



Global Trade Advisory Alert

UK publishes its FTA proposal and post-Brexit tariff regime

Introduction

On 19 May 2020, the UK published its proposal for an [FTA](#), together with [11 separate agreements](#). This confirms that unlike the EU, the UK does not seek a comprehensive partnership agreement, but is rather aiming for separate agreements, each covering a subject area; similar to those that the EU has with other countries such as Norway, Canada and Switzerland.

This package of agreements includes the Draft Comprehensive Free Trade Agreement (Draft CFTA). The CFTA would significantly differ from the EU's proposed partnership agreement on several key points.

Alongside the CFTA, the UK government published the list of tariffs that would apply with any country with which it does not have a preferential trade deal after the transition period.

The CFTA main takeaways

The CFTA terms are similar to the free trade agreement between the EU and Canada or Japan. They would clearly take a different direction from the current trade ties between the EU and UK. The UK government aims at reaching a "zero tariff, zero quota" free trade agreement.

The draft CFTA also aims at enhancing cooperation regarding standards, technical regulation and procedures, in order to eliminate technical barriers to trade and establishing a Joint Committee on technical barriers to trade.

The settlement of disputes between parties would no longer be conducted by the CJEU, but by a panel of independent arbitrators selected from a list drafted by the UK and EU. This is one of the major points of disagreement in the negotiations.

In terms of rules of origin, the proposed trade agreement still differs from its EU counterpart on several points. For instance, it provides for a tolerance of 15% of the product and 20% or 25% for sets of goods, while the proposed EU partnership agreement provides for a tolerance of 10% of the product and 15% for a set of goods.

The new tariff regime

Alongside the draft CFTA, the UK also published the UK global tariff, the list of tariffs that would enter into force once it leaves the Customs Union on 31 December 2020. This list applies to any country with which the UK does not have a preferential trade deal. That would include the EU, should the two sides fail to reach an agreement on that point.

With the UK global tariff, the UK will eliminate or reduce tariffs on more than half of the 12,000 listed products. Some changes are significant, such as live forest trees (from 8.3% to 0%) or diesel trucks (from 22% to 10%); other tariffs however are just rounded down or slightly reduced. The percentage of products that come into the UK, tariff free and on WTO terms, would increase from 47% to 60%. The weighted average tariff charged on goods imported from “most favoured nations” will however only fall from 2.1% to 1.5%.

The products for which tariffs have not been reduced are divided into two categories: (1) Goods that the UK already produces and the industries of which it wants to protect, such as ceramics and cars; and (2) goods that it does not produce but are subject to current negotiations with the EU.

The UK also chose not to keep the Meursing Code system, a complex set of rules used to calculate tariffs for goods containing certain types of milk and sugars. This move is likely to make procedures easier for such goods to be imported into the UK.

What does it mean for you?

If no deal is reached on the future economic relationship between the UK and the EU, the new tariff regime would enter into force for trade relations between the two territories. New VAT and customs procedures and requirements could also lead to disruption in supply chains between the EU and UK.

Therefore, it is important for businesses to be prepared for such a scenario and plan actions without delay to minimise any disruption on 1 January 2021.

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