UK Trade Policy: An Independent Review

Executive summary

Making good trade policy is difficult, and in today's world, considerably more difficult than even a few years ago. This review provides an independent, evidence-based assessment of UK trade policy in 2025, in a world where the UK is grappling with:

- structural economic challenges at home
- rising protectionism, often linked to economic security and intensifying geopolitical competition abroad
- rapid technological change and,
- an expanding set of policy objectives, climate change, biodiversity and inclusiveness, that trade policy is expected to support.,

This review evaluates how current UK trade policies respond to these pressures, how effectively they serve the UK's economic and strategic interests and broader public policy goals, and where changes may be needed to ensure consistency, coherence, resilience, and long-term prosperity.

The review does this by examining how trade policies can contribute to productivity and economic growth while also addressing a broad set of concerns and commitments around economic security, sustainability, digital transformation, and social inclusion. It identifies cross-cutting challenges, some of the key trade-offs that exist between various aspects of government policy, suggests areas where policy coherence is lacking, and proposes actionable policy recommendations. The review draws on government data, expert consultations, and public engagement – including a public call for evidence, roundtables and a Citizens' Jury.

This review coincides with, and is intended to complement, the World Trade Organisation's recently published and excellent report on the UK under its Trade Policy Review Mechanism (TPRM). The TPRM process focuses on documenting the trade and related policies undertaken by countries. It is less directed at addressing the question "why", nor priorities, or evaluating how trade policies interact with other policy objectives. But the 'why' question does need to be asked, which in turn leads to consideration of priorities.

That is because the world of trade policy today is very different to the world in 2016, when the UK voted to leave the European Union, let alone the one in which the WTO was created. While many still support open trade, others, including some of its staunchest supporters in the past, are challenging the concept and the multilateral rules that have underpinned trade. In addition, there are other priorities, such as economic security, supply chain resilience, climate change, sustainability, and inclusiveness, which have become more important than before. In this context, it is important to know what is being prioritised, why and how. This is especially relevant to the UK.

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With this backdrop in mind, this review:

- Maps out the key characteristics of the UK economy and what the UK trades;
- Identifies UK trade policy priorities
- Analyses how trade policy decisions are made – including the role of devolved governments, advisory bodies, and Parliament
- Evaluates the UK's international engagement, including WTO participation and free trade agreements
- Assesses trade policy through four critical themes: economic security, trade and the digital transformation, sustainability, and inclusiveness, and
- Provides a transparent and systematic methodology that can be replicated in future reviews or applied to different policy topics.

This Executive Summary provides a summary of key messages framed around the pressures and challenges identified above. In so doing, we draw upon all the chapters of the report.

UK trade policy is at a challenging juncture

This review of UK trade policy takes place against a backdrop of persistently weak UK productivity growth. Even before the pandemic, UK productivity growth had slowed significantly; since the pandemic, it has trended below the OECD average. Weak productivity constrains income growth, competitiveness, and the capacity of the UK economy to generate improvements in living standards. Boosting productivity and economic growth remains the UK Government's central strategic objective.

Trade policy can help with this: there is a long-established empirical relationship between trade, productivity and growth; and firms that trade tend to be more productive. Exposure to global markets encourages innovation, allows firms to specialise, and improves access to inputs, technologies, and global supply chains. The review highlights that the UK is relatively open to trade, with a trade-to-GDP ratio of around 65%. More than 6.5 million jobs depend on exports, of which 1.5 million are in manufacturing and 5 million in services. Services trade in 2024 accounted for 57% of UK exports and 35% of UK imports. Yet only a small share of firms are engaged in international trade – 11.5% of firms export, 12% import and only 6.5% of firms do both and most trading firms are small – roughly 95% of UK exporters or importers have fewer than 50 employees. It is the smaller firms that are precisely the ones that find the barriers to trade hardest to overcome.

However, the ability of trade policy to support economic growth is constrained by several factors, starting with significantly higher trade costs between the UK and its two most important partners, the EU and the US. The reflects, respectively, the UK's decision to leave the EU Single Market and Customs Union, and the US' unilateral shift to a protectionist policy stance. The latter development is symptomatic of a broader trend that poses a significant challenge to trade and to middle-size economies like the UK: the undermining of global trade rules, and the use of trade policy as an instrument of geopolitical rivalry. While the UK has pursued an active trade negotiation agenda, concluding a number of Free Trade Agreements (FTAs) that collectively cover 70% of UK imports and 61% of UK exports of goods and services, these may struggle to mitigate the increase in trade costs with major partners, and more broadly, a wider shift towards fragmentation in global trade.

Understanding UK trade in a fragmenting world

The governance of global trade is shifting from a system based on predictable and enforceable rules and principles of non-discrimination to one based on more selective and discretionary arrangements. Under such arrangements, access to markets may be conditioned by other factors, notably security or supply chain considerations. This has been evident in the US' unilateral embrace of protectionism and recent imposition of tariffs across the globe but is also visible in some of the UK's other major trade partners.

The challenge for the UK is that it is dealing with this change from a position that was already made more fragile by the effects of leaving the EU. Evidence suggests that leaving the EU has been associated with falls in goods trade by up to 30% and services exports, in affected sectors, by around 16%. The EU remains the UK's single largest trade partner, accounting for 41% of UK exports and 52% of imports, so further reducing trade costs with the EU is important for the UK. Recent "reset" negotiations between the UK and the EU may hold promise for some sectors, such as agrifood and energy. But they have yet to address the main aspects of UK trade, such as regulatory barriers or services, which, as already observed, dominate its economic structure.

Global fragmentation is also an issue for the UK because its trade is significantly more dependent on international linkages than is the case for the EU, the US and China – the UK's three largest trade partners. Around 28% of the value of UK-manufactured exports is accounted for by linkages to foreign sources. Data for exporting firms shows that the ratio of their *services imports* to *goods exports* has risen substantially in recent years, illustrating both cross-national dependencies, and dependencies between goods and services trade.

These linkages highlight the issues that can arise when partners follow a more selective and restrictive approach to trade and condition market access on other factors. Consider the US-UK Economic Prosperity Deal (EPD) signed in 2025. While this provides some shelter from US tariffs, it also leaves applied rates of at least 10% on UK exports, relative to an average of less than 3% which the UK has previously faced. Moreover, the EPD specifies that access to US markets is conditional on the UK adjusting to US perceptions of security by reducing linkages with partners (read China) that the US may deem hostile to its national security. The rise of China's share in UK imports of goods from less than 3% in 2000, to 11% in 2024, is one of the main observable changes over the last decade. Furthermore, 50% of UK imports from China can be described as "high dependency" i.e., products for which China accounts for more than half of the UK's imports by value. China is also very active in the Asia-Pacific region, which the UK has targeted as a priority in its trade expansion.

Positioning UK trade policy – domestic dimensions and the scope of policy activism

Domestically, until the publication of the Trade Strategy in 2025, there has been a lack of strategic direction for UK trade policy. The Trade Strategy is an important step, but without clear institutional structures and processes for trade policymaking, it risks continuing the piecemeal approach that has characterised trade policy in the UK for almost a decade.

The institutional basis for trade policy has evolved incrementally, through a combination of statutory (legislation) and non-statutory processes. A key piece of existing legislation is the Constitutional Reform and Governance Act (CRAG), passed in 2010, which requires all international treaties to be laid before Parliament. The principal statutory bodies are the Trade Remedies Authority and the Trade and Agriculture Committee, both established in 2021. Formally, the Devolved Administrations have no constitutional role in the development of UK free trade agreements, but they are included in the UK Government's trade policy processes and implementation efforts. Without a constitutional basis, inclusion remains based on goodwill rather than legal precedent.

In practice, UK trade policymaking is supported by a range of advisory groups, the name, composition and purpose of which have changed considerably over recent years. In addition, many elements of trade policymaking – public consultations, parliamentary updates, and negotiation strategies – remain discretionary. Consequently, significant elements of transparency, accountability and stakeholder engagement in the UK's trade policy process remain non-binding and subject to change. The balance of opinion from parliamentarians, external stakeholders and experts is that there is insufficient scrutiny of trade agreements and that consultation processes are overly ad hoc and lack transparency. Relatedly, there is limited regular reporting on the barriers to trade and investment faced by UK firms, and on the ex-post assessment of the effectiveness of trade policy measures and trade agreements.

The Modern Industrial Strategy and the Trade Strategy, both published in 2025, are key documents that set out the broad direction of travel. They build on strategies and policy orientations developed, in an incremental and piecemeal manner, by previous governments. Our analysis reveals a certain continuity in policy thinking across governments – though priorities have shifted. Growth has been the dominant theme, with certain other key themes considered important, but secondary. These include: economic security; sustainability (which includes the UK's legally binding commitment to net zero); harnessing the digital transformation; and addressing matters of social inclusion. It is worth noting that in contrast to policy pronouncements, public preferences expressed in our Citizens' Jury, held in the preparation of this report, and the Government's Public Attitudes to Trade Tracker, suggest that the public appears to prioritise these other goals as much as the goal of economic growth.

The Industrial Strategy prioritises eight sectors, and identifies interventions that are primarily domestic in nature, but many of which also have trade spillovers. Chief among these are interventions that use public funds, through subsidisation. The Subsidy Control Act of 2022 was specifically intended to provide greater flexibility in subsidisation. By and large, interventions in various sectors have been based on identifying sources of market failure, usually in research and development, the scaling of activities, and barriers to commercialisation. The logic is also that such interventions will not only address productivity and growth objectives; they will also ensure progress against the other policy themes. For example, correcting market failures affecting digital technologies such as AI and Quantum computing, or the production of advanced semiconductors, can stimulate productivity and growth, while also furthering economic security and digital transformation objectives.

To the extent subsidies target market failures at source, such approaches are economically defensible, and, as mechanisms to achieve policy outcomes, are preferable to trade restrictive measures. However, more attention needs to be paid to the trade-offs that may exist between various policy objectives and thus the priorities. Consider sustainability, for example. The dominant line of policy thinking is that stimulating domestic "green" industries can enhance both industrial activity and environmental outcomes. However, our analysis of government discourse on the matter shows this line of thinking also neglects the trade-offs that may exist, for example, between enhancing the domestic growth of these industries, versus the efficiencies that may come from imports and specialisation. Moreover, existing evaluation frameworks for interventions using public funds by and large do not provide for an explicit treatment of trade spillovers, and the efficiency costs they may create.

Other aspects of Industrial Strategy that have important trade policy spillovers include regulation. Perhaps the most significant area is in relation to digital activities, given the role of services in UK trade, and the fact that 70% of services are digitally delivered. Here, the approach followed by the UK Government may be characterised as a "pragmatic one", in the sense that it has tried to steer a middle course between the more laissez-faire approach of the United States, and the more prescriptive approaches followed by the EU. This is perhaps most readily seen in the UK's approach to digital markets and to AI regulation. The question for the UK is how far this can be sustained as it seeks deeper integration with various partners. The EPD, for example, envisions negotiating ambitious provisions on digital trade, which may require greater alignment with US approaches, and the subject of digital regulation has, in any event, been a sensitive issue for the US in trade negotiations.

International positioning – pragmatism versus principle

The importance of multilateral institutions to the UK is underscored by its active engagement in WTO processes. This includes active initiatives on possible reforms to the multilateral trading system, sponsoring or leadership of various plurilateral negotiations, including those under the so-called Joint Statement Initiatives, notably on e-commerce and on services regulation. The UK has also been an active proponent of the WTO's work programme on trade and gender, though arguably there also remains a substantial domestic agenda here for the UK to tackle.

The UK also remains an important proponent of the WTO's development dimension, both through its Developing Country Trading Scheme (DCTS) implemented in 2023 and the Economic Partnership Agreements with developing countries. The DCTS increases the number of tariff lines eligible for preferential treatment from 80% to around 90%, and simplifies rules of origin.

The UK's overall trade policy settings remain liberal. The introduction of the UK's Global Tariff simplified UK tariffs, increasing the share of imports coming in duty-free, on non-preferential terms, to around 70%, relative to 52% under the EU MFN tariff, with the weighted average MFN tariff falling from 2.1% to 1.5%. The UK is also significantly more liberal in services, notably digital services, than partners in the OECD and the EEA. Data from the OECD point to liberalising steps by the UK since 2020, specifically in the area of the movement of people, which is notable given political sensitivities around this topic. The Trade Strategy, commendably, highlighted the importance of imports to the UK economy.

More restrictive elements of policy may be found in relation to trade remedies. In this area, the UK has implemented changes that provide more ministerial discretion on whether to implement remedies. It is also considering further changes to its approach to "trade defence" more broadly, and widening ministerial discretion, though it is not clear what this may entail. The main reason invoked for these steps appears to be economic security.

Indeed, a significant aspect of the Trade Strategy was highlighting the rise of economic security as a paradigm for considering the UK's positioning internationally. As observed above, this mirrors developments overseas. The UK does not have a formal definition or policy framework for economic security. But parsing the Trade Strategy and documents produced by successive governments suggests that economic security encompasses notions of resilience to shocks and to coercive actions by other states, and national security.

FTAs offer one potential mechanism for integrating economic security with more conventional policy aims relating to commercial opportunities and growth. Indeed, many of the UK's FTAs contain language – even if aspirational – relating to resilience and security. A challenge to the UK, however, is that its approach to FTAs has operated on a "WTO-plus" basis i.e. agreements that seek to go beyond the WTO baseline. They also reflect a concept of "open regionalism": FTAs allow coalitions of partners to integrate and offer others the possibility to join (as is the case with the CPTPP). The main challenge is that this "open, WTO-plus" approach is running into the more closed, "WTO-minus" approach of certain other partners, principally the US. The EPD is an example of such a closed, WTO-minus agreement.

The UK's position is that it will be pragmatic in the sense that it is open to striking arrangements of an unconventional – and if necessary, WTO-inconsistent – nature, if it is in its interests to do so, as with the EPD. In addition, the UK has signed over 60 "mini deals" i.e., trade agreements that are, strictly speaking, outside of WTO rules though not necessarily in contravention of them. While this might be considered pragmatic, it does not obviate the basic tension between WTO-plus and WTO-minus approaches. Nor does it address the fact that many of the broader issues of interest to the UK – especially security and sustainability – are collective action issues which ultimately require multilateral rules and institutions. Public attitudes are broadly supportive of multilateral institutions.

Conclusions

The review highlights the multiple demands placed on trade policy, reflecting both domestic requirements and a challenging, evolving international environment. Both of these forces require choosing the right mix of policy instruments and assessing trade-offs correctly. On the domestic front, the approach to tackling market failures that inhibit productivity and other policy objectives, by and large, draws on the right policy instruments. A more systematic measurement is needed as to trade spillovers from these instruments, and their coherence across policy areas. Internationally, the UK's main challenges reflect the fact that its trade costs with its two major trade partners – the EU and the US – have risen , in a context of fragmenting global trade. Moreover, the US pursuit of a WTO-minus approach, and pressures on partners to adhere to this approach, presents the UK with particularly pointed trade-offs, given its interest in and commitment to multilateral arrangements.

These observations also point to certain institutional steps that the UK could take to manage the complex trade-offs that arise in the conduct of modern trade policy, including those trade-offs that come from the role that trade policies are expected to play in relation to a number of different policy themes.

These steps include:

- Greater transparency and stronger parliamentary oversight, with clearer negotiating objectives
- Open consultation, and better evidence to guide decisions;
- A coordinated, cross-government approach to monitoring and evaluation of trade policies that would help policymakers understand the trade-offs involved and incorporate perspectives on sustainability, inclusion, and regional impact
- Clarifying how economic security fits within the UK's avowed commitments to openness and multilateralism, to ensure emerging security-driven arrangements do not undermine global rules and take into account impacts on developing countries.

Recommendations

The report sets out detailed recommendations in each of its chapters, which the reader is invited to examine. Many of these are specific to the particular thematic areas of the study: economic security, trade and digital, sustainability, and inclusion. We present here a non-exhaustive list of cross-cutting recommendations, that can broadly be classified under the following clusters.

Coherence

- **Across government and across policy areas:** There are multiple policy instruments for specific policy areas – be this digital, climate change, sustainability or inclusiveness. These are often in the hands of different departments or even different units within departments. There is a need for ongoing assessment to ensure the coherence and consistency of policy with regard to each objective and across government departments.
- **Across agreements:** The Government should undertake an assessment of the overall coherence of the UK's FTAs and other trade agreements (mini-deals) with a clear focus on the objectives, on the consistency between the provisions on common policy areas across the agreements, and on the effectiveness of those provisions.
- **Between domestic and international policy:** For greater effectiveness of policy, there should be greater connection between the UK's multilateral engagement in trade policy, and policy in and for the UK. Examples of this include policy towards sustainability and fossil fuels, or policy with regard to trade and gender.

Institutional strengthening

- Improve scrutiny by parliament of trade agreements. More generally, trade agreements, including 'non-binding legal instruments' (mini deals), should be made more transparent with regard to what is being negotiated, with whom, by whom, and with what purpose and legal effect.
- Westminster should build on progress in engagement with the Devolved Administrations through the Intergovernmental Relations Review and consider a formal role for Devolved Administrations in UK trade policy. Without a constitutional basis, inclusion remains based on goodwill rather than legal precedent.
- There should be greater consideration given to overall trade strategy, trade priorities and the effectiveness of trade policy than is currently the case. In so doing, it is important to include the voices and needs of the business community, other stakeholders and experts. These can also raise private sector and broader societal concerns, for example, with regard to inclusiveness or sustainability. To achieve this, we recommend restructuring the Board of Trade as a non-departmental independent public body working alongside government and stakeholders.
- The UK Government should publish an annual report on UK trade policy, with an assessment of UK trade performance and UK trade agreements (including their utilisation and performance), as well as an assessment of the trade barriers faced by UK firms. Such a report could be the responsibility of a reformed Board of Trade. This would provide a summary of what has been achieved, as well as identifying ongoing challenges. Reports could include ex post assessment of policies, their efficacy, and the extent to which the objectives have been realised.
- Consultative processes could be enhanced, both through more systematic consultations with businesses on trade policy measures, in the negotiation of agreements and in their operation and discussions of amendments and further provisions and by ensuring effective participation of stakeholders beyond businesses. This would contribute to more informed and more inclusive policy making.
- An evaluation of public preferences and values attached to international trade and integration is desirable. Understanding and taking on board public attitudes to trade matters for the legitimacy of policymaking and to enable policymakers to assess the trade-offs and the priorities.

International positioning

- While the rules-based multilateral trading system is currently under considerable strain, its fundamental principles of non-discrimination, reciprocity, and transparency remain fundamental to growth, prosperity and fairness. The UK should continue its positive initiatives on possible reforms of the multilateral trading system. As a long-time advocate of the rules-based system, and an economically significant trading country, the UK has the potential to be an important convenor and facilitator of such discussions, a role it played historically, including when it was an EU Member State.
- The UK needs to balance pursuing its domestic public policy interests with regard to growth, economic security, sustainability and inclusiveness, while playing by the 'rules of the game'. For the reasons outlined above, this should involve adhering to the multilateral rules-based system. Where the Government has stated that it reserves the right to deviate from WTO rules, it should be clear on how it plans to reconcile this with its professed commitment to the rules and how it intends to assess the balance of risks and benefits and trade-offs of these competing positions.
- Given the prominence of economic security as a theme, the UK would benefit from having a policy statement on the matter. This would include a discussion of the principles and routes to intervention on grounds of economic security, how it will respond to pressure and economic coercion from its trade partners, and how it would consult on the need for further legislation.
- The UK needs to work closely with 'like-minded' middle-power countries to help steer a cooperative path which respects the principles of the rules-based international trading system. This should include continuing to pursue free trade agreements with partner countries, in part as a means for further trade liberalisation, and in part to allow for the inclusion of issues which go beyond economic growth and market access but impact sustainability, inclusiveness and possibly economic security. Given the role played by the EU in UK trade, reducing the trade costs imposed by the UK's exit from the EU is an important priority.

Support for businesses

- In support of the government's growth objectives, there is a need for practical and coordinated policy (e.g. advice, finance, taxation policy, trusted advisor, business mobility, trade diplomacy) to support business, especially SME's, having access to imports, entering export markets and expanding sales.
- Collaboration on matters of regulation and broader policy objectives with partners that differ widely in their institutional arrangements presents complex challenges. The UK should aim for mutual recognition agreements in order to reduce technical barriers to trade by decreasing the need for products to be retested, inspected or certified for export markets.
- There should be greater recognition in trade policymaking of the importance of services trade and the linkages and synergies between services and goods trade, and thus on services and goods trade policy. As a services economy, UK trade policy should address services trade barriers and consider whether more could be achieved both in FTA negotiations with sector-specific commitments, as well as through agreements between regulators, memoranda of understanding, sector-specific behind-the-border unblocking of specific issues, and business mobility.
- Business is more vulnerable to the actions of state backed actors, transnational crime, natural disasters, and geopolitical tensions than ever before, and is increasingly subject to supply chain regulatory requirements. This requires more communication, information exchange and closer partnerships between the state and the private sector. It also leads to a greater need for governments to help businesses (especially SMEs) with regard to regulatory compliance, managing risk and considering when the Government may need to underwrite risk.
- Policy needs to recognise that there are both winners and losers from changes in trade and trade policy, and differential impacts on firms, workers, consumers and regions. An inclusive trade policy requires effective adjustment and mitigation levers for those negatively impacted. In part, this is important to ease the social costs, in part this is to facilitate adjustment and transition and in so doing contributing to higher long-run rates of growth.

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