariff would be if there were no agreement in place and the UK reverted to a WTO relationship with that country for that type of product.

There are currently no tariffs on imports from EU countries. The UK is part of the EU's GSP, which means exporters of goods from developing countries pay lower or no duties when they export to the EU. The UK is also subject to other bilateral agreements negotiated by the EU that set tariffs for trade with some countries.

The rest of the world countries (marked in grey) are Most Favoured Nation (MFN) states – where the UK has no current trade agreement beyond WTO rules. This is where the UK must apply the same tariff rates to imports from all other WTO members that are not GSP or FTA countries.

The combined analysis of both the trade arrangements and the tariff rates reveal both opportunities and risks.

The biggest risk relates to trade with the EU, where the best outcome would be to maintain the existing tariffs.

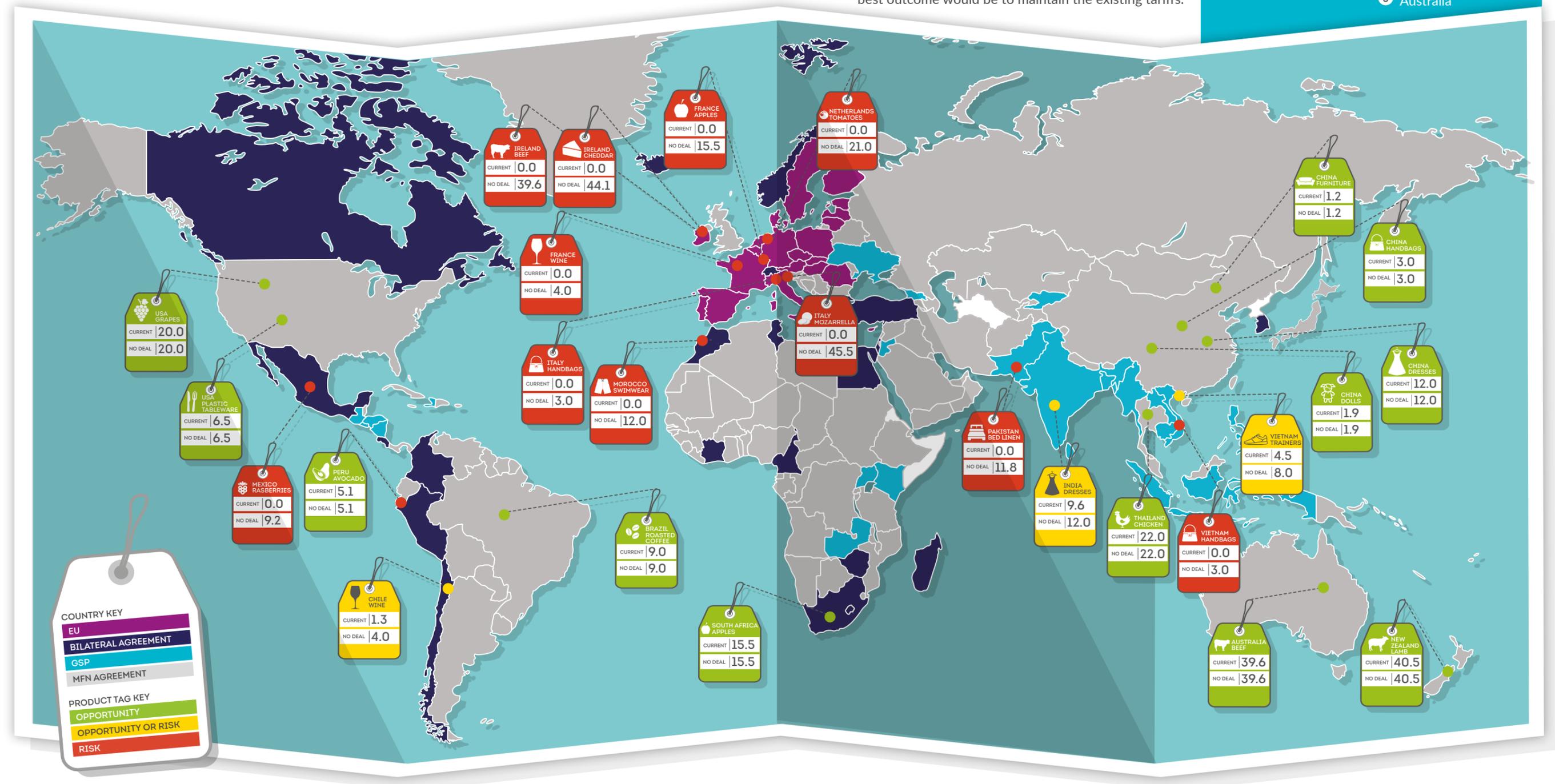
There are two areas of opportunity:

**ONE:** Measured by Customs Duty avoided, the countries where there is greatest opportunity beyond merely replicating existing preferential agreements are:

- 1 South Africa
- 2 Chile
- 3 Morocco
- 4 Peru
- 5 Mexico

**TWO:** The top five countries in the rest of the world where retailers (and hence consumers) currently pay the largest amount of Customs Duties, which could be avoided depending on new trade agreements, are:

- 1 China
- 2 Thailand
- 3 Brazil
- 4 USA
- 5 Australia



---

# GLOSSARY

## WHAT ARE TARIFFS?

- Tariffs are taxes paid on imported goods. They may be a percentage of the value of the goods or more specific like a fixed amount per kilogram or other measure of volume.

## WHO ARE OUR PREFERENTIAL TRADE PARTNERS?

- Our existing preferential trade partners are those where, by virtue of being a member of the EU, the UK has a free trade agreement or has adopted the Generalised Scheme of Preferences.
- On exit from the EU, the UK will cease to be a party to these deals and hence needs to replicate or replace them ready for Brexit Day.

## WHAT ARE FREE TRADE AGREEMENTS (FTA)?

- An FTA is an agreement between countries to reduce barriers to trade between them.
- These have generally concentrated on trade in goods with less liberalisation of trade in services.
- These generally do not go as far in removing barriers to trade as the Single Market. FTAs differ from a customs union in not requiring members to set the same tariffs on trade with countries outside the agreement.

## WHAT IS THE GENERALISED SCHEME OF PREFERENCES (GSP)?

- The EU's GSP allows selected developing countries to pay less or no duties on their exports to the EU. This gives them vital access to EU markets and contributes to their economic growth.

## WHAT IS THE SINGLE MARKET?

- The EU Single Market is an economic area where barriers to trade between its members have been removed.
- It is more than a free trade area. It's a set of rules and institutions that taken together guarantee free movement of goods, services capital and people within the Single Market area.

## WHAT IS THE CUSTOMS UNION?

- The Customs Union is where different countries agree to all apply the same tariff rates to imports from outside the Union and abolish customs duties and procedures for trade between themselves.
- The benefit of a UK-EU customs union would be no additional costs or duties on trade with the EU. Goods entering the UK from the EU would not be required to meet stringent and costly rules of origin.

- A customs union ties the hands of the Government on trade policy and the UK would not be able to strike its own deals with other countries.

## WHAT IS UK TRADE POLICY?

- Trade policy refers to all of the rules and laws that govern the terms under which goods can be imported and exported. This includes the tariff rates that apply to imports, tools for tackling unfair trade (anti-dumping), the classification and valuation of goods for customs purposes, procedures for temporarily adjusting tariff rates and many other things.
- At present, the UK applies the same trade policy as the rest of the EU. This is called the Common Commercial Policy. When the UK leaves the EU it will have to construct its own trade policy.

## WHAT IS THE WORLD TRADE ORGANIZATION (WTO)?

- The WTO was established in 1995 as the successor to the General Agreement on Tariffs and Trade. It is an international organisation with over 160 member countries.
- The UK is currently member of the WTO although this is through the EU.
- The WTO provides a forum for negotiating multilateral trade agreements. It monitors the application of rules on international trade and settles disputes between its members.

## WHAT ARE WTO RULES?

- WTO rules is shorthand for Most Favoured Nation treatment.
- It requires all WTO members to publish a schedule of their tariff rates and apply these equally to imports from all countries.
- The only exception is for imports from developing countries and imports from countries that have agreed FTAs with the importing country.
- If the UK falls back onto WTO rules for its trade with the EU it would be obliged to apply its MFN rates to all imports from the EU.

## WHAT ARE MOST FAVOURED NATION (MFN) RATES?

- This is a concept at the heart of the World Trade Organization. It means that importing countries must apply the same rate of duty to imports from all other WTO members. There are two exceptions. The first allows a WTO member to strike a bilateral deal with another WTO member where they both agree to apply lower rates of duty to each other's imports. The second allows WTO members to grant lower rates of duty to imports from developing countries.

---

## THE BRITISH RETAIL CONSORTIUM

Retail in an exciting, diverse and dynamic industry undergoing transformational change. The BRC is at the forefront – enhancing, assisting, informing, and shaping. Our broad range of stakeholders demonstrates how retailing touches almost every aspect of our culture.

The BRC leads the industry and works with our members to tell the story of retail, shape debates and influence issues and opportunities which will help make that positive difference. We care about the careers of people who work in our industry, the communities retail touches and competitiveness as a fundamental principle of the industry's success – our 3 Cs.

---



BRITISH RETAIL CONSORTIUM

2 London Bridge, London SE1 9RA  
+44 (0)20 7854 8900 | [info@brc.org.uk](mailto:info@brc.org.uk) | [brc.org.uk](http://brc.org.uk)

British Retail Consortium – a company limited by guarantee  
Registered in England and Wales No. 405720

ISBN: 978-1-78490-320-6