

Brexit considerations from a WTO perspective

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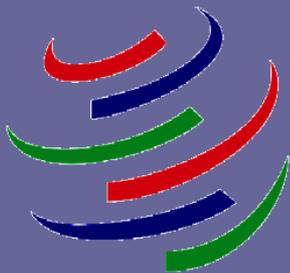
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Overview

To understand the UK's trade choices from the WTO perspective, there are 4 elements to consider:

1. The UK and the EU's rights and obligations under the WTO
2. Consequences of the choice of EU-UK relationship after transition
3. The transition period
4. Implications for changes in *preferential trading arrangements*



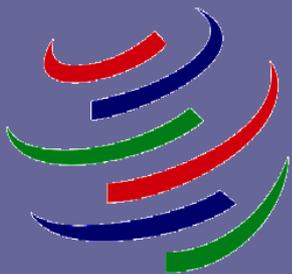
UK's WTO Membership

The UK was a founding member of the WTO
1995

The UK is a WTO Member today on its own
but is also represented by the EU
Commission which operates in Geneva on
behalf of the 28

The UK will continue to be a WTO Member
in the future regardless of the outcome of the
Article 50 Negotiations

When the UK leaves the EU it will regain its
ability to negotiate independently, put
forward proposals of all sorts and initiate
disputes



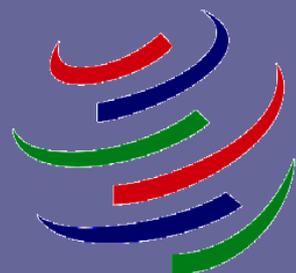
Snapshot of UK trade today

- Almost half UK exports go to the EU
- 14% go to countries with an EU trade agreement
- 38% is on MFN terms
- However, all UK trade is underpinned by WTO rules

UK Trade by Duty Scheme, 2016			
	Partner	Value (Mn USD)	% share
UK imports	Other EU members	326,097.8	51.6
	Other countries with EU RTA	84,312.4	13.3
	No pref or MFN only	105,745.2	16.7
	Non-reciprocal*	115,709.9	18.3
UK exports	Other EU Members	179,365.5	48.5
	Other countries with EU RTA	51,235.0	13.8
	No pref or MFN only	139,550.4	37.7

Data source: UN COMTRADE.

* Could be GSP or LDC beneficiary.



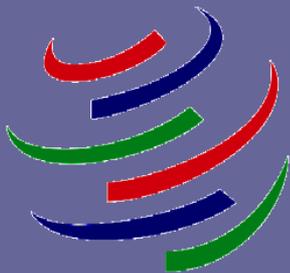
Rights and obligations of the EU and UK

As full WTO Members, post-Brexit, both the EU and the UK must continue to respect:

1. The general WTO obligations (MFN, NT, etc.)
2. Certain *specific commitments* undertaken by the EU and the UK in their Schedules

WTO Members' *specific commitments* are inscribed in Schedules concerning:

1. **Goods** – tariffs, tariff-rate quotas (TRQs) and agricultural subsidies
2. **Services** – sector-specific commitments
3. **GPA** – area-specific commitments

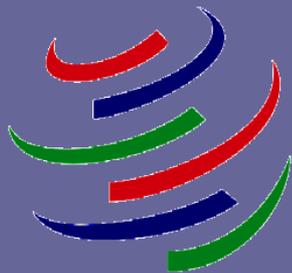


The Schedules

Currently, the UK is bound by the Schedules of the EU and its member states (and may remain bound by those Schedules until such a time as it adopts its own Schedule).

Need to establish how and when the UK will develop its own Schedules

The shape of UK and EU's Schedules after Brexit will depend, *inter alia*, on the form of their trade-relationship post-Brexit transition (customs union, FTA, or something else?)



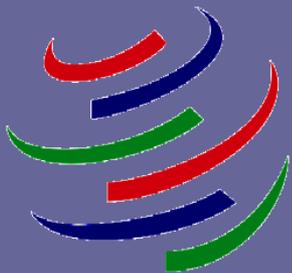
Possible outcomes:

If EU-UK Customs Union:

- Possibility of limited changes to existing EU and UK scheduled commitments
 - Either maintain a single Schedule for new EU-UK customs union; or
 - Create formally distinct but substantively identical Schedules

If EU-UK FTA or if no FTA:

- The EU will need to revise its Schedules
- The UK will need to adopt its own new Schedules
- Other Members likely to get involved in the process



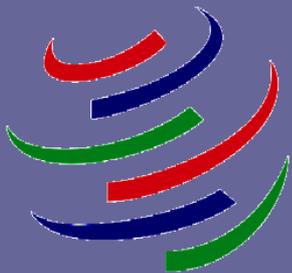
Changes to Goods Schedules:

EU and UK intend to maintain existing levels of market access (letter of 11/10/17)

- The UK proposes to “replicate as far as possible” the EU Schedule
- The EU similarly proposes to make no changes to its existing Schedule

However, certain commitments will need to be adjusted to reflect the EU’s withdrawal from the EU, especially quantitative commitments in the form of TRQs (reported to cover some 125 lines)

- In this respect, the EU and UK propose to follow a common approach to reflecting these adjustments, and to engage actively with other WTO Members



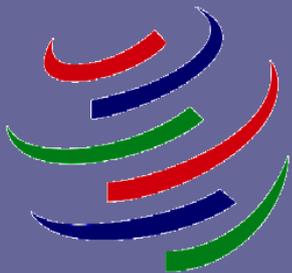
Changes to Goods Schedules:

WTO procedures enable other Members to object to proposed Schedules if they believe their rights have been affected

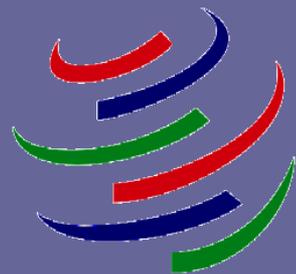
- » However, this right is only available to certain other Members who have an “initial negotiating right”, a “principal supplying interest” or a “substantial interest”

In respect of those Members that can participate, there must be negotiations to agree on appropriate levels

- » If there is no agreement between the relevant affected Members, then the EU and UK can adopt their Schedules as they see fit, but the other Members may challenge this



Services Schedules and other agreements



Currently the EU Services Schedule is often country-specific. Consequently, in respect of *services*, it can be relatively straightforward to adopt new Schedules if other Members are not affected.

Trade Facilitation Agreement = accepted by the EU on the behalf of its member States (including the UK). The UK may wish to confirm its autonomous acceptance of such agreements

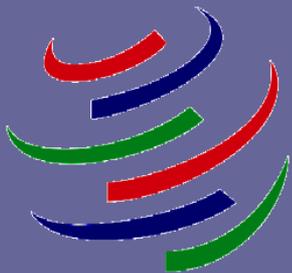
Government Procurement Agreement =
At least 3 possibilities:

- » Accession?
- » Succession?
- » Ad hoc decision?

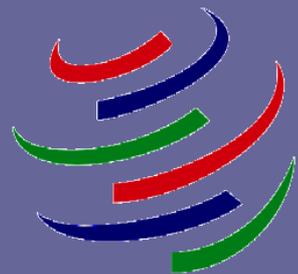
The transition period

From a WTO perspective there is a question as to the nature of any *transition agreement* or implementation period (i.e. the arrangement that will come into effect after March 2019 and before any formal agreement is established)

Content and structure of transition agreement will be important to how this is considered at the WTO



Preferential agreements with trading partners



FTAs/BITs/EPAs/other treaties:

Post-Brexit, is the UK still bound by agreements to which the EU is currently a party, but which have not been expressly signed by the UK itself? This includes:

- All Economic Partnership Agreements (EPAs) negotiated with developing countries
- Some FTAs and some BITs (most are signed by the UK already)

GSP: (unilateral preferential treatment)

Post-Brexit, the UK will need to develop its own GSP towards developing countries:

- Recreate the EU's existing obligations, grant *more* preferential treatment than EU, or grant *less* preferential treatment than EU?

Summary

- Agreeing the future terms of the UK's WTO membership is part of the bigger picture for how the UK engages with the world (and the EU) after Brexit.
- Whatever track the UK takes, WTO rules and procedures will continue to underpin the UK's trade, as they do today.
- The choices the UK makes in terms of its future relationship with the EU will affect the process at the WTO, and potentially increase the need for negotiations at the WTO.
- The UK can therefore expect continued strong interest and scrutiny from other WTO members.
- The WTO, and its Director-General, will continue playing a supportive role to help achieve smoothest transition possible.

