



Department for  
International Trade



# UK-US

Free Trade Agreement

***ABRIDGED SUMMARY***

An aerial photograph of the London skyline, featuring The Shard as the central focus. The image is overlaid with a semi-transparent red filter. The text 'Chapter 1 Strategic case' is prominently displayed in white, bold font across the upper portion of the image.

# Chapter 1

## Strategic case



# Introduction

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## **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.<sup>1</sup>

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.

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

## An FTA to level up the UK

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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,<sup>2</sup> 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

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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.

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

## SMEs, exporters and entrepreneurs

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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

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## 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.

***READ THE FULL TEXT ON***  
[\*\*GOV.UK\*\*](https://www.gov.uk)