UK Trade Policy: An Independent Review

November 2025

Authors

Achyuth Anil
Thomas Baily
Amar Breckenridge
Michael Gasiorek
Charlotte Humma
Sahana Suraj
Fiona Smith

Contributory authors

James Black
Mattia di Ubaldo
Alexander Fitzpatrick
Lindsey Garner-Knapp
Nicolo Tamberi
Valeria Terrones,
Manual Tong
Maurizio Zanardi
Dongzhe Zhang

UKTPO UK TRADE POLICY OBSERVATORY

CITP CENTRE FOR INCLUSIVE TRADE POLICY

frontier economics

About the Centre for Inclusive Trade Policy (CITP)

The CITP, a centre of excellence for innovative trade policy research, is the first centre dedicated to trade policy funded by the Economic & Social Research Council. Conceived and led by Sussex, the Centre is comprised of universities from across the whole of the UK – the Universities of Nottingham, Strathclyde, Queen's University Belfast, Cardiff and Cambridge. The Centre also has significant non-academic partners working on trade. Funding is for five years, through to April 2027. The Centre is built on the precept that trade policy should be inclusive in both policy formulation and outcome. Our aim is to build permanent capacity by developing a community of scholars and practitioners with the knowledge, skills and mutual understanding to develop robust trade policy in a changing world.

About Frontier Economics

Frontier Economics is one of Europe's largest independent economic consultancies. With a staff of over 400 economists across a network of offices in Europe, and with headquarters in London, Frontier applies advanced economic analysis to address the complex challenges of our time. We work across a range of sectors, from digital and tech to education, sports and the arts. We work on all major aspects of international trade policy: modelling policy changes and trade agreements; support to negotiations; disputes; and the evaluation of government interventions and programmes. Our clients include governments, international organisations, businesses, industry bodies, and non-governmental organisations.

About the UK Trade Policy Observatory (UKTPO)

Established after the 2016 Referendum, the UKTPO is a University of Sussex Centre of Excellence. It is an independent, interdisciplinary expert group of Sussex academics comprising economists, lawyers, business management, and political economists and several distinguished external academics and policymakers as associate fellows. The UKTPO researches, comments on, and analyses trade / trade policy for the UK and the multilateral world trading system as well as providing trade policy training.

Acknowledgements

The authors are very grateful to the 17 organisations and individuals that responded to our public consultation and to the 100+ individuals who participated in the roundtable discussion component of the research and those who engaged in discussion and debate on selected research approaches and findings at workshops hosted by ABPI and ICAEW in May 2025. Your insights have greatly helped us improve this report.

We are also indebted to our Steering Committee: Willy Alfaro, Ruth Bergan, Emily Jones, and L. Alan Winters, who provided invaluable advice and feedback throughout the course of this research. We also extend our sincere thanks to the peer reviewers, whose insightful comments and challenging questions significantly strengthened this report.

We would also like to acknowledge the contributions of the CITP and UKTPO team of researchers, whose expertise informed various sections of this work. These discussions have enriched our thinking and knowledge in countless ways — the report would not be what it is without them. We have also gained substantially from enlightening and formative extensive engagement with Whitehall and the Devolved Administrations over many years

The content of the report, any errors or omissions, comments and recommendations, remain the responsibility of the authors.

Design

This report is designed by Chimney Design

View this report online:

https://citp.ac.uk/uktpr/uk-trade-policy-independent-review

ISBN 978-1-912044-99-3

Sponsors

This Review is part funded by the Centre for Inclusive Trade Policy, Economic and Social Research Council [grant number ES/W002434/1], Frontier Economics, the UK Trade Policy Observatory and our sponsors: The Institute of Chartered Accountants in England and Wales and the Association of the British Pharmaceutical Industry.

UKRI Economic and Social Research Council

abpi

ICAEW

Contents

Chapter 4: International dimensions of UK trade policy

Chapter 5: Trade and economic security

Chapter 6: Trade and the digital transformation

Chapter 7: Trade and sustainability

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.
- 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 interests and broader public policy goals. It identifies 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 and broader policy interactions.

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.

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.
- 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 its trade partners, 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. 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 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 that it highlighted 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 in the UK 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 of the 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.

Introduction

Why undertake an independent review of trade policy?

Making trade policy is difficult and, in today's world, arguably more challenging than ever. This is due to a confluence of factors, including long-standing concerns about environmental issues, equity and human rights, and more recently concerns reflecting the interplay of technological change, geopolitics and economic security. Trade policy has also had to contend with the effects of global events, such as pandemics, migration, and wars. Increasingly, there are also concerns about the ability of the rules-based world trading system to deal with these challenges, especially with regard to economic security.

In this context, this report provides a comprehensive review of the UK's trade policy and the extent to which it addresses today's challenges. This involves understanding the key features of the UK economy and the international context in which it operates, identifying the objectives and priorities of UK trade policy, the policy instruments used and policy decision-making processes, and how they aim to contribute to broader public policy goals. The timing of this report coincides with the World Trade Organisation's (WTO) review of the UK under the auspices of the Trade Policy Review Mechanism (TPRM).

The WTO review is the first of the UK since the UK reacquired competence over its trade policy following its exit from the European Union. The WTO TPRM was established in 1989, during the Uruguay Round trade negotiations, and was intended to enhance transparency and understanding of global trade policy.[1]

The formal WTO process takes the form of a periodic review. It is based on reports published by the WTO secretariat, and by the authorities of the country under review. These reports are then discussed at meetings of the WTO's Trade Policy Review Body (TPRB), with WTO Members having the opportunity to put questions in writing to the member under review.[2] In the case of the UK the TPRB meetings took place on 28 and 30 October 2025. This formal process was never intended to be an end in and of itself, but rather to be a starting point for an ongoing dialogue on the functioning of trade policy.[3] It is to that ongoing process which this report intends to contribute.

It is worth noting that trade policy is a broad term. It is customary to distinguish between direct trade policy instruments and other policy instruments that may not be directly aimed at trade per se but are likely to have trade effects that can be substantial. A trade policy instrument is a tool whose primary intention is to impact or regulate international trade in either goods or services and thus modify or influence trade flows between countries. Examples include tariffs, export subsidies and controls, or limits on the number of foreign service providers. These instruments impact either the ability of other countries to access your market or your ability to access their market. Other policy instruments, such as innovation policy, domestic regulation, taxes on environmental externalities (such as carbon pricing), or industrial subsidies, have as their primary goal non-trade objectives but are likely to materially impact trade. The distinction is implicit in the structure of trade rules: these are comparatively more stringent in relation to the "direct" trade policy instruments, and more permissive in regard to other instruments, in relation to which the focus of rules is to mitigate the extent of trade policy spillovers.

In practice, the two types of policy instruments are closely related as changes in trade policy will also impact non-trade objectives, and changes to other policy instruments will impact trade. Indeed, the role of these other policy instruments has become progressively more important. This is partly because tariffs have fallen globally (recent events notwithstanding), and because of the growing role of services trade. The primary trade measures affecting services are really about the contestability of domestic markets, and regulatory issues are particularly important in services. The interaction between "trade" and "other" policy instruments has been further reinforced by the pursuit of multiple policy objectives, such as environmental goals and economic security, that have domestic and global dimensions with significant trade policy interactions.

In assessing any country's trade policy, and in the ensuing chapters, it is therefore important to evaluate both types of instruments, while also recognising their specific roles. Key questions in this regard are whether the correct policy instruments have been assigned to the designated policy objective, and the degree of policy consistency and coherence. Such an assessment necessarily requires a thematic approach, i.e. one that identifies specific policy topics that are a priority to governments, and that provide the context for trade policy, in particular, the use of instruments that have trade policy spillovers. This report takes such a thematic approach with chapters on **economic security, digital trade, sustainability and inclusiveness**, a selection that is based on a textual analysis of UK Government policy priorities within the evolving global context for trade policy (see below).

The thematic approach is the principal point of differentiation between this report and the WTO process, and specifically the WTO Secretariat's report. In following this thematic approach, we aim to support the overall objective of transparency that lies at the heart of the TPRM. Moreover, by following a thematic approach, and by exploiting new analytical methodologies, the report seeks to model how modern trade policy reviews can be done. This is particularly the case given the complex challenges facing trade policy in the current global context.

The evolving global context for trade policy

It is useful to place the current challenges in a historical context. Trade policy has always been about economic benefits mixed with addressing foreign policy concerns, while also responding to domestic political economy pressures. For centuries and up to the mid-19th century, the approach to trade in most countries was largely mercantilist. This meant that the objectives of trade policy focused on maximising exports relative to imports, protecting domestic industries from foreign competition and encouraging infant industries. An additional objective was revenue generation. This approach was prevalent especially during the early 19th century, as countries - notably in the US and Europe – sought to build their industrial bases.[4] From the mid-19th century onwards, there was a shift to more liberal trade regimes with reductions in tariffs, as seen in the repeal of the Corn Laws in the UK, and the signing of trade agreements such as the Cobden-Chevalier treaty between Great Britain and France in 1860.

Following the First World War, many countries were faced with reconstruction, the demobilisation of millions of soldiers and integrating them into the workforce, the pressure of war debts, (hyper) inflation and considerable instability. Especially with the onset of the Great Depression, which began in 1929, this led to a rise in nationalism and economic pressure to protect domestic industries with tariffs as a perceived necessary defensive measure. This was exemplified by the Smoot-Hawley Tariff Act of 1930 in the US, which raised tariffs to record levels, and in turn, led to a cycle of retaliation by other countries and a collapse in world trade. At the same time and partly in response, Britain also sought to encourage and liberalise trade within its empire with the 1932 Ottawa Agreements.

The post-World War II period saw a substantive shift towards trade liberalisation and economic cooperation based on principles of non-discrimination. In particular, the principle of Most Favoured Nation (MFN) treatment was strongly advocated by the US, which had formed the view that the system of imperial preferences and bloc rivalry between powers was one of the driving forces behind the conflict. After a certain degree of resistance, by the UK in particular, MFN was adopted, along with National Treatment, as the foundational principles of trade via the establishment of the General Agreement on Tariffs and Trade (GATT) in 1947. Under the GATT, eight "rounds" of trade negotiations were held, the last of which was the Uruguay Round of trade negotiations (1986-1994), and which led to the creation of the WTO in 1995. Tariff levels fell from roughly 22% on average in 1947 to around 5% after the Uruguay Round. The creation of the WTO also included the extension of trade rules to services and intellectual property, reflecting reforms undertaken by countries globally. Trade policy reforms and rule-making led to a dramatic rise in trade and economic growth.

The key principles of that post-World War II approach were the multilateral liberalisation of barriers to trade, non-discrimination, reciprocity and transparency all within a rules-based system. Those rules aimed to ensure predictability, fairness, stability, and dispute settlement.

This post-World War II approach to trade policy was premised on the recognition that trade openness and multilateral trade liberalisation – based on the preceding principles – would lead to higher rates of economic growth and thus improved living standards. The trade related drivers of growth are typically thought to be innovation, competition, the diffusion of knowledge and spillover effects, gains from economies of scale and the gains from specialisation, underpinned by investment.

This approach to trade policy led to decades of global economic integration driven by the lowering of policy barriers to international trade in goods and services, as well as investment, and to a lesser degree, the mobility of people, as well as reductions in transport and communication costs across countries. This is often referred to as "globalisation". The term may be overused, but at its heart was the geographic unbundling of different parts of the production process, enabling production of those parts to take place in different locations / countries, and as businesses sought greater efficiencies through specialisation and scale. The unbundling was driven by and favoured the diffusion of knowledge and innovation all contributing to economic growth.

At the same time, the process of globalisation led to distributional consequences – winners and losers. The most direct and visible winners were consumers, who benefitted from a greater variety of goods at lower prices, which translated into increased purchasing power for households. On the production side, the winners were primarily firms and workers in export-oriented sectors. Many firms that import intermediate goods and raw materials also benefitted from lower costs, helping to increase their competitiveness and profitability.

However, not all firms and industries gain as there is also contraction and market exit by firms. The most significant negative impacts were felt by workers and firms in import-competing industries, which are the most directly exposed to competition from cheaper foreign goods. Such negative effects are often highly concentrated, impacting specific regions or towns that may be heavily reliant on a single industry, such as manufacturing. Indeed, typically the benefits – lower prices and greater choice – are usually widely dispersed across consumers. In contrast, the losses – job cuts and factory closures – are typically more concentrated and therefore more deeply felt by a smaller group of workers and their communities. Hence, from a political economy perspective, the losses are felt more acutely and the "losers" have a much stronger incentive to organise and lobby against trade liberalisation. The negative effects of trade may also fall disproportionately on less-skilled workers and on regions with a high concentration of traditional, import-sensitive industries, which can exacerbate existing inequalities and be of long duration.

The post-World War II approach was also predicated on a belief, and by and large consensus, that closer economic integration as well as delivering higher rates of economic growth, would result in greater interdependence between economies, which in turn would be a force for greater international political stability.

Contemporary challenges for trade policy

That consensus and the rules-based system are now under strain due to several interconnected factors, which are listed below. These are purposely not listed in any order of importance, as views on which are more significant vary, but most of what is listed below appears in current discussions:

- Low rates of economic growth. This impacts on standards of living and public perceptions of domestic and international policy, and raises concerns regarding the distributional effects of economic integration.
- Unforeseen 'events' which materially impact on people's lives and livelihoods. For example, Covid-19 or extreme weather events, which have highlighted concerns about the resilience of supply chains and economic security.
- The political or economic actions of other nation states. These are wide-ranging, such as the Russian invasion of Ukraine, the tariffs and related policies introduced by the current US administration, or the various export restrictions introduced by China.
- Rapid changes in technology and digitalisation. This has consequences for jobs and competitiveness, and impacts what is traded and how it is traded. The emergence of digital technologies marked by high degrees of concentration and market power has also created more scope for policy interventions, whether in the form of industrial policy to develop "home-grown" capability to reduce reliance on foreign suppliers, and / or regulatory measures to deal with the possible economic and public policy effects of dominance.
- Climate change, and heightened public and policy concerns about global warming, the environment and biodiversity.
- Heightened public perceptions about the benefits of globalisation, the impact on workers, concerns about the cost of living and thus what people want from trade policy.

As a result of these factors international trade policy is currently being made in a climate of low growth, increased polarisation within countries, increased geopolitical tensions (notably between the US and China) decreased trust between countries, increased policy interventionism (ranging from industrial policy to the introduction of trade barriers which explicitly discriminate between countries), and the decreased belief by policy makers in the ability of the private sector to manage risk. Interdependence, which was believed would lead to greater international stability, is being increasingly weaponised such that in the eyes of some, interdependence is no longer a strength of the system but a weakness.

This has led not only to changes in approaches to trade policy per se but has also seen the rise of industrial policy. As with trade policy, the primary motivation for industrial policy is typically economic growth. Industrial policy, however, is explicitly concerned with domestic policy concerns – be they to do with growth, the distribution of economic activity, or domestically-focused policy interventions ranging from investment, innovation or the regulatory framework.

As a result of all the preceding, while the growth-enhancing effects of trade continue to be seen as a central trade policy goal, other factors now come into play more strongly than was previously the case.

The factors concern:

- **Equity**: This includes issues ranging from jobs, labour rights, regional development, Small and Medium Size Enterprises (SMEs), gender, and impacts on developing economies.
- **Sustainability**: Primarily concerning climate change, biodiversity and the environment.
- **Economic security**: This is difficult to clearly define but is essentially concerned with a country's ability to protect its economy from internal and external threats like supply chain disruptions in critical sectors, economic coercion, and cyberattacks, and to maintain its growth and stability.

The principles of multilateralism, trade liberalisation, non-discrimination, reciprocity and transparency, and adherence to a rules-based system outlined earlier are all being challenged by one or more of the above factors.

Structure and organisation of this report

UK trade policy is being shaped within this complex context. This underscores our opening observation that trade policy is challenging and reinforces the view that assessing trade policy needs to go beyond primarily focusing on a cataloguing of measures. For these reasons, this report takes a thematic approach which assesses the ways in which policy is responding to these broader challenges.

The report draws on a range of information and data sources to detail the key relevant elements of the UK's trade policy. These include:

- *Data* provided by UK authorities and international organisations, and our analysis of these;
- Government *publications* and statements, from 2019 onwards, including the recently published Industrial Strategy and Trade Strategy;
- The (trade) *agreements* the UK Government has signed with other countries (which may or may not be legally binding);
- The authors' *expert knowledge* as well as that of other trade specialists, and various forms of *consultation*, including a call for evidence, roundtables, and a Citizens' Jury, which helped us understand people's priorities with regard to trade and trade related issues.

The report consists of eight chapters:

Chapter 1: We present an overview of **UK trade and economic performance**. This provides important context as to what the UK trades, with whom, and how, and how this has evolved over time.

Chapter 2: This is primarily based on a detailed examination of a range of government documents which we refer to as the '**trade corpus**'. The aim is both to understand UK trade policy and provide a systematic and robust methodology applicable in future years, or by other countries, or other policy contexts.

Chapter 3: Details the main **domestic processes and legislative frameworks** through which the key elements of UK trade policy are made. We also discuss the more informal consultative arrangements in place through advisory groups, as well as the role of the UK Devolved Administrations in the making of UK trade policy. The chapter also discusses the UK trade remedies regime, the subsidy regime, and business support policies.

Chapter 4: Examines the aspects of trade policy that are based on **international agreements** or coordination with other countries. We consider the UK's role and position in the WTO. This includes Free Trade Agreements (FTAs) conforming to WTO rules and what may be more loosely described as mini deals, as well as policy towards developing countries with discussion of the UK Developing Country Trading Scheme (DCTS) and its Economic Partnership Agreements (EPAs).

Chapter 5: This identifies the different ways in which **economic security** has become an important focus of trade policy. It highlights the wide range of objectives that come under the umbrella of economic security, the possible trade-offs that exist between these objectives in and of themselves, and in relation to economic growth. It then examines how economic security is addressed in the UK through its policy positioning and legal frameworks, and how economic security questions are addressed in trade agreements.

Chapter 6: Explores the complex relationship between the **digital transformation** and international trade. We focus on how trade has influenced digitalisation, and on how digitalisation, by reshaping trade and economic activity, can contribute to productivity and economic growth. We examine the dimensions of digital and trade interaction and provide a background to the UK's digital trade trends and comparative advantage. We then explore the policy and regulatory settings that impact digital trade in the UK and the trade policy measures and arrangements internationally, including FTAs, digital agreements and other forms of cooperation as well as through the WTO.

Chapter 7: Reviews the relationship between trade and **sustainability** in UK trade policy. It highlights the UK Government's core goals and objectives relating to trade and sustainability, and the relevant trade policy instruments proposed and adopted; what trade-offs between sustainability and trade are addressed in UK trade policy; and how the Government's core goals, objectives and trade policy instruments align with business and UK consumers' priorities.

Chapter 8: In this chapter, we examine how trade policy impacts two dimensions of **inclusivity: employment and gender** outcomes in the UK. We recognise that these are also closely related to other dimensions of inclusivity – such as impact on small and medium-sized enterprises and regional disparities – but those topics fall outside the scope of this report. We first consider the overall framing of trade and labour market outcomes, and trade and gender outcomes respectively, then move on to a discussion of their inclusion and treatment in UK FTAs.

Finally, it is perhaps worth noting what this report does not do. First, there are inevitably areas of policy which we have not covered – either because we considered them out of scope, or because we had to draw the line somewhere. The list of these might include the causes of week productivity performance, challenges and options for WTO reform, detailed analysis of the Industrial Strategy and sector plans, an in-depth discussion of broader regulatory and digital policy settings, a comprehensive review of the landscape of UK domestic policy with regard to sustainability and the impacts on trade and trade policy on SMEs or on regions.

Second, this report is not intended as a forward-looking "trade strategy". The focus is on detailing and understanding UK trade policy priorities, and on the basis of those priorities assessing the policy framework. Assessing policy inevitably leads to recommendations as to what else could be done, or what could be done 'better'. Hence, at the end of each of chapters 3-8 we provide a set of recommendations based on our analysis and on our consultations. The spirit behind our report and recommendations is that we aim to provide an informed critique of UK trade policy, and not a criticism. Indeed, there is much to be welcomed with regard to UK trade policy and its articulation in a trade strategy, and this report should be read in this light.

References

1 The rules governing the operation of the TPRM are set out in Annex 3 to the Marrakesh Agreement Establishing the World Trade Organisation.

2 Formally, the TPRB is the WTO's General Council meeting "as the TPRB". The General Council is the WTO's highest decision-making body outside the Ministerial Conference.

3 Thus, Section B of Annex establishing the TPRM states: "Members recognize the inherent value of domestic transparency of government decision-making on trade policy matters for both Members' economies and the multilateral trading system, and agree to encourage and promote greater transparency within their own systems, acknowledging that the implementation of domestic transparency must be on a voluntary basis and take account of each Member's legal and political systems." (emphasis added).

4 This can be seen in policies such as high tariffs, especially in the US and the Corn Laws in the UK (1815-46).

Chapter 1: UK trade and economic performance

Chapter overview

This chapter provides an empirical backdrop to the remainder of this report based on descriptive statistics on the UK's economic performance, on UK trade patterns, and how they have evolved over time. We also provide information on the number of UK jobs associated with UK trade, as well as looking at investment flows.

Key points

- UK productivity and GDP growth have lagged behind comparator countries over the last decade or more.
- The UK is a relatively open economy, with the sum of exports and imports of goods and services relative to GDP of around 65%. This underscores the importance of international trade to the UK economy.
- The UK is predominantly a service economy, with a services share of 54% and 34% in total exports and imports respectively. In 2024, 70% of those services exports were digitally-delivered.
- The UK's top exports and import partners in 2023 were the EU, the US and China, accounting for 41%, 22% and 4% of UK exports of goods and services; and 52%, 13% and 7% of UK imports of goods and services, respectively.
- Out of all UK firms, a relatively small share are directly involved in either exporting (11.5%) or importing (12%), and only 6.5% of firms both export and import.
- Only just over 60% of UK exports and less than 40% of imports are undertaken directly by firms classified as producers, the remainder is undertaken by distributors or by firms classified as service providers.
- Trade is important for UK jobs with over 30% of UK employment directly associated with firms that export. Excluding agriculture, finance and public administration, and defence this accounts for more than 6.5 million employees.
- Of the 6.5 million export jobs, just under 5 million were in services, and just over 1.5 million were in goods / manufacturing. In turn, this highlights the significance of services exports for the UK economy.
- Since 2015, employment growth in the UK has occurred primarily among non-exporting as opposed to exporting firms, and primarily in services sectors as opposed to manufacturing. Manufacturing firms that export have seen a decline in employment, and particularly male lower-skilled employment.
- On average, the share of foreign intermediate inputs used in UK exports is just under 16% in total, and 28% for manufacturing, and 43% of this is from the EU. This reflects the UK's close integration in global value chains, especially those of the EU.
- Over the last decade, there has been a significant rise in the closer interlinking of goods and services exports in two dimensions: the use of imported services as inputs for final exports, and the bundled exporting of services with goods by firms.
- Data on inward Foreign Direct Investment (FDI) into the UK suggests that investment, of which services are the most important element, has barely recovered following a substantial dip in 2020. In contrast, UK outward FDI, again primarily in services and within that business services, has risen and to a comparable degree as the US and the EU.
- Empirical evidence suggests that leaving the EU has impacted negatively on UK exports and imports of both goods and services, relative to what would have been otherwise the case. The estimates vary, with upper-bound estimates suggesting that the impact could be as high as a decline of 30% for UK trade in goods (both exports and imports) with the EU and a decline in exports of 16% for those services sectors with larger rises in trade barriers.

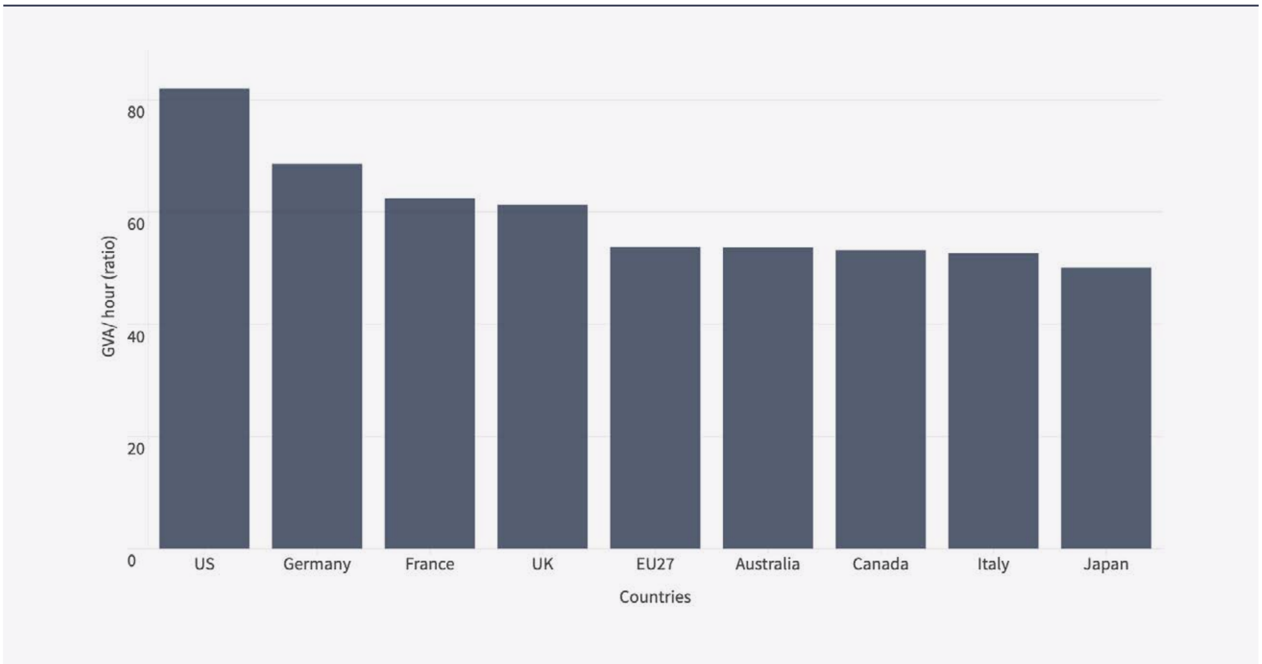
1.1 Trade and economic performance

1.1.1 UK productivity and economic growth

Before looking in more detail at UK trade, we first provide a brief overview of the overall performance of the UK economy. This is important because, as will be seen in Chapter 2, the main objective of UK trade policy is to increase economic growth.

UK economic performance since the financial crisis of 2008 is often described as being characterised by a 'productivity puzzle' which essentially refers to comparatively low productivity in the UK, and, closely related, the low growth of UK productivity and thus economic growth over this time period. These graphs shed some light on this. Figure 1.1 gives the gross value added per hour (GVA/hour) worked for the UK and a range of comparator countries for 2023 (which was the latest year for which the data was available). GVA/hour is often used as a proxy measure for labour productivity. In Figure 1.1 it can be seen that UK labour productivity is roughly 25% lower than in the US, and 10% lower than in Germany and slightly lower than that of France, but it is higher than the European Union (EU) average or the other countries in the figure.

Figure 1.1: GVA per hour worked – 2023



Source: OECD productivity database

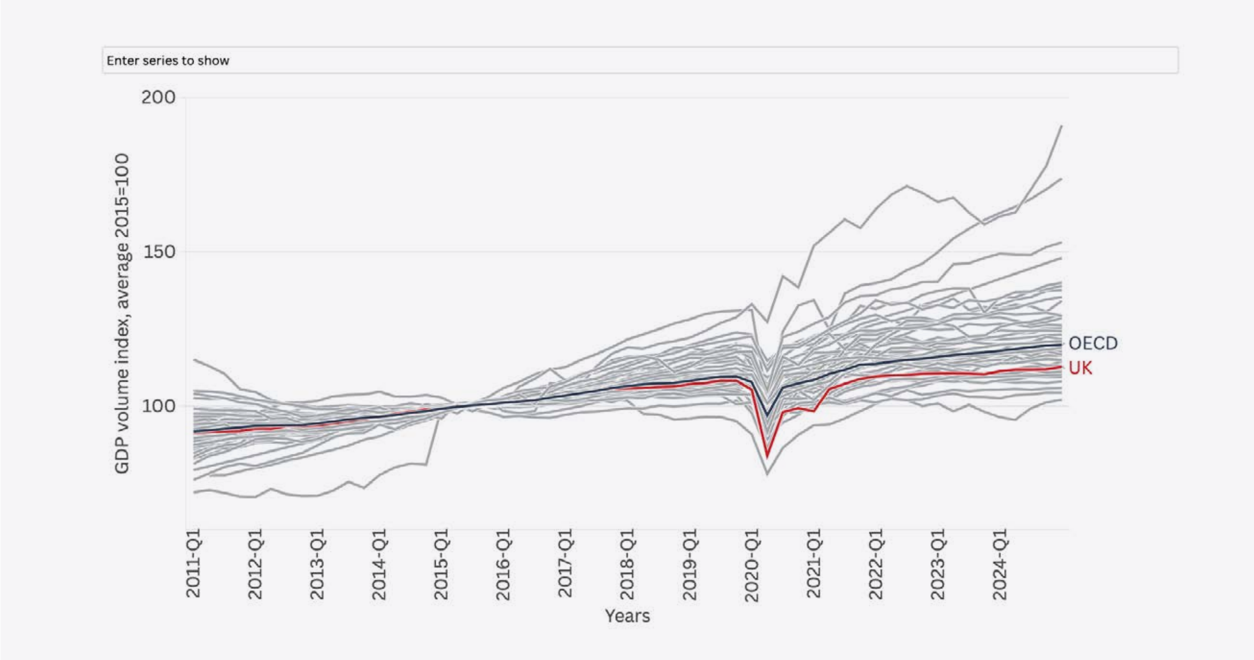
If we consider changes over time, Figure 1.2 tracks UK GVA/hour worked for the same group of countries, and in each case relative to 2015. What is noticeable is that UK labour productivity growth was lower than all the countries other than France from 2015 onwards, and unlike most of the other countries has stagnated since 2020.

The next figure, Figure 1.3, shows the change in UK GDP (Gross Domestic Product) (volume index) relative to 2015, for the UK and for all the OECD countries, as well as the OECD aggregate.[1] From this, it can be readily seen that UK GDP growth was towards the bottom of the OECD group of countries and there was a sharper contraction in 2020 for the UK in comparison to the OECD and most other countries followed by a recovery, which again was lower than the OECD average.

Figure 1.2: GVA per hour worked relative to 2015

Source: OECD productivity database

Figure 1.3: Change in GDP over time – OECD and the UK



Source: OECD Quarterly GDP and components – expenditure approach – volume and price indices

It is not within the scope of this report to discuss the causes of this relative performance and UK productivity puzzle in detail, but it is worth highlighting some of the key factors which the literature has identified as explaining this low productivity growth. Those factors include: a lack of investment, both public and private, in capital and skills; the poor diffusion of technology, innovation, and productivity-enhancing practices both across firms and between different regions of the UK; the lack of coherence in policy across institutions; the quality of UK infrastructure; and poor quality of management.[2]

This poor comparative performance of the UK economy also helps to explain why the focus of UK policymaking by both the current and preceding Governments is on economic growth. The factors driving that poor performance provide an indication of the constraints and issues that policy (and in the context of this report, trade policy) needs to address to improve UK economic performance.

1.2 The role of trade in the UK economy

1.2.1 Openness to trade

We now turn to considering the relative importance of international trade both in goods and services for the UK and some comparator countries. This is typically given by a measure of openness, which takes the ratio of total trade in goods and services to total GDP. This is given in Figure 1.4.

There are several features worth pointing out. First, the UK's openness to trade (measured by the ratio of imports and exports to GDP) is currently around 65% which highlights the importance of trade for the UK economy, and thus the potentially significant impact that changes in trade can have both on overall economic activity in the UK, but also on the distribution of that activity.

Second, there is a wide variation in openness across countries. The UK's level of openness is thus roughly the same as the average for the OECD but lower than that of the EU as a whole (which is close to 100%), and higher than that of the United States (US) (which is just over 20%). It is important to note that levels of openness do not necessarily reflect whether or not a country is more or less protectionist. The US, for example, typically has a low level of openness because its size means that it is able to supply many more goods domestically and thus is less reliant on trade.

Third, if we look at changes over time, we see that for the OECD as a whole, openness has risen from 26% to 58% over the time period, and for the UK from 43% to 64% while also fluctuating more. For the last decade or so, UK openness has changed very little, though there was a decline in 2023. This compares markedly to the EU, which has seen a rise in openness since 2023 from 84% to 95%. Finally, it is worth remarking on the decline in the openness of the Chinese economy from above 60% to below 40% since 2004.

Figure 1.4: Openness – Trade in goods and services as a share of GDP for selected countries

Source: World Bank, World Development Indicators

The importance of international trade for the UK is not only reflected in the share of trade in UK GDP and in the value of UK exports and imports, but also in the number of enterprises involved in UK trade, the types of firms that engage in trade, and the numbers of workers engaged in trade either directly or indirectly. Each of these is discussed in the following subsections.

1.2.2 UK firms and trade

Office for National Statistics (ONS) estimates indicate that in 2023 (the latest year for which data is available), out of a total number of UK enterprises of just over 2.4 million, there were nearly 280,000 firms exporting and over 290,000 firms importing.[3] The shares of the firms that engage in either exports and imports in total and separately for goods and services is given in Table 1.1.

The first row of the table indicates that, in total, 11.5% of UK firms export, 12.1% import, 6.5% of firms both export and import, and 17% of firms either export or import. An important feature of this data is that the overwhelming majority of firms that engage in trade are small firms (defined as those with between 1 and 49 employees). Out of all the firms that either export or import goods or services, 95% of these were small firms. However, the overall importance of trade for small firms is lower: Out of all small firms the share that engaged in international trade was only just over 16%. This means that 84% of small firms do not directly engage in importing or exporting. Conversely, if we consider large firms (those with more than 250 employees), more than 55% of these firms engage in international trade.

Table 1.1: Share of Firms that Trade (2023)

	% of firms that are:			
	Exporters	Importers	Both Exporter and Importer	Either Exporter or Importer
Total	11.5	12.1	6.5	17.0
Goods	4.1	6.7	2.6	8.2
Services	8.4	7.0	4.1	11.3

Source: Own calculations from the ONS, Annual Business Survey exporters and importers, June 2025

1.2.3 Producers, distributors and services firms in UK trade

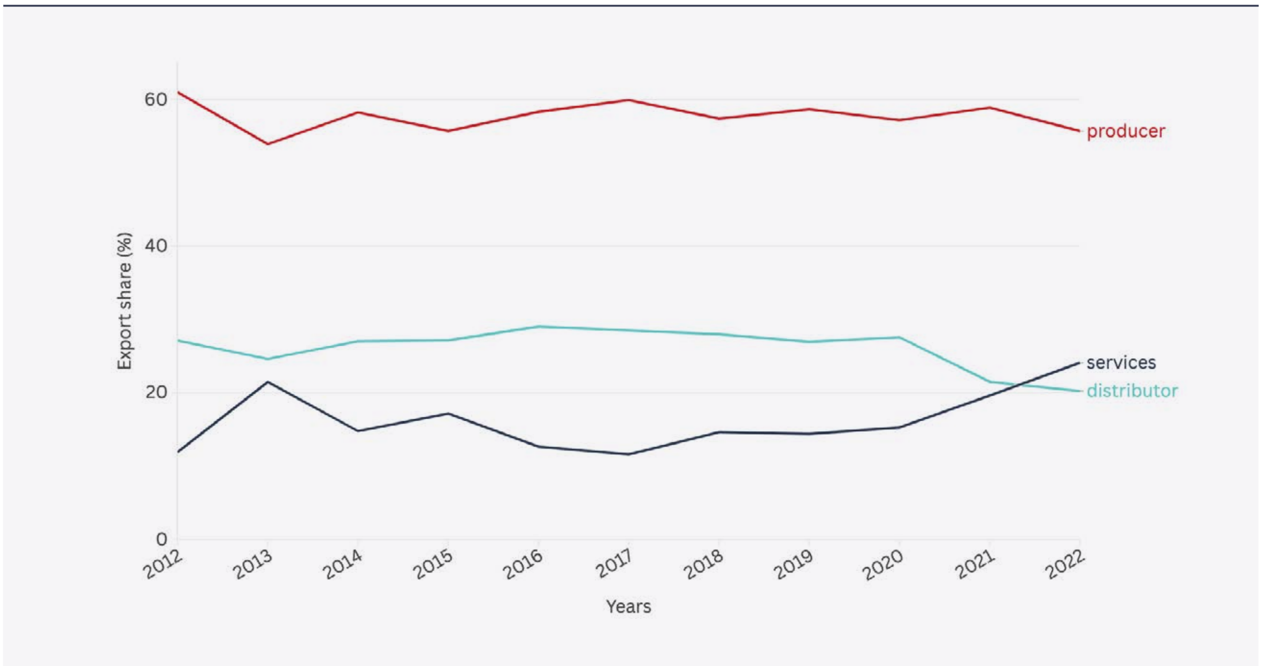
Figure 1.5 and Figure 1.6 consider another characteristic of UK trade. We focus only on trade in goods, and examine, over time, the extent to which that trade is undertaken by producers, distributors or services firms.[4]

There are at least two interesting features which emerge from this data. First, it can be seen that just over 60% of UK exports and less than 40% of UK imports are undertaken directly by firms who consider themselves producers. This suggests that a high share of UK goods exports is either undertaken by distributors (as opposed to by the producers themselves), or by firms which are classified as services firms. Each of these latter categories account for around 20% of UK exports. Similarly, when it comes to imports of goods just over 50% is carried out by firms classified as distributors.

From a trade policy perspective, the composition of firms engaged in trade is important, especially when broken down at a more detailed sectoral level. For example, the data indicates that in 2020, 76% of UK exports of textiles and clothing were undertaken by distributors. By 2022 this had declined to 63%. A good part of this decline in the share (and value of exports by distributors) was driven by a decline in exports to the EU. A plausible explanation for this decline in textile exports by distributors is the difficulty such exports would have had in satisfying the rules of origin requirements for duty-free access to the EU. In comparison, the share of producers in the exports of 'advanced manufacturing and machinery' is over 80% and these firms may well have been less affected by the rules of origin requirements, as there was sufficient domestic content to meet the requirement. This indicates that how trade takes place and who does the trading varies considerably across sectors (and no doubt also between firms within a sector), and changes in trade policy will thus have differential impacts.

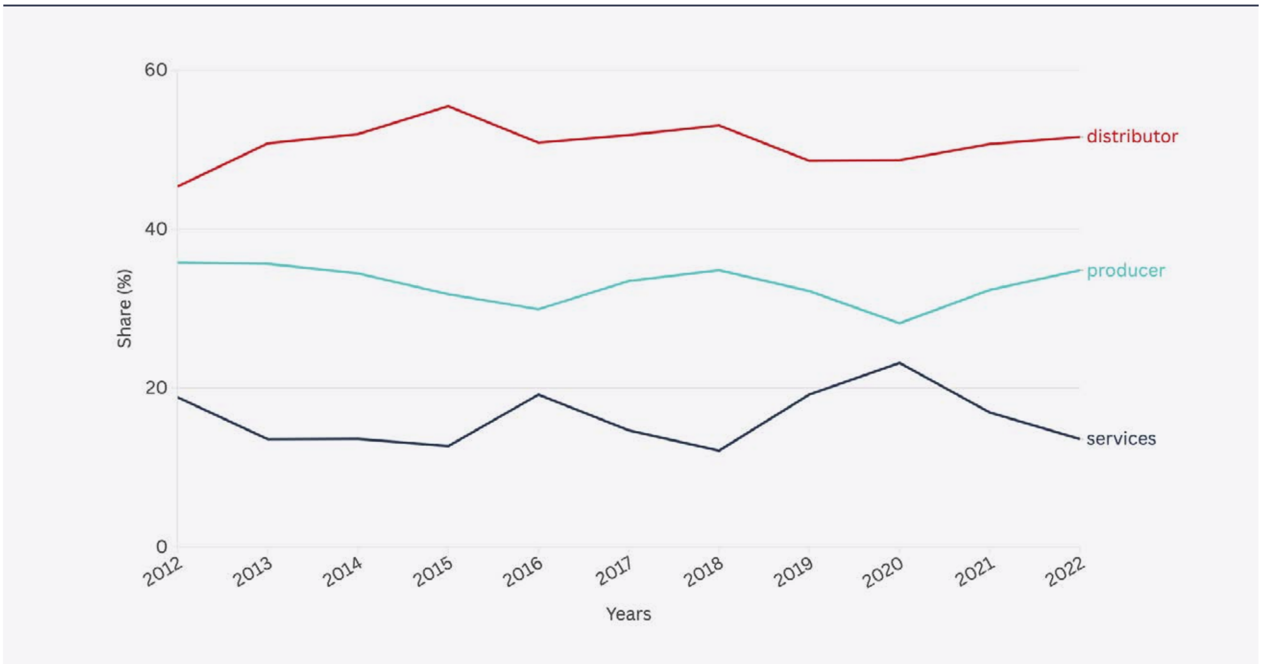
The second interesting feature concerns changes over time, and in particular, since 2020 hence around the time of the UK's exit from the EU. With regard to exports, we see a clear decline in the share of exports undertaken by distributers and a modest decline in the share undertaken by producers, with a rise in the share of services firms engaged in exporting goods. On the import side, and conversely, we see a decline in the share of goods imports by services firms and rise by both producers and distributors.

Figure 1.5: Export shares by firm type – 2012-2022



Source: Own calculations using ONS-HMRC TiG-IDBR dataset

Figure 1.6: Import shares by firm type – 2012-2022



Source: Own calculations using ONS-HMRC TiG-IDBR dataset

1.2.4 Jobs in trade

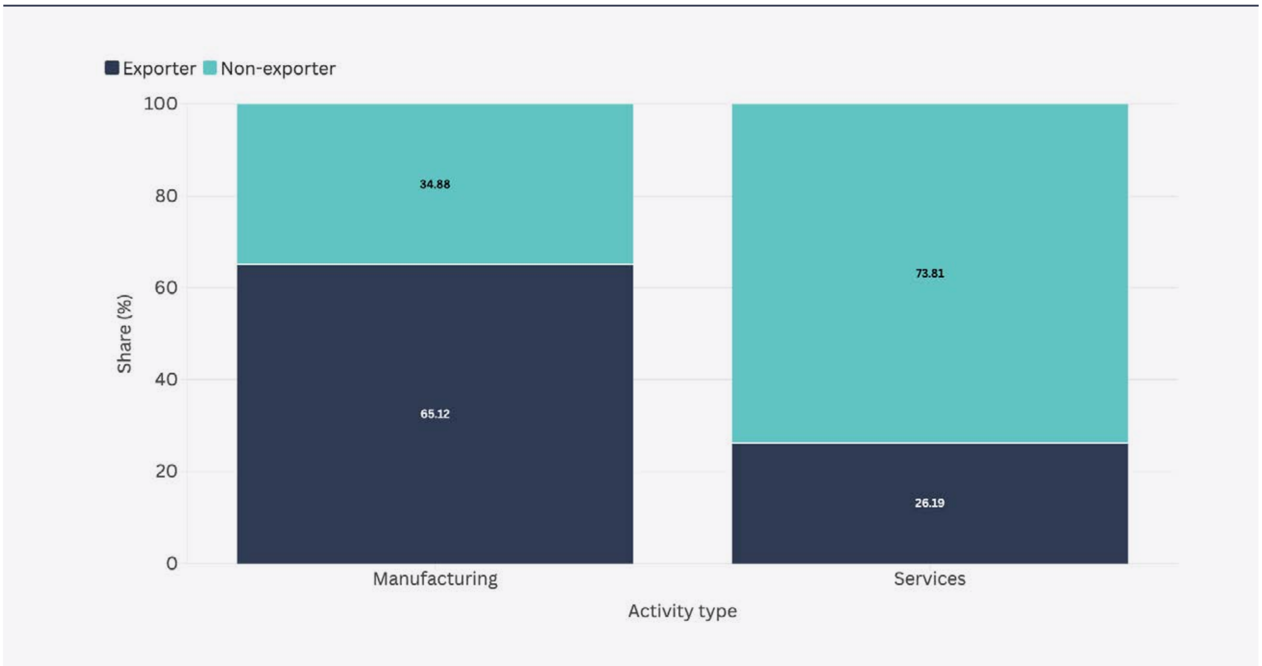
As discussed earlier, the share of imports and exports in UK GDP is a little under 65% and this highlights the importance of international trade for the UK economy. This importance is then reflected in the number of jobs that are associated with the trading activities of firms. One important dimension of this concerns the levels of employment, and changes in those levels associated with exporting firms. This is also particularly relevant with regard to the discussion regarding the winners and losers from changes in trade and trade policy. Those changes in trade, which may be policy induced, typically lead both to changes in specialisation across industries according to comparative advantage, and within industry changes depending on the underlying competitiveness of firms. This leads to firms contracting / expanding, new firms entering the market, and some firms closing down, as well as changes within existing firms. In turn, all these changes will impact the levels and composition of employment in the economy. The result may not only be immediate job losses but also gradual erosion of local economies, especially in regions that rely heavily on these sectors.

In this section, we present evidence on those levels and changes in composition, where we draw heavily on a recently produced 'jobs in trade' database.[5] The data is for the period 2015-2022, and covers a substantial proportion of the UK economy. Notably, however, and because of the nature of the underlying surveys, the database excludes financial services, agriculture and public administration and defence. The sectors covered account for just under 24 million full-time equivalent employees in 2022.[6] Of these, nearly 6.5 million employees, which accounts for 31% of the total, worked for exporting firms.[7] This figure only takes into account the direct employment associated with exporting and does not take into account indirect employment associated with domestic firms which supply inputs to those firms that export. As we saw earlier, only a small proportion of UK firms (11.5%) directly engage in exporting, but many more will be indirect exporters.

It is important to note that the share of workers associated with exporting activities varies considerably across sectors and industries. Hence, of the 6.5 million export jobs, just under 5 million were in services, and just over 1.5 million were in goods / manufacturing. This underlines a distinctive feature of the UK which is its reliance on services and services exports for the UK economy. Also important is the role of digitally enabled exports in finance, business services, and creative industries. OECD research indicates that around 3.2 million UK jobs were directly embodied in digital services exports in 2019, with median wages in these sectors generally above the national average.[8]

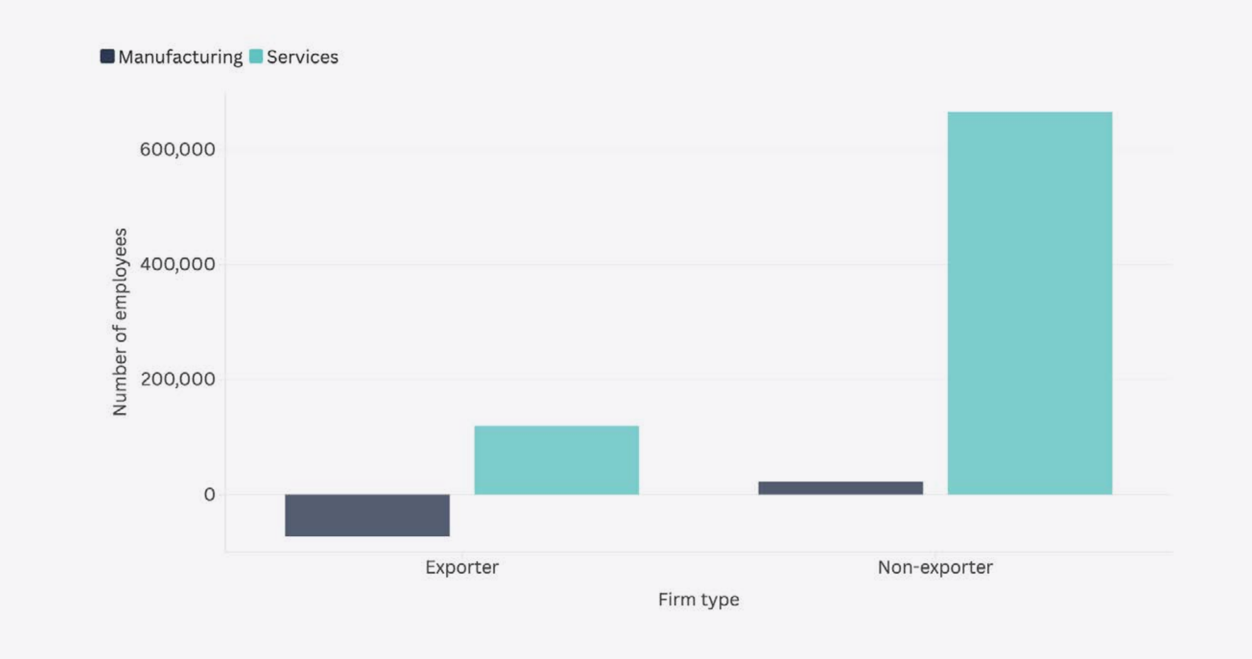
While there are thus many more jobs associated with services exports than manufacturing exports, the relative importance of exporting versus non-exporting jobs is considerably lower in the service sector. This can be seen in Figure 1.7 which gives the shares of employment across exporting and non-exporting firms for manufacturing and services sectors. From this, we see that exporting firms account for just over 65% of employment in manufacturing firms, but only 26.2% for services firms.

Figure 1.7: Exporter and non-exporters shares of employment in- 2022



Source: Jobs in Trade Database

Figure 1.8: Change in employment 2015-2022



Source: Jobs in Trade Database

The changes in employment levels over time are also revealing, and these are given in Figure 1.8, which depicts the change in employment in both manufacturing and services over the period 2015-2022. There are two key messages which emerge from this figure. First, we see that overall employment in the UK has risen over this seven-year period, by nearly 740,000 full time employment jobs. Second, the increase in employment is driven by changes in services as opposed to manufacturing. Indeed, employment in manufacturing has declined overall (by nearly 50,000), and in turn, this is driven by a decline in employment in exporting firms.

We do not have a clear picture as the causal factors driving all these changes, however, related ongoing research undertaken by the Centre for Inclusive Trade Policy (CITP) suggests that UK firms more exposed to trade with the EU reduced their employment levels following the 2016 referendum; and that by 2022 exporters had reduced employment by 13% and importers by 10%.[9]

The changes in employment levels are also likely to have been affected by changes in migration flows following the Brexit referendum, where the UK experienced a reduction in inflows from the EU and particularly with regard to low-education / low-skilled workers. There is not the space in this report to discuss migration and its impacts, but it is also worth highlighting that changing patterns of migrant workforce composition are also likely to impact firm-level performance. Empirical evidence suggests that migration brings differences in skills, and can also lead to improved firm-level productivity.[10]

There are two other dimensions with regard to the relationship between trade (exporting) and employment and these concern gender and skill levels.

Studies on gender segregation in the UK labour market show that women remain concentrated in female-dominated sectors with weaker contractual protections and lower average pay.[11] Research further highlights that job mobility typically delivers smaller earnings returns for women compared to men, suggesting that women may not benefit equally from the reallocation effects triggered by trade liberalisation.[12] For businesses, this matters because a narrowing of labour opportunities for women undermines the goal of harnessing the full talent pool while for policymakers, it raises questions about whether trade agreements or strategies are sufficiently "gender-sensitive."

If we consider the gender dimension in the jobs in trade dataset, we see that while the share of female workers across all the sectors is 46%, the share in exporting firms is 35%. Hence, overall, exporting firms proportionately tend to employ more male workers. This is particularly pronounced in the manufacturing sector where the share of male workers in exporting firms is 78%, and conversely, the share in the services sector is 61%. Gender composition varies considerably across industries. In manufacturing, the highest share of female workers is in textiles clothing and leather (42%), and in the manufacture of food products (35%), whereas it is considerably lower in machinery (15%) and in vehicles and transport (15%). The work cited earlier by the OECD suggests that digitally-delivered service exports appear to exhibit higher female participation compared to traditional exporting industries. A possible explanation for this concerns the ways in which digitalisation facilitates trade through lowering distance barriers, lowering entry barriers, and allowing for more flexible forms of working.

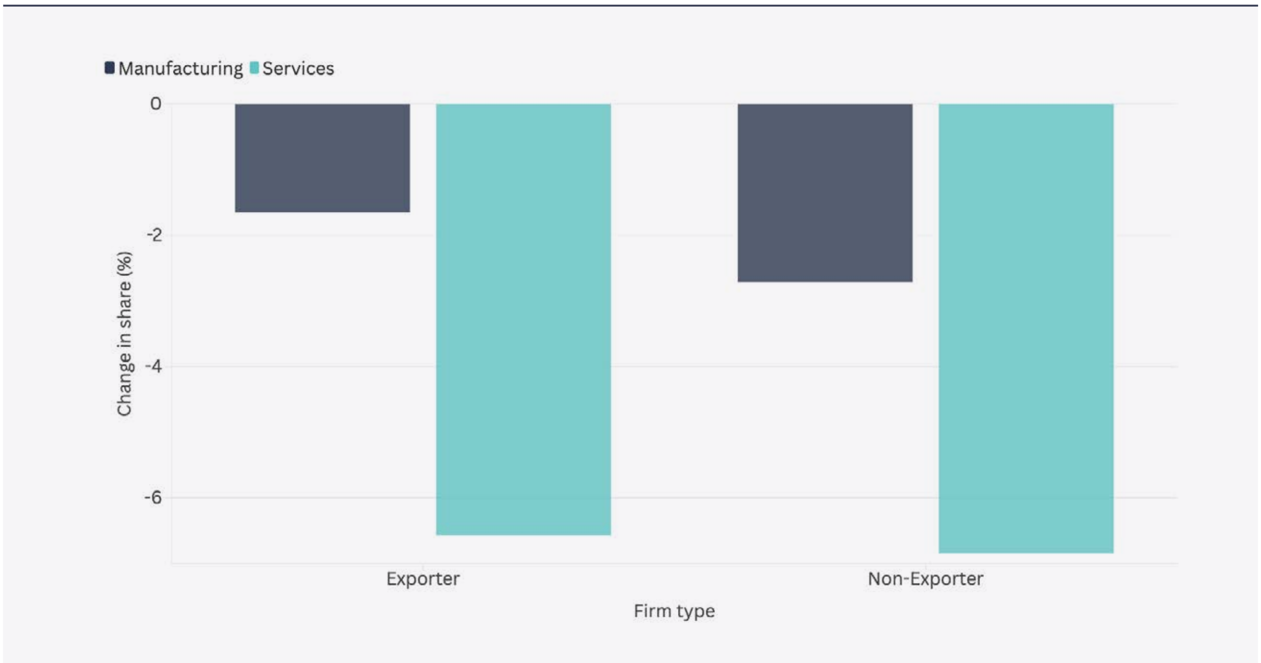
The changes in employment by gender in the UK are also interesting. From the discussion above, most of UK employment growth over 2015-2022 was within the services sector, and within non-exporting firms. The increase in employment was also very evenly distributed between male and female workers, and consequently the share of female workers in services over the period 2015-2022 has remained fairly constant over time. In contrast, for manufacturing, the loss of jobs depicted in Figure 1.8 is almost entirely driven by a decline in male workers in exporting firms, resulting in a small decline in their share. Whilst there has been a modest increase in female workers in manufacturing, this is almost entirely driven by an increase in non-exporting as opposed to exporting firms.

Turning to the skill dimension, we consider the distribution of low and high-skilled employment between exporting and non-exporting firms, and consider any differences between manufacturing and services.[13] Overall, the share of low-skilled jobs in 2022 in both manufacturing and services is just under 40%. Note, however, that although the averages are similar there is considerably more variation across the industries within each of these sectors. Hence, in services there are some sectors with a very high share of low-skilled workers such as transport (where the share of low-skilled workers is just under 75%), retail (71%), or accommodation (69%) and others with a much lower share, such as research and development (R&D) (6%), publishing activities (9%) or architecture and engineering (10%). The variation across the manufacturing sectors is not so great.

In both sectors, there has been a movement towards more higher-skilled jobs relative to lower-skilled jobs. This can be seen in Figure 1.9 which gives the change in the shares of each of these categories for both manufacturing and services. From this we see a modest shift towards fewer lower-skilled workers in manufacturing for both exporting and non-exporting firms with changes in shares of 1.7 and 2.7, respectively; with a more substantial change in services where the changes in shares were 6.6 and 6.8, respectively.

The preceding serves to underline that there is considerable heterogeneity in the importance of trade and notably exporting for jobs across manufacturing and services, and in the industries within these broad categories. We also see that the growth in UK employment since 2015 appears to have been largely driven by non-exporting firms in the services sector, and there is little evidence of dynamic job growth arising from increased exports. With considerable variation in the gender and skill composition of the different industries too, these changes, in part driven by changes in trade, imply highly heterogeneous impacts for workers, and for different categories of workers. Notably, for example, we see a decline in the share of low-skilled jobs.

Figure 1.9: Change in the share of low skill jobs 2015-2022



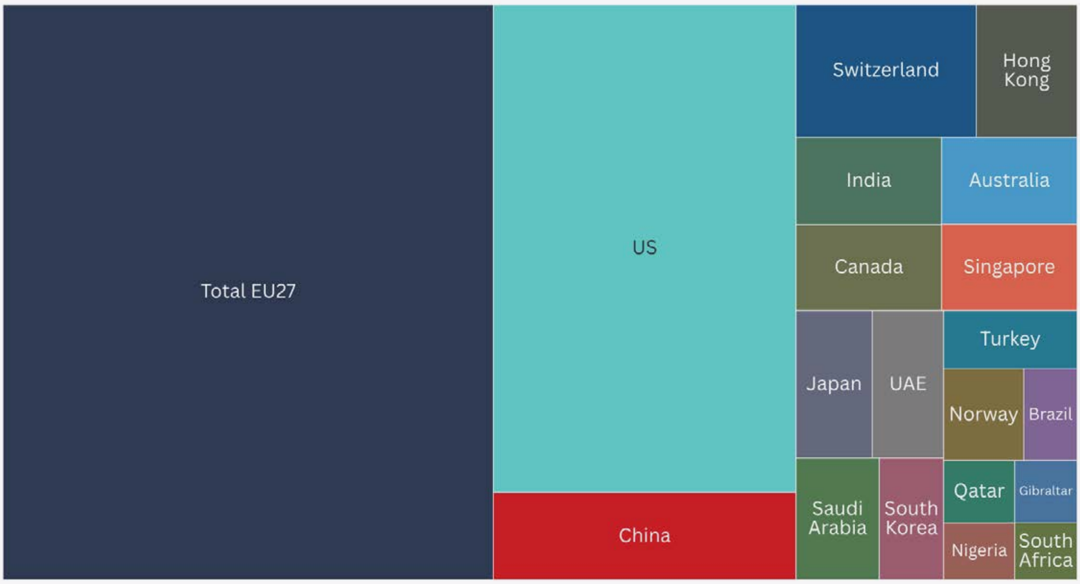
Source: Jobs in Trade Database

1.3 Direction and composition of UK trade

1.3.1 Direction of trade

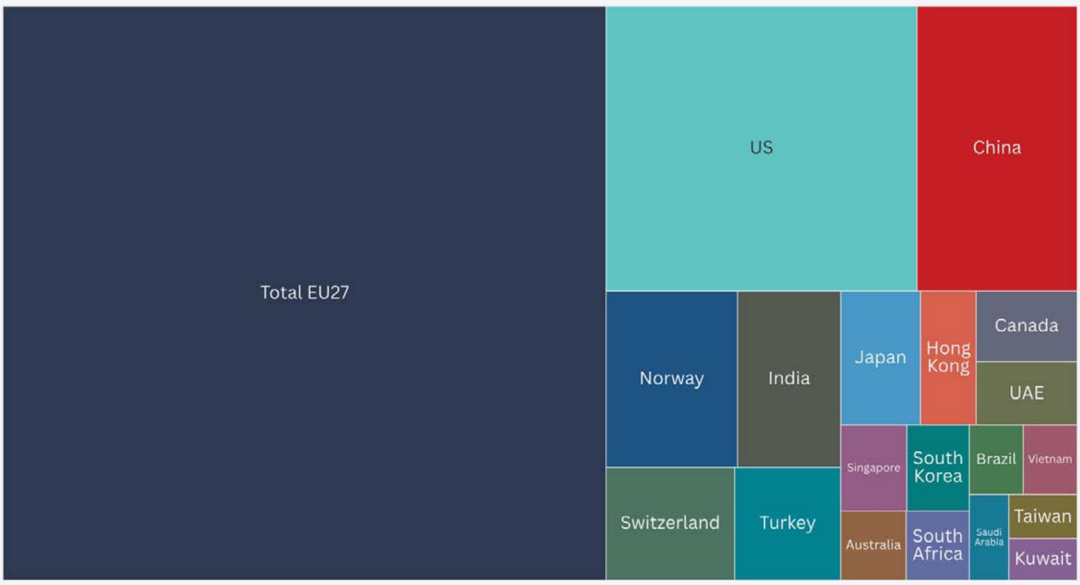
At the end of 2023, the UK's exports of goods and services came to around £861.2 billion and its imports to around £876.3 billion. The UK's top export markets are depicted in Figure 1.10. The leading source markets for UK imports are depicted in Figure 1.11.

Figure 1.10: UK exports of goods and services, main markets (current prices, £ billions) – 2023



Source: ONS pink book

Figure 1.11: UK imports of goods and services, main markets (current prices, £ billions) – 2023



Source: ONS pink book

The EU-27 countries, taken as a single market for goods and services, still dominate UK trade, both on the export and import side. The presence of Switzerland and Norway as important trade partners in part reflects the importance of proximity for trade relations, but is also reflective of particular facets of UK trade. These include the role of natural resources (Norway), and trade in financial services and precious metals (Switzerland). Despite their small size, Jersey and the Cayman Islands play significant roles as export destinations, mainly reflecting financial services linkages. The US accounts for around 21% of total exports and 13% of total UK imports, making it the largest country partner of the UK. China is the second largest country partner, accounting for 4% of UK exports and just under 7% of imports.[14]

With regard to trade in goods, the 27 European Union Member States (EU-27) is the UK's dominant trading partner, accounting for just over 40% of both UK exports and imports. When it comes to individual countries, the US is the largest single country export destination (accounting for just under 13% of UK exports in 2024), and the second largest import source (with 11.5% of UK imports), and China is the second largest export destination (9% of UK exports), and the largest country import source (12.4%). Germany is the UK's third largest country export partner with 7.6% of UK exports, and 9.6% of UK imports.

For services, the EU-27 is, as in goods, the dominant partner, accounting for a little over 36% of UK exports and just under 45% of UK imports. The US is the second largest export market for UK services, accounting for 27%, and the second largest source of imports, at around 20% of all UK services imports. Switzerland, at around 4%, is the second largest non-EU services export destination for the UK, while India is the second largest non-EU source of UK services imports, with a share of just under 5%.

1.3.2 Composition of UK trade

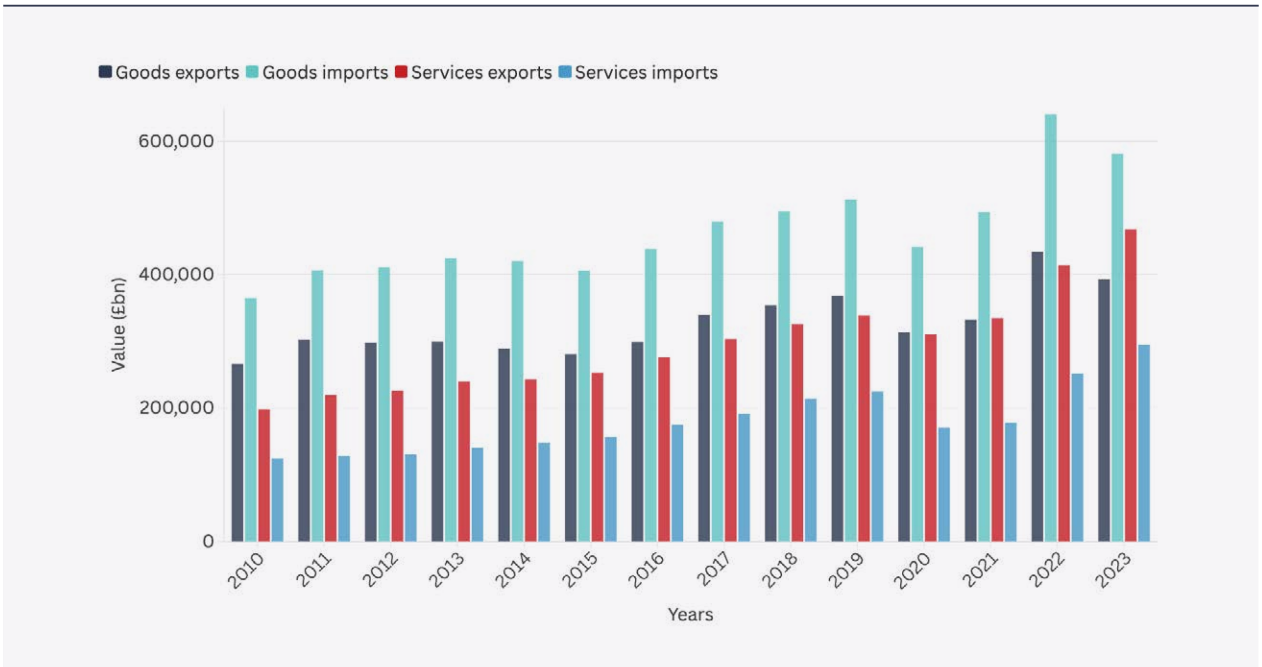
It is important to understand what the UK is trading and how this is evolving over time. The former indicates the areas in which the UK is currently competitive and also those products and services it needs to import, the latter points to the changes taking place and may indicate areas of future comparative advantage.

1.3.2.1 Services trade

The UK is a services-dominated economy, and this is also reflected in the pattern of UK trade. As of 2023, services exports overtook goods exports in terms of value. This can be seen in Figure 1.12, which also shows that the UK is a net importer of goods and a net exporter of services. That pattern has not changed in more than a decade.

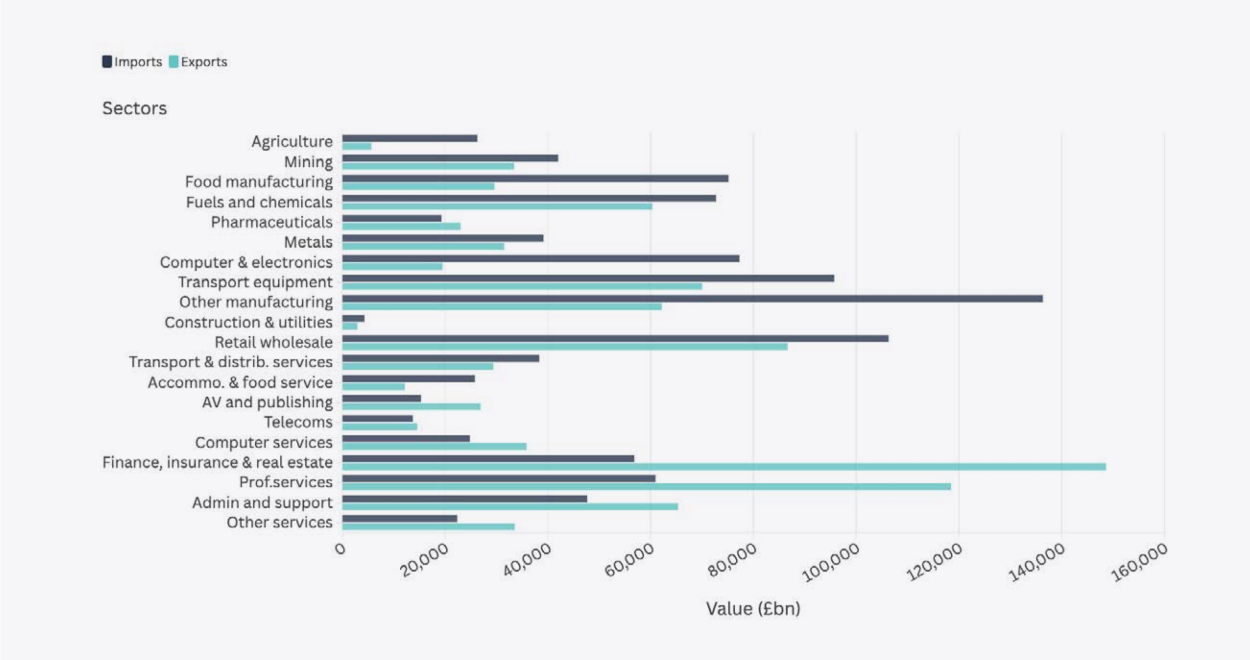
Figure 1.13 highlights that the UK is a net importer across all goods sectors, and a net exporter in all services bar transport and telecoms. Financial and professional services are the sectors that record the highest positive export balance; agriculture is the sector that records the highest negative import balance. The figure also shows that the UK's largest export sectors are 'transport and distributive services', followed by 'finance, insurance and real estate', and then 'professional services'.

Figure 1.12: Figure 1.12 Value of UK goods and services trade, 2010-2023, Current prices, £ millions



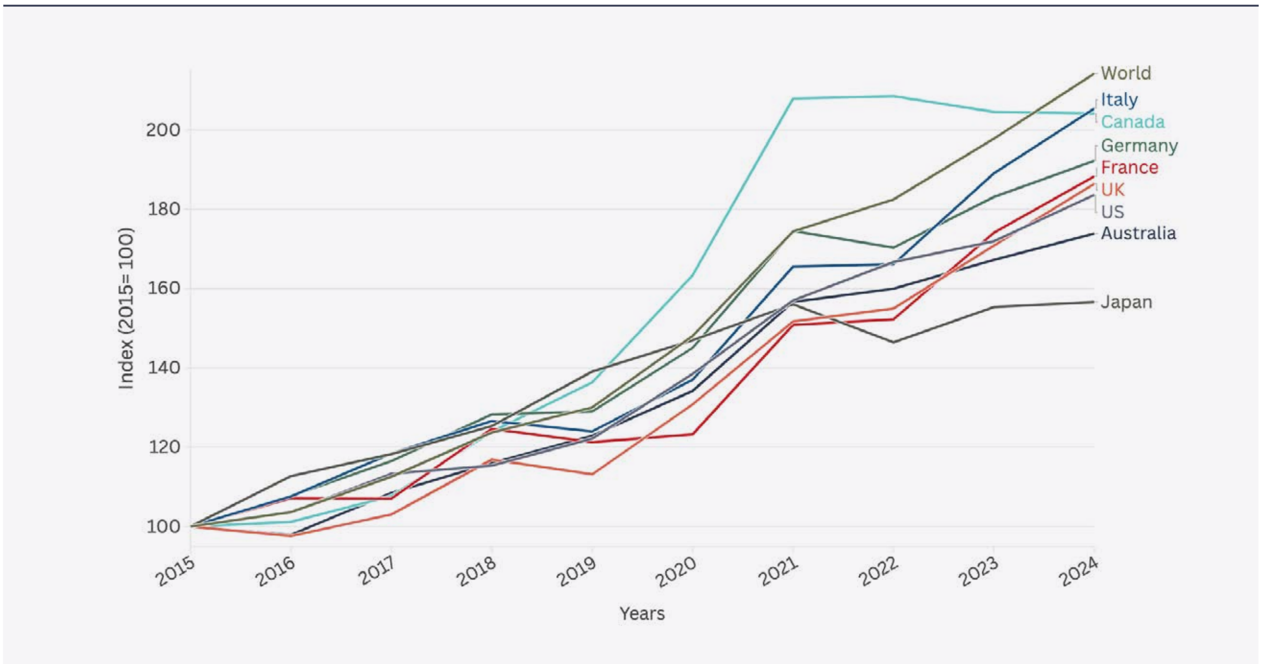
Source: ONS pink book 2024

Figure 1.13: **Structure of UK exports & imports – 2022, billion US Dollars**



Source: OECD TiVA 2025

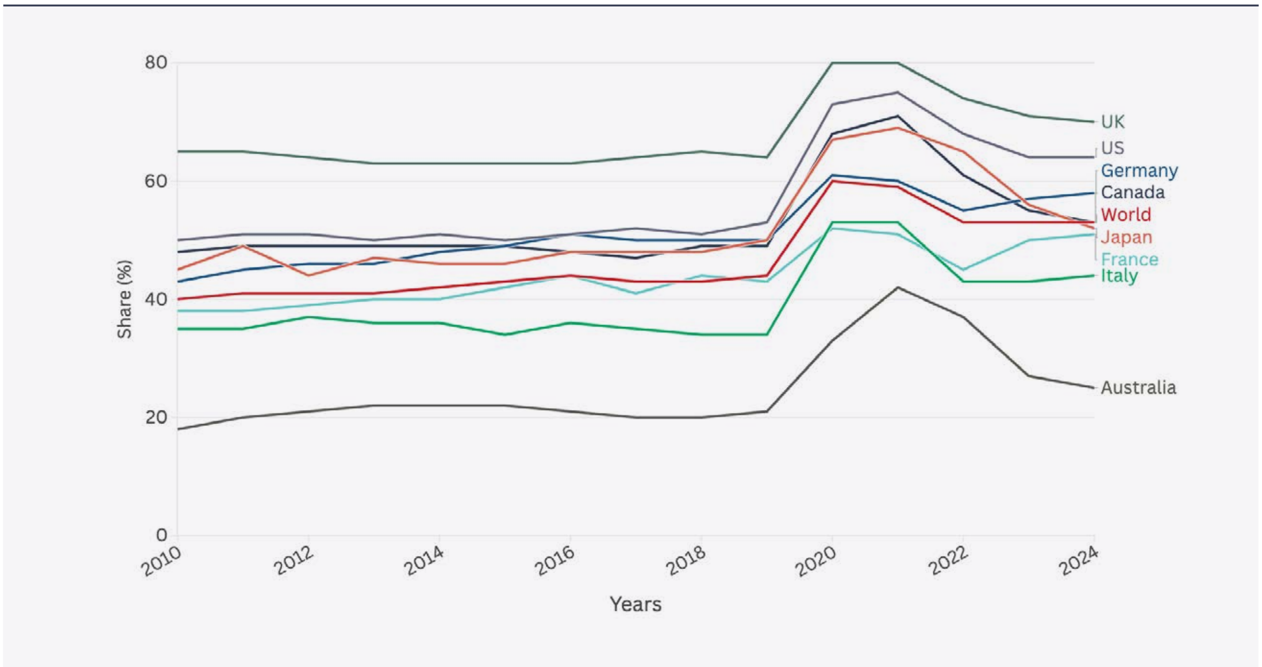
Figure 1.14: **Growth of digitally-delivered services trade**



Source: WTO. Digitally-delivered Services trade dataset[15]

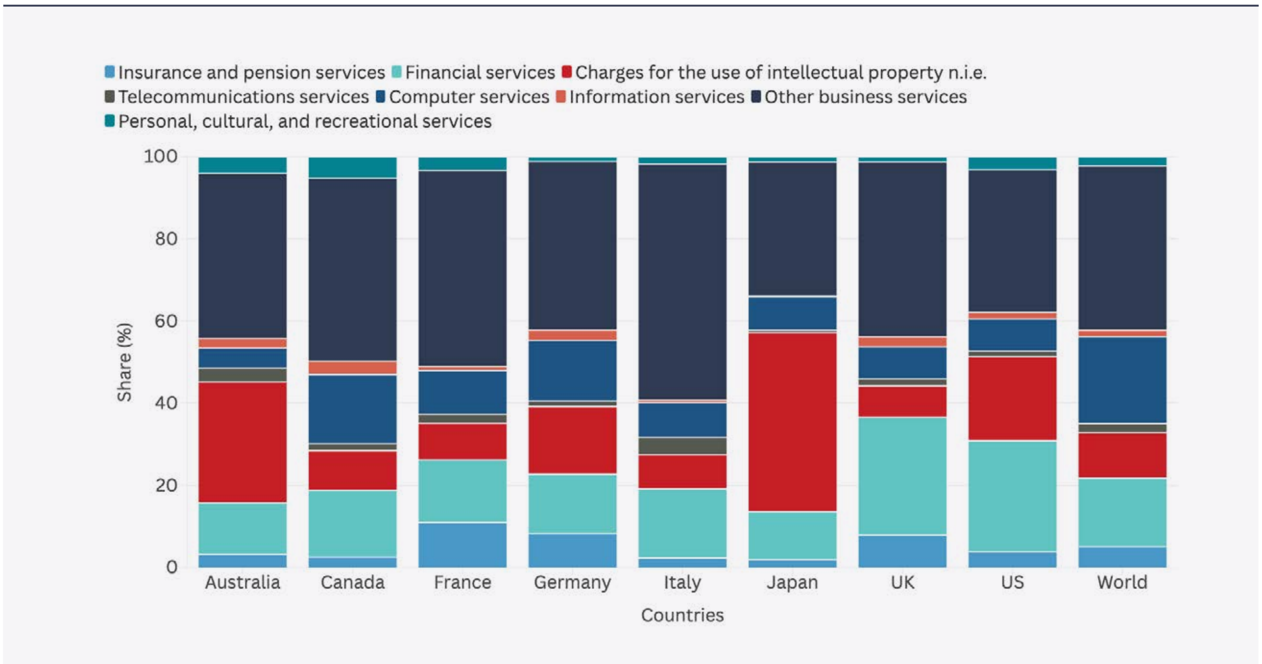
The preceding considers changes over time. Significant too are the levels of digitally-delivered services as a share of total services exports, which underline the importance of digital change on services trade. For the same group of countries Figure 1.15 gives these shares. What is striking is that the UK has the highest share of services trade that is digitally-delivered, in 2024 this was at 70%. The chart also shows the rise of these shares over the period 2020-2021, which is almost certainly explained by the Covid-19 pandemic.

Figure 1.15: Share of services digitally-delivered by country



Source: WTO, Digitally-delivered Services trade dataset

Figure 1.16: Share of digitally-delivered services by sector and country



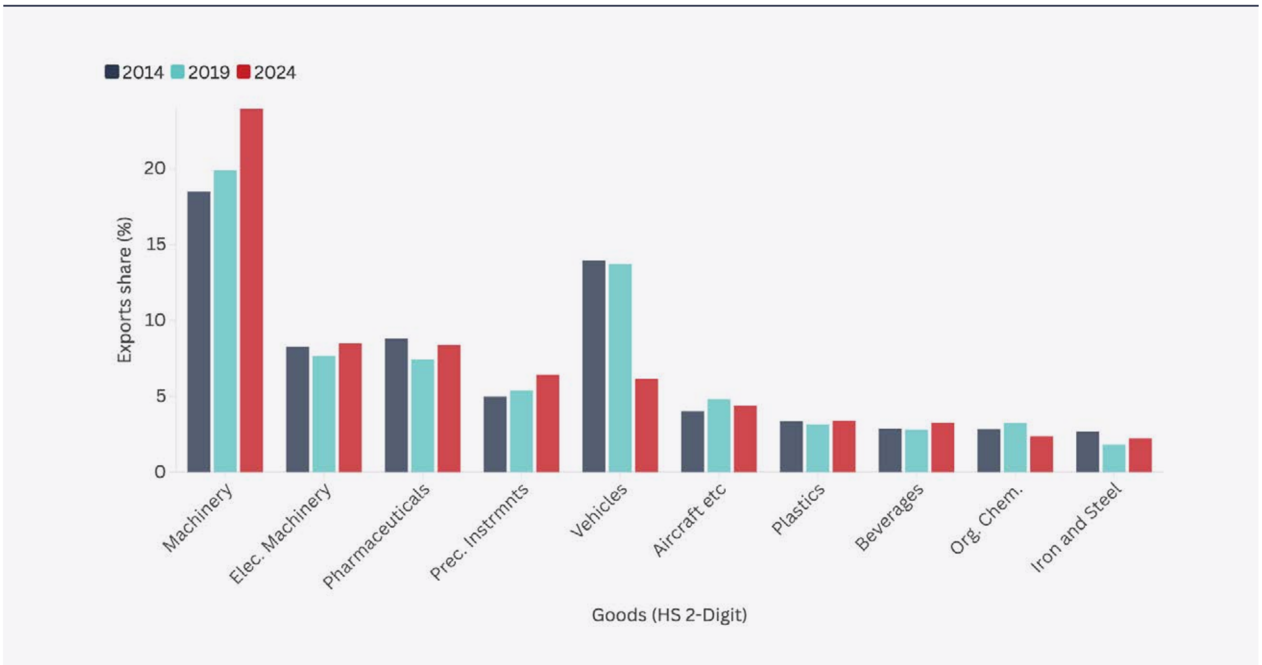
Source: WTO, Digitally-delivered Services trade dataset

1.3.2.2 Goods trade

If we consider the most recent trade in goods data for 2024, a high share of UK exports was accounted for by precious metals and jewellery, and by mineral fuels. These categories alone accounted for over 25% of UK exports in 2024 . In order to focus on manufactured goods, and because the price and hence value of trade in precious metals and mineral fuels is subject to more fluctuations, Figure 1.17 considers the composition of UK exports excluding these two categories. On this basis, the figure gives the share of the top 10 UK exports over the period 2014 – 2024.

For most sectors, we see considerable stability in their relative contribution to UK exports – though of course with some fluctuations. However, there are two significant changes to be observed. First, we see the substantial rise in the share of machinery in UK exports from 18.5% in 2014 to 24% in 2024. This is a very broad category which ranges from turbo engines, mechanical shovels and automatic data processing machines. Conversely, we see a substantial decline in the share of vehicles exports from 14% to 6.2%. These are substantial changes over a 10-year period with allied dislocations for firms and workers in the affected firms and industries, especially those in decline. No other 2-digit sector has seen a substantial contraction in its share.

Figure 1.17: Top 10 UK exports 2024 – shares in total exports



Source: UN Comtrade

Those changes in the pattern and structure of trade changes over time will have been driven by changes in underlying competitiveness, in turn driven by factors such as domestic policy changes, policy changes in other countries, or changes in technology or demand. A useful index which summarises the extent of such changes is the Finger-Kreinin index (FK). We use this index to compare the structure of trade across years. For our analysis of goods trade we compare 2014 with 2024. If the structure of exports had not changed at all then the FK index would be equal to 1. If the structure of trade was completely different, then the index would be equal to 0. When looking at the structure of trade in this way, the index can be applied either to consider the changing composition of exports by product, or by destination country. The former captures how similar are the products which are exported across the two time periods, the latter captures how similar is the mix of countries exported to across the two time periods.

Figure 1.18 depicts the results. The blue bars give the changes when focusing only on goods trade, and the red bars give the changes when we consider both goods and services. When looking at goods trade only we have much more detailed data as the analysis is undertaken for over 5000 products.[18]

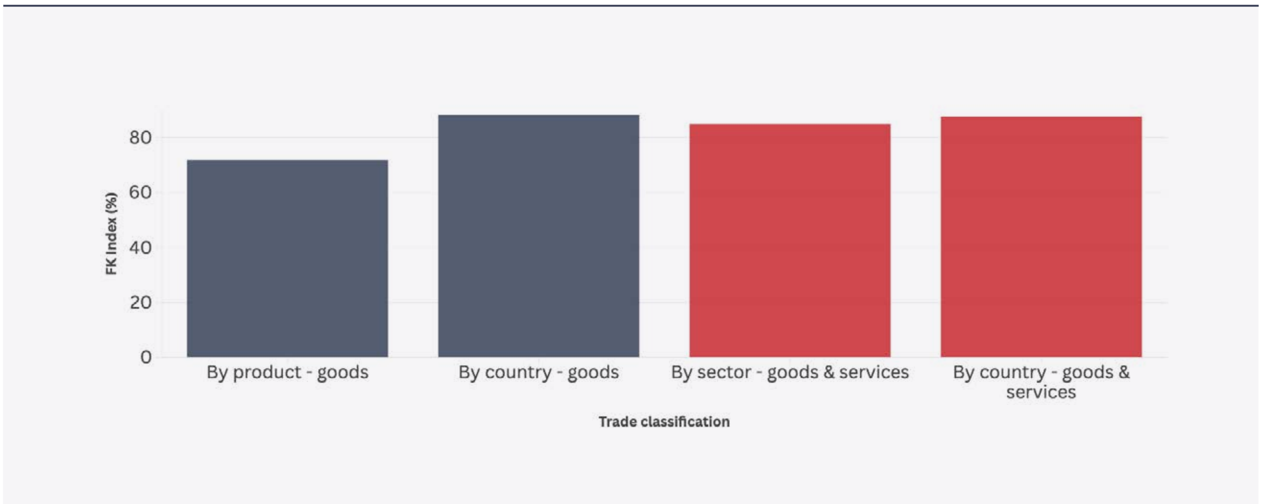
When considering goods and services the data is more aggregated and considers 44 goods and services sectors. The time period is also slightly different owing to data constraints. In this case we are considering 2010-2020.

Consistent with the preceding charts we see that over the ten-year period, the composition of goods exports has changed with an overlap of 72% between the structure of trade in 2024 and 2014. Further analysis shows that these changes were bigger in the latter five years in comparison to the earlier period. The products that have seen the biggest increases are gold, turbo jets and parts of turbo jets, and those with the biggest declines are largely within the vehicles sector as well as petroleum products.

We see a smaller change in the structure of trade by country with an 88% degree of similarity. The changes here are driven by the increase in the importance of, for example, China and Switzerland as trading partners and a decrease in the importance of Germany, the US, Ireland and France.

When we consider both goods and services together, the degree of similarity in exports both by product and destination is a little over 80% between 2014 and 2024. At the sectoral level, this is driven by the growth of the share of exports in services - and notably professional business services, and administrative services - and the decline in the share of exports of goods - primarily in mining and energy, coke and petroleum - as well as wholesale and retail exports. At the country level, this is driven by the rise in the importance of exports to China and Ireland, and the decline in the importance of Germany and the US.

Figure 1.18: **Similarity of trade over time – by product and country (FK Index 2014-24)**

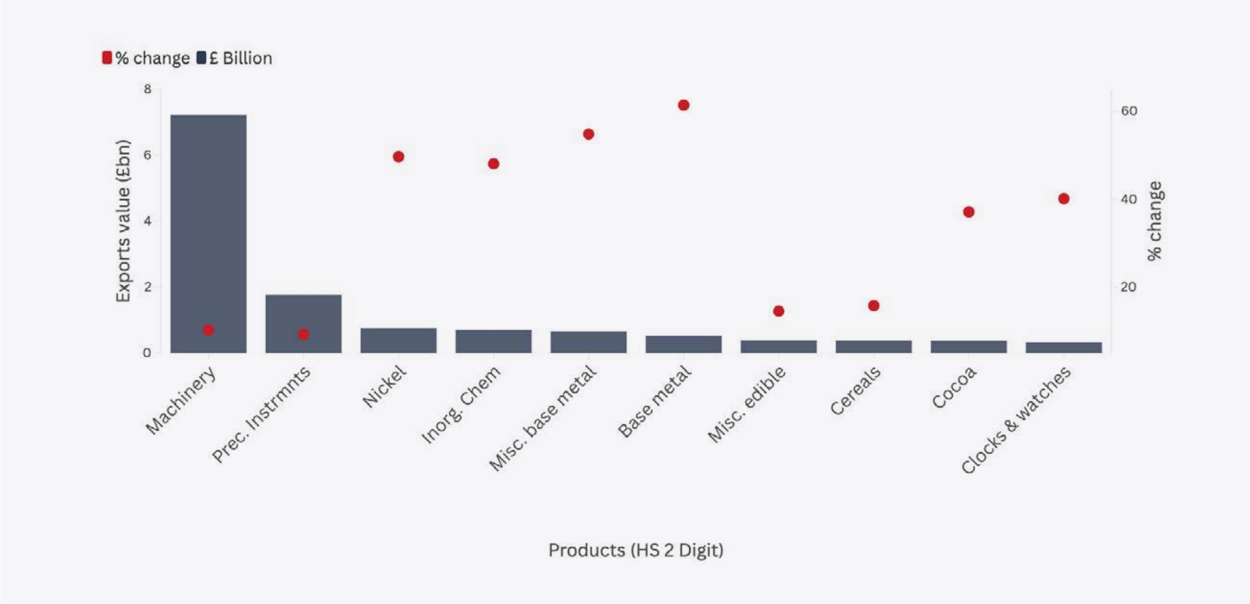


Source: Goods trade – Comtrade database; Goods and Services OECD TiVA database; for goods trade the period is 2014-20214; for goods and services trade the period is 2010-2020

Changes in shares mask changes in the value of trade. If industry A's exports rise significantly, which raises its share, then the share for all other industries must decline even if their exports are rising. It is therefore also important to consider the changing levels of trade over time.

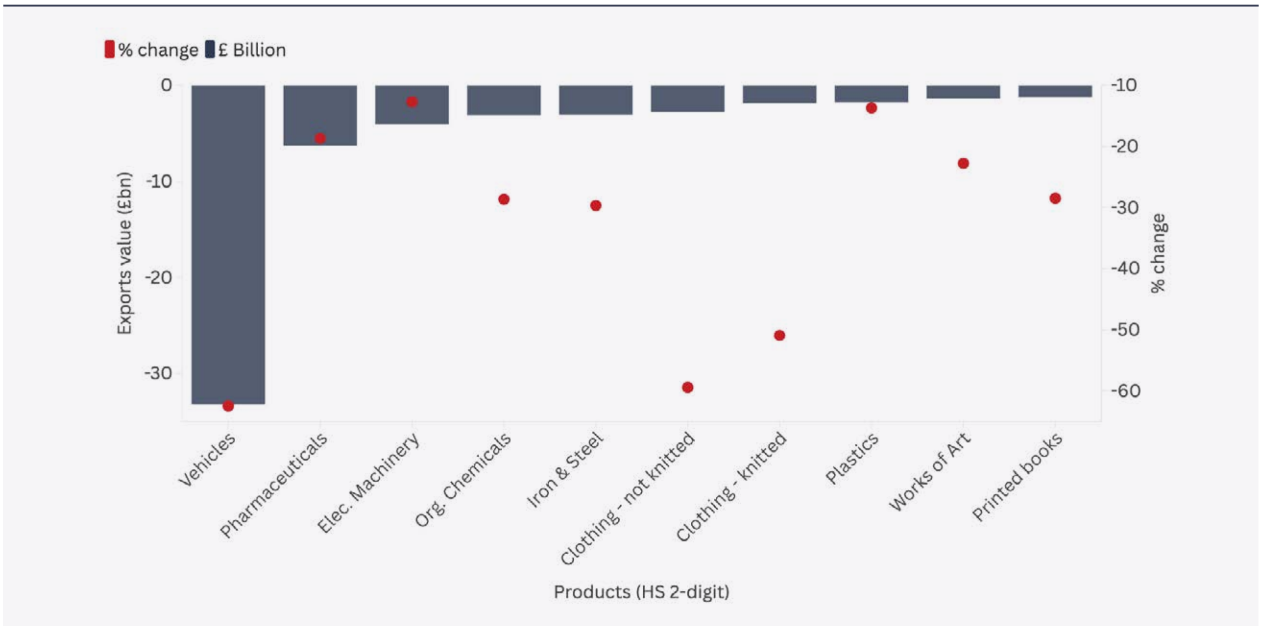
This can be seen in the next two figures. Figure 1.19 gives the 10 goods industries, defined at a more aggregate level than above, which have seen the biggest rise in the value of trade (£ billion) over 2014 – 2024.[19] The chart gives the change in the value of trade for these industries, as well as the percentage increase in their trade. Hence, we see that the industry with the biggest increase in the value of its trade is that of machinery, and as this increase is considerably bigger than that of the remaining industries, it will have a bigger aggregate impact on the UK economy. For the machinery sector, this represented an increase of just over 10% in the value of its exports. Over this period, some of the other industries – notably nickel, inorganic chemicals, miscellaneous base metal – saw much larger percentage changes (ranging from 48% to 61%), but a smaller change in value. For the industries concerned, therefore, the changes were bigger, but the impact on the economy as a whole is likely to be smaller.

Figure 1.19: Top 10 HS 2-digit industries with a rise in exports, 2014-2024



Source: UN Comtrade

Figure 1.20: Top 10 HS 2-digit industries with a decline in exports 2014-2024



Source: UN Comtrade

Figure 1.20 is analogous to the preceding, but focuses on the industries that saw the biggest decline in the value of their trade. It is important to consider both, because while trade policy is primarily aimed at economic growth and hence at boosting the stronger sectors of the economy, trade policy also needs to consider the implications for the possible losers from changes in trade, and hence the sectors whose export performance may be declining.

Once again, there is one industry, in this case motor vehicles, which sees the biggest change in absolute terms, and also in terms of the percentage change, with a decline in exports of over 60% over this time period. The other two sectors with a substantial percentage change are knitted and not-knitted clothing.

1.4 Goods, services and value chains

1.4.1 UK value chains

Trade flows over the last three decades have been driven in part by the emergence of global value chains. These have been driven by a confluence of technological progress and policy liberalisation, which has supported the unbundling of production processes as businesses take advantage of cost efficiencies reflecting finer levels of specialisation and scale.

OECD data on trade in value added helps to capture one particular aspect of this – the contribution of the UK's trade partners to the UK's own exports and the contribution of the UK to the exports of the UK's trade partners. The former is typically referred to as 'backward linkages' and the latter as 'forward linkages'.

Table 1.2 presents a set of summary statistics which provide key features of this integration of value chains. We provide these statistics for a set of comparator countries, for total trade and also for a small group of selected sub-sectors. These sub-sectors include agriculture, forestry and fishing, manufacturing, and then the three services sectors we identified earlier as being the UK's principal exports.

There are three panels to the table. In the first panel, we report on the backward linkages - the share of foreign value-added in each countries exports. We see that embedded in the UK's exports there is 15.7% of foreign value added – hence these are intermediate inputs purchased from abroad by UK exporters and used in UK exports. If we look along the first row, which considers total exports, we see that the share of foreign value added in the UK's exports (15.7%) is similar to that of the EU, and also China. The lowest share of foreign value added in exports is for the US at 7.8%.

Within that, there is considerable sectoral variation. For UK manufacturing exports, the share of foreign valued added is significantly higher at 28%, and this is higher than for the UK's two largest trade partners, the EU-27 and the US. The share of foreign value added from all countries is highest in transport equipment (not shown in the table) which includes motor vehicles, a sector in which the UK enjoys a comparative advantage. Whereas for financial, insurance, and professional services, the use of foreign value added is much lower at around 10%.

The second panel of the table breaks down this foreign value added for the UK only. The panel shows the share of each of the partner countries in the UK's foreign value added. Hence, if we take the first row of that panel, we see that of all the foreign value added in the UK's exports the EU accounts for 43% of that foreign value added, whereas India only accounts for 2%. The high share of the EU in UK foreign valued added underlines the importance of UK-EU value chains and the close integration between the UK and the EU. Once again, there is some sectoral variation. While in total the share of the US value added in UK exports is at 16% it is somewhat higher for financial, insurance and professional services at just over 22%. This highlights the importance of services flows and the integration of services supply chains between the US and the UK. Nevertheless, once again, the share of the EU is significantly higher.

In the last panel of the table, we consider the flip side of this and look at the extent to which the UK contributes value added to the exports of the countries / country groups in the table. In regard to these forward linkages, the UK plays a significantly stronger role in services, notably financial services and professionals services, than it does in relation to manufacturing. For EU exports, the UK contributes 11.3% of the foreign value added in those exports. That share is much lower for manufacturing (8.7%), and much higher for financial services and insurance, at 26.9%. The contribution of the UK to the foreign value added embedded in the exports of the other countries is considerably lower, except with regard to financial services and insurance, for US exports, where the UK share is 16.2%.

Table 1.2: UK integration in international value chains

	UK	EU27	US	China	India	OECD*	Rest of World
Share of foreign value added in exports (backward linkages)							
TOTAL	15.7%	16.3%	7.8%	16.1%	18.6%	21.9%	20.9%
Ag, For, Fishing	20.7%	14.1%	9.3%	7.8%	3.0%	15.6%	12.8%
Manufacturing	28.0%	18.7%	13.9%	18.3%	29.2%	30.7%	30.9%
Transp. & storage	19.0%	19.5%	5.4%	11.9%	16.9%	21.5%	28.3%
Financial and Ins.	11.0%	25.1%	2.7%	1.5%	6.0%	9.0%	15.0%
Professional	10.2%	9.7%	3.1%	11.7%	9.7%	11.4%	14.9%
UK foreign value added (backward linkage) by source							
TOTAL		43%	16%	6%	2%	17%	15%
Ag, For, Fishing		47.9%	12.7%	4.7%	2.1%	13.9%	18.6%
Manufacturing		43.1%	14.6%	7.1%	1.7%	18.8%	14.7%
Transp. & storage		36.4%	14.4%	4.0%	2.4%	19.8%	22.9%
Financial and Ins.		40.4%	22.8%	4.1%	3.2%	14.0%	15.6%
Professional		41.9%	22.0%	5.7%	3.0%	14.0%	13.4%
Share of UK in foreign country's value added exports (forward linkages)							
TOTAL		11.3%	4.4%	1.4%	1.7%	2.2%	2.3%
Ag, For, Fishing		15.6%	3.0%	1.6%	1.7%	2.5%	1.9%
Manufacturing		8.7%	3.2%	1.3%	1.1%	1.7%	1.6%
Transp. & storage		9.5%	5.0%	2.2%	2.4%	3.3%	2.7%
Financial and Ins.		26.9%	16.2%	2.8%	4.4%	9.0%	8.7%
Professional		18.0%	7.3%	1.8%	4.3%	5.2%	3.8%

Source: Own calculations from the OECD TiVA database.

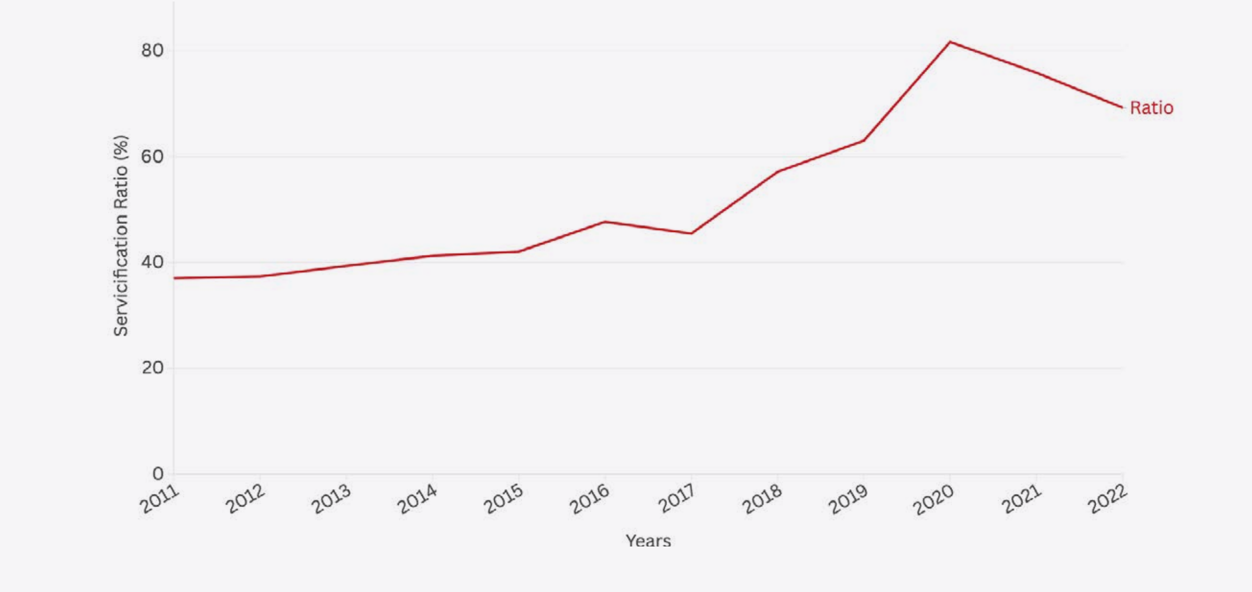
1.4.2 Servicification and servitization

The fragmentation of supply chains and the greater integration of countries in their partners supply chains is not only within each industry and sector, but also across industries and sectors. An important feature of this, often overlooked, is the integration of goods with services, and services with goods. There are two key aspects of this. The first is the use of imported services by goods producers, both for domestic production but also for exports. The latter is often referred to as 'Mode 5' trade, or by the term '*servicification*'. The second, servitization, relates to firms that export both goods and services. On the one hand, this could simply be large firms with different subsidiaries and where there may be no relation between the goods and services exports. Increasingly, however there is evidence regarding the linkage of the two. Hence, for example, aircraft engine manufacturers might not just export their engines, but also export a range of services (training, maintenance etc) which comes bundled with the good they are exporting. Indeed, they may even choose not to sell the engine itself as a good but to provide engine leasing options. The selling of services bundled with goods exports is known as 'servitisation'. Figures 1.21 and 1.22 provide evidence of the levels and changes in servicification and servitisation for the UK economy.

Consider Figure 1.21. This gives the ratio of imported services to exported goods calculated for each firm and then aggregated up for the economy as a whole.[20] The data indicates a substantial increase in the use of imported services by firms exporting goods with a close to doubling of servicification by UK firms over this time period, especially since 2017. Much of this is driven by firms who are classified as services firms, especially in Information and Communication Technology (ICT), financial services, and professional and business services. For firms classified as producers there has also been a doubling of servicification from around 9% to 18% over this time period. Hence, and as discussed in the preceding section, not only are services in aggregate significant for the UK economy, there is also evidence of the growing integration of imported services with goods exports.

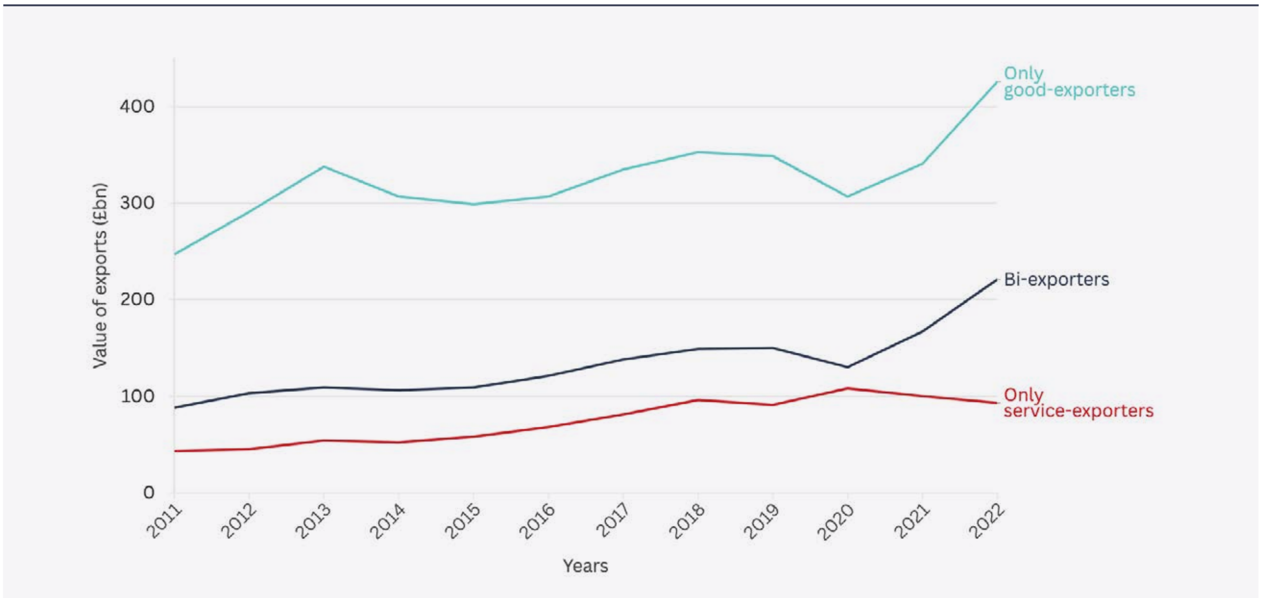
In Figure 1.22 we turn to the joint export of goods and services by individual firms. Once again, the calculation is made at the firm level and then aggregated up. A firm that exports both a good and a service to the same destination (hence is servitizing) is called a bi-exporter. There are three aspects of this figure of note. First, we see that the level of exports by bi-exporters, exceeds that of services only exporters in every year. The second is the rise in the share of exports by bi-exporters, especially since 2020. Third, and from the preceding two points, is that it appears that the overall growth in services exports that the UK has experienced, has been driven by firms that bundle services exports with goods exports.

Figure 1.21: Servicification ratio in the UK – 2011-2022



Source: Provisional calculations using matched data from the ONS-HMRC TiG-IDBR data, and the International Trade in Services data.

Figure 1.22: Value of exports by type of exporter – 2011-2022



Source: Provisional calculations using matched data from the ONS-HMRC TiG-IDBR data, and the International Trade in Services data.

The structure of UK value chains, and the relationship between goods trade and services trade, raises several issues. The first is that trade costs affecting imports into the UK are likely to translate into trade costs affecting UK exports. These trade costs could stem from a variety of factors, ranging from disruption to production overseas (e.g. because of pandemics), shocks to transport costs; to policy changes, or the exit of the UK from the EU. The second is that increasingly those international value chain relationships are seeing a closer integration of goods and services – hence policy on services is likely to impact goods trade, and policy on goods will impact services trade. Third, that integration between goods and services appears to be leading to the provision of both goods and services as joint outputs by firms and may be an important driver of competitiveness. Finally, the structure of value chains will have implications for economic security. This topic is addressed in detail in Chapter 4 but in essence it relates to the UK's exposure to exogenous shocks (such as a war or a pandemic), or to geopolitical rivals that, through their control over critical inputs, may exercise leverage over the UK.

1.5 Investment

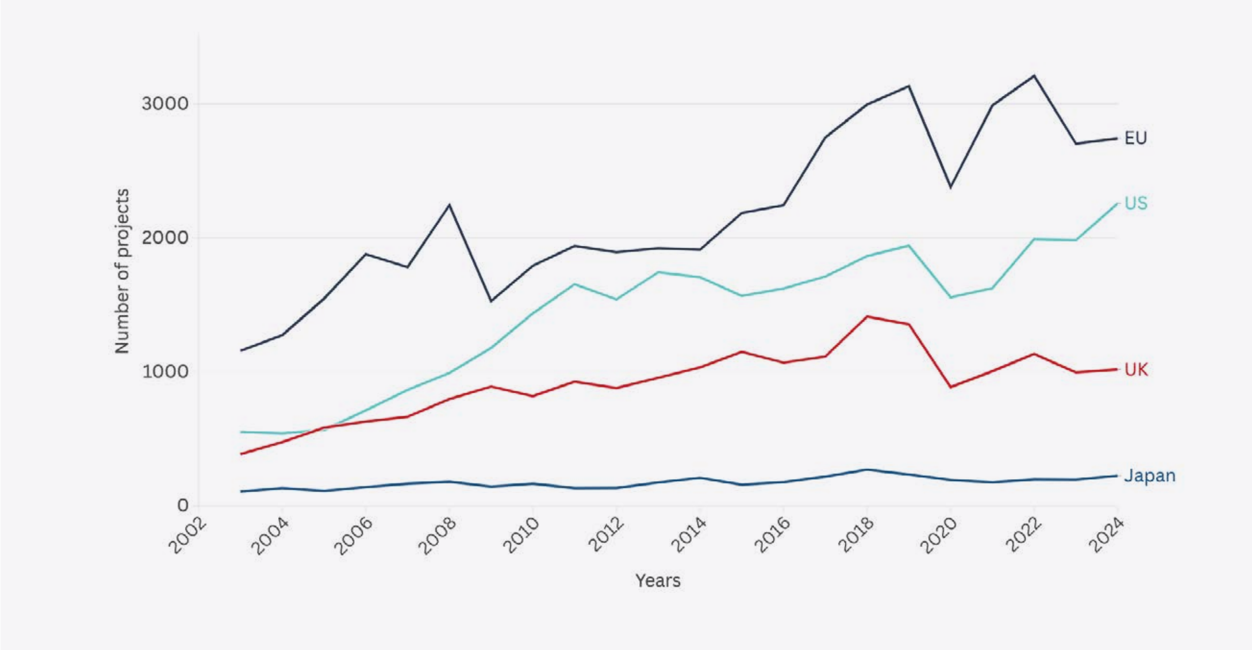
The focus of this report is not on investment per se. However, given the importance of investment for productivity, economic growth and adapting to change, and the relationship between trade and foreign direct investment, it is important to consider the evolving patterns of UK inward and outward investment flows. Data on the value of new investments – either into the UK from abroad, or by the UK to countries abroad is hard to find. The ONS, for example, publishes data on 'foreign direct investment involving UK companies'. This includes data on inward foreign direct investment, however, this includes the value of new investments minus the value of disinvestments plus reinvested earnings and other capital flows and thus could be negative.[21] Hence, in the latest release of this data, inward Foreign Direct Investment (FDI) from the US in 2023 was minus £6.5 billion. As this is a net figure, it does not capture well the value of any new investments.

For the purposes of this report, it is more informative to consider the level of new investments – those coming into the UK (inward FDI), and those by UK companies abroad (outward FDI). To capture this we use the Financial Times' FDI markets database which tracks greenfield investment announcements by firms worldwide.[22] The discussion below is based on this data and where we focus on the number of projects which are announced.[23] The database also includes information on the value of the investments and the number of associated jobs, but much of this data is interpolated, and it is more accurate therefore to consider the number of project announcements.

Figure 1.23 tracks the number of inward FDI projects over time for the UK, and for comparative purposes also for the US, the EU and Japan. The largest number of project announcements are those coming into the EU, followed by those announced in the US. The pattern for both of these destinations is very similar, with a gradual rise over time, though with some fluctuations, and notably a dip just before and during the Covid pandemic. This is also true for the UK, with one significant difference. Investments into the UK have barely recovered following the dip in 2020, whereas for the US and the EU, they are clearly on an upward trajectory. Project announcements in Japan are lower throughout the period and also do not appear to have recovered post-2020. If we consider the average number of projects over the most recent three-year period (2022-2024) and compare this with the number of projects prior to the dip (2016-2018) we find that the number of projects in the EU and the US has increased by 8% and 20% respectively whereas in the UK and Japan there has been a decline of 13% and 8% respectively.

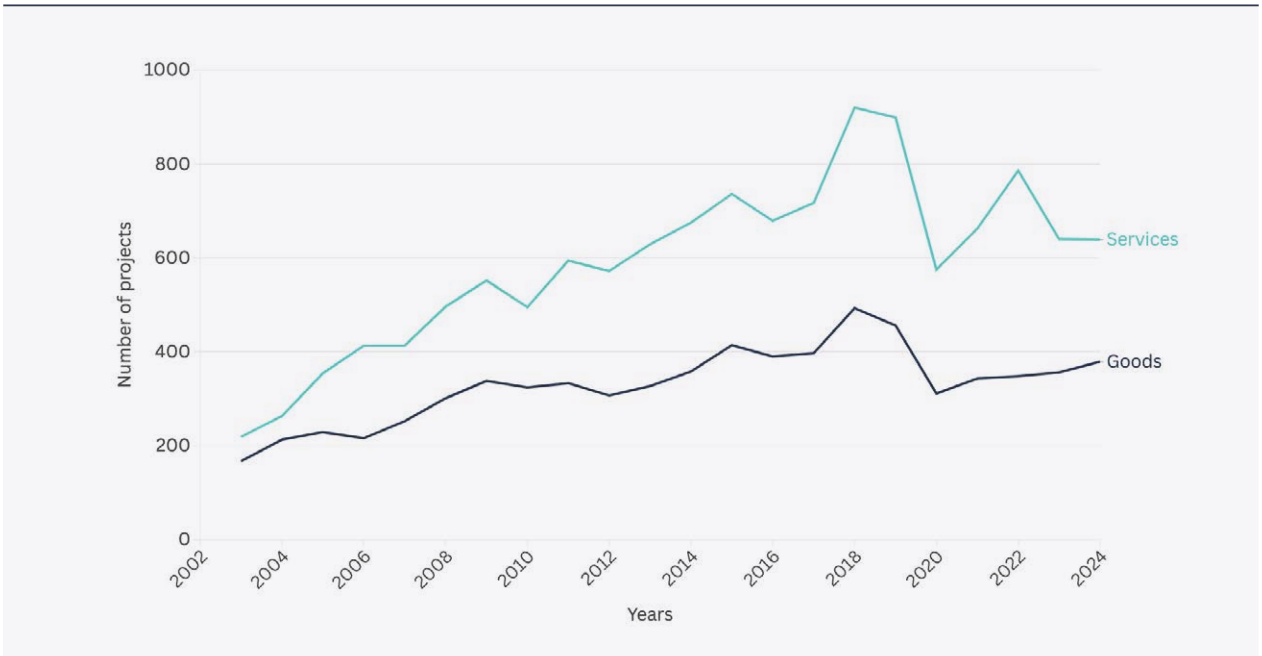
Figure 1.24 and Figure 1.25 break down the inward FDI projects, first by sector – where we distinguish between manufacturing and services, and then by industry – where we identify the top 5 industries with inward FDI announcements. From the former, we see that throughout the period the number of projects in services sectors has surpassed that of goods-focused projects and that this gap has risen over time. Both sectors saw a tailing off in the number of announcements over the period 2015-2017 (which may have been related to the Brexit referendum), followed by a rise in 2018 and then a subsequent decline. As earlier, if we compare the 2016-2018 period with the 2022-2024 period, then services sectors have witnessed a bigger decline, at close to 15%, while goods sectors have seen a decline close to 10%.

Figure 1.23: Inward greenfield FDI by country (no. of projects)



Source: Financial Times, FDI Markets database

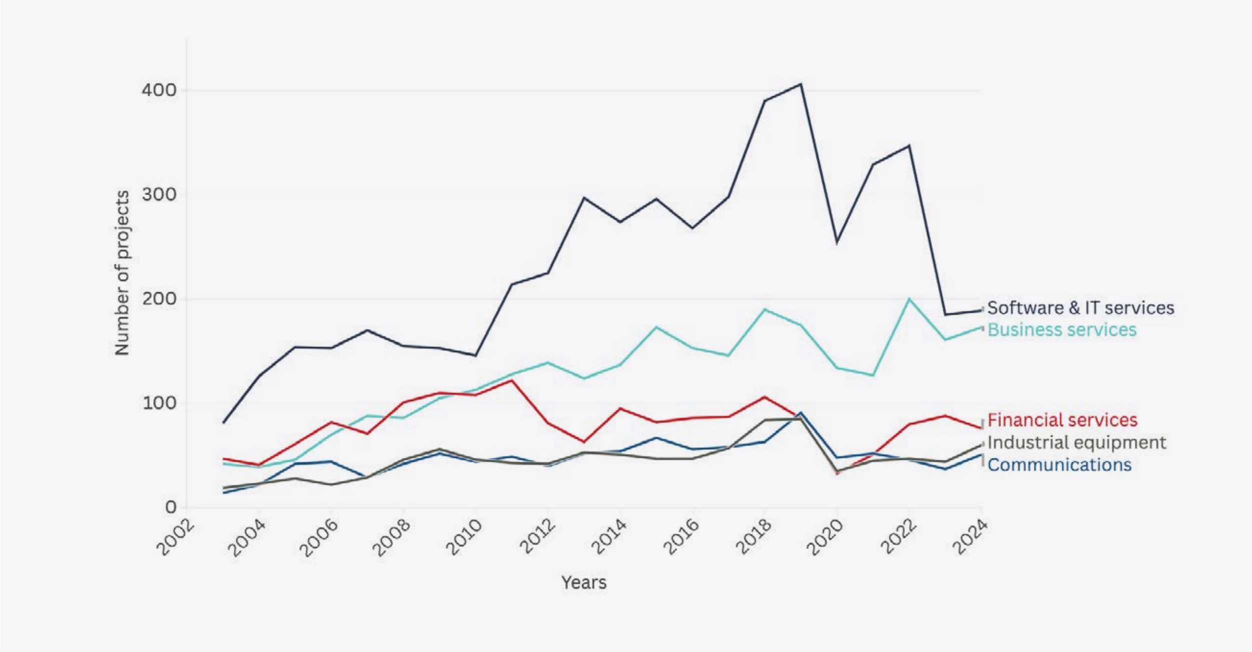
Figure 1.24: Number of inward FDI projects by broad sector



Source: Financial Times, FDI Markets database

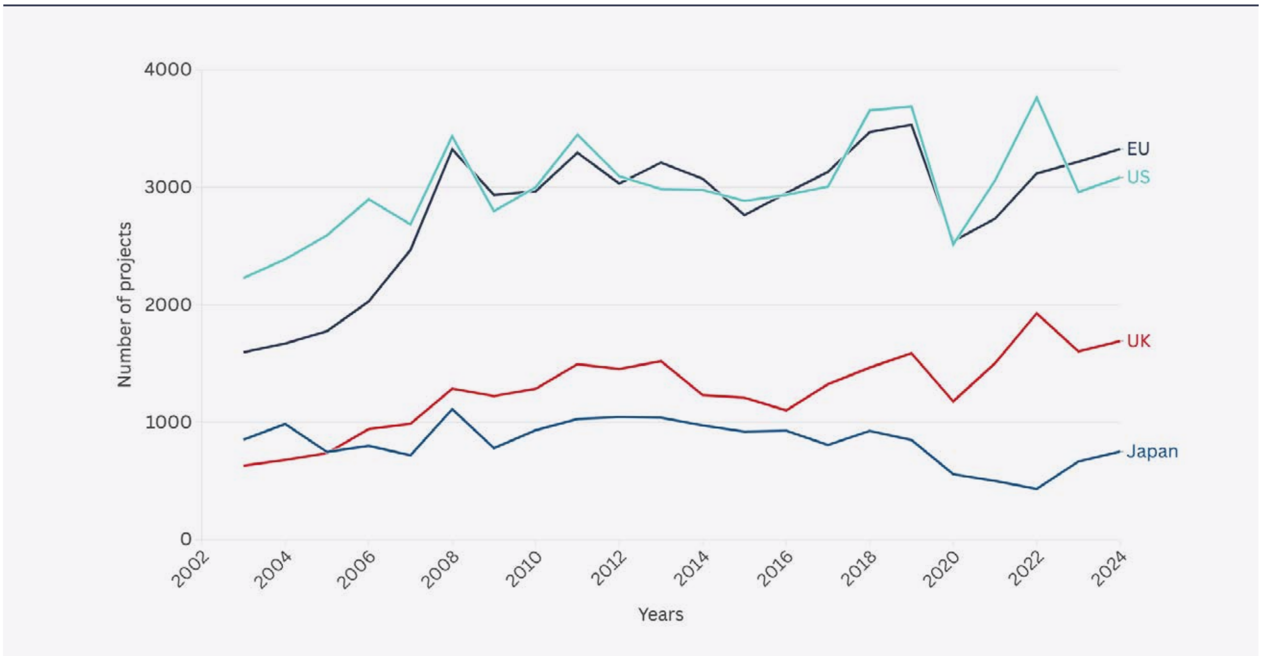
If we consider the changes over time for the top five industries, we see that the most important sector with inward FDI over the period is that of software and IT services, and this sector, together with communications, are the sectors that post-2018 witnessed the biggest decline in inward FDI projects. The only one of these five sectors with a slight rise, when comparing 2016-2018 and 2022-24, is business services. What is also notable is that four of the top five sectors are service industries, and indeed seven of the top ten are all service industries. The three goods / manufacturing sectors that appear in the list of top the industries are: industrial equipment, food and beverages, and renewable energy (and the last of these is probably a mix of goods and services).

Figure 1.25: Number of inward FDI projects by industry: Top 5 industries



Source: Financial Times, FDI Markets database

Figure 1.26: Outward greenfield FDI by country (no. of projects)

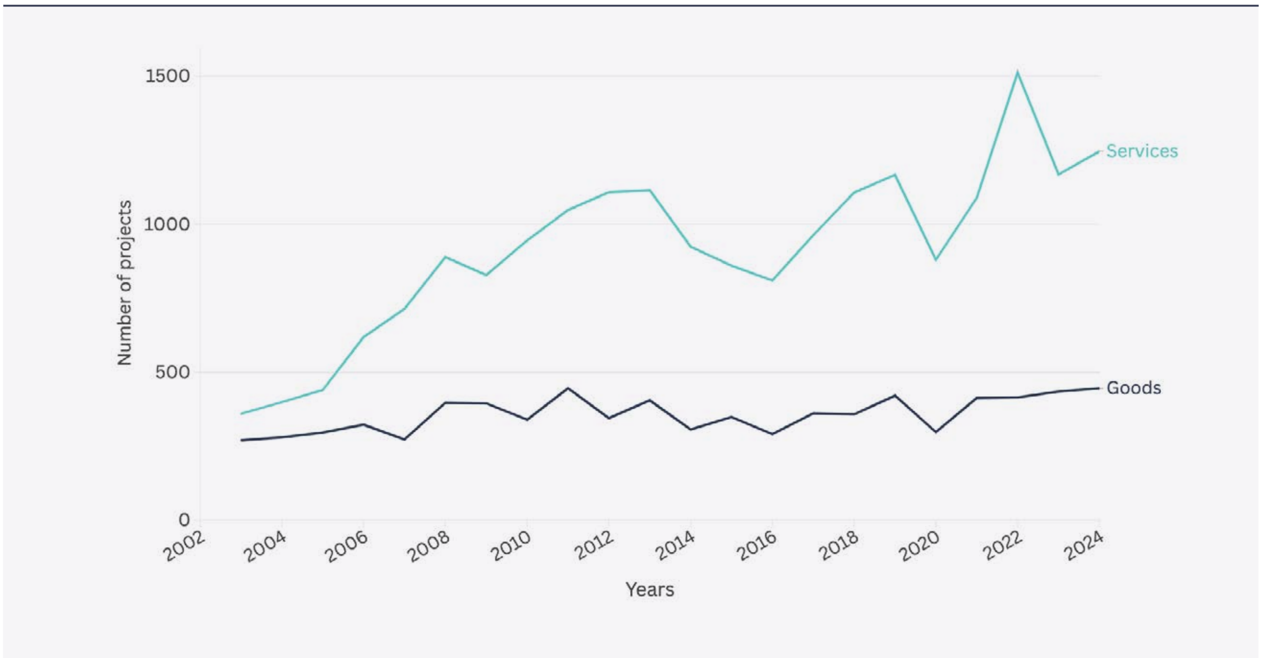


Source: Financial Times, FDI Markets database

Figure1.26 then gives the number of outward FDI from the UK as well as for the same comparator countries. In terms of levels, we see that the number of projects by US and EU companies is very similar over time and follows the same pattern. Unsurprisingly, given their economic size, the number of project announcements by UK and Japanese firms is lower. For the UK, unlike with inward FDI, outward FDI has grown, and once again if we compare 2016-2018 with 2022-2014, we see that UK outward FDI project announcements have grown by 34%, whereas for the EU and the US, their growth is minimal at 1% and 2% respectively, whereas for Japan the number of projects is down by over 30%.

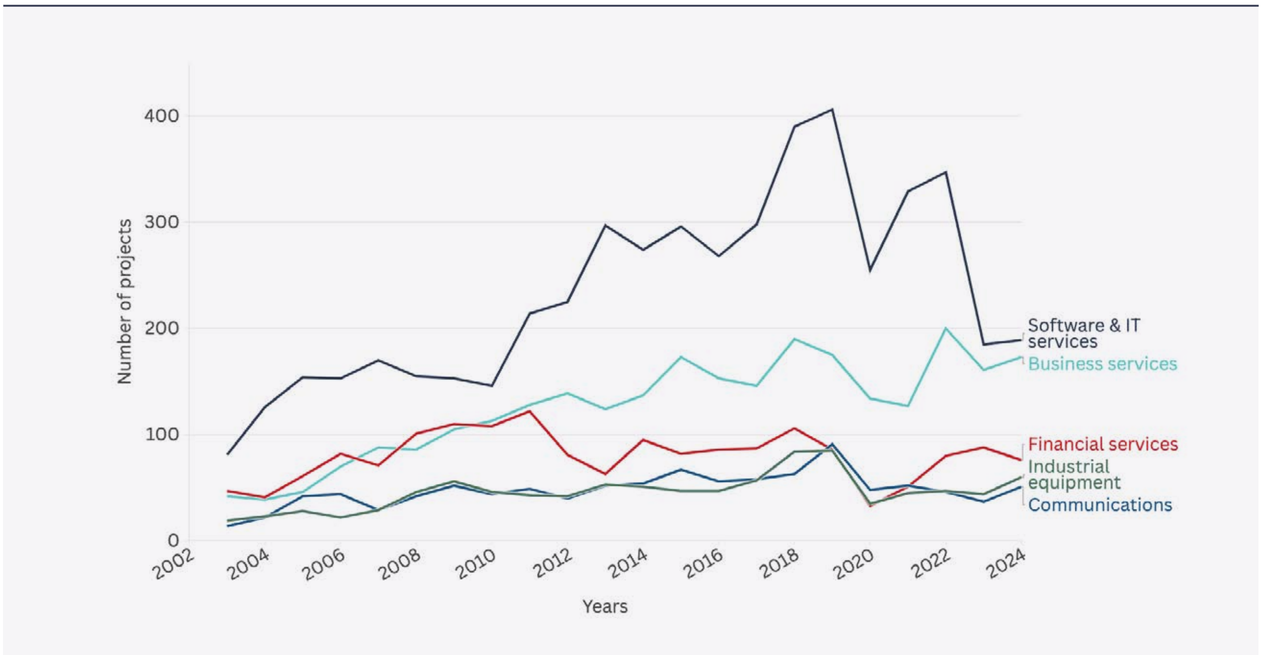
In Figure1.27, we can see that the rise in UK outward FDI is primarily driven by investment in services, which has risen by just over 36% over the period 2016-2018 to 2022-2024. Breaking this down into the top five outward FDI industries (Figure1.28), we see that this is primarily driven by the growth of investment projects in business services and financial services, followed by software and IT services.

Figure 1.27: Number of outward FDI projects by broad sector



Source: Financial Times, FDI Markets database

Figure 1.28: Number of outward FDI projects by industry



Source: Financial Times, FDI Markets database

1.6 Impact of Brexit on UK trade

Finally, a chapter providing a factual backdrop would not be complete without some discussion of the consequences of the UK's decision to leave the EU. After several years of tense negotiations, the UK formally withdrew from the EU on 31 January 2020, the UK-EU Trade and Cooperation Agreement (TCA) was signed on 31 December 2020, and the new trading arrangements came into force from 1 January 2021.

In the aftermath of the 2016 vote, economists forecast the potential for significant effects on UK trade, reflecting a sharp increase in trade costs with the end of deep integration in single market arrangements. Using simulation models, some studies estimated a contraction of around 30% in trade with the EU, and little diversion to non-EU sources, implying a reduction in overall UK trade of around 15-16%.[24]

There is now a body of academic literature exploring the impact of Brexit on UK trade, however, estimating the effects of leaving the EU is not straightforward. It requires constructing a 'counterfactual'. The counterfactual represents how UK trade might have evolved if it had remained in the EU. That counterfactual can then be compared with actual UK trade. Two main approaches are used in the literature:

1. EU versus non-EU comparison: Comparing UK trade with the EU, to UK trade with non-EU countries. This can be extended to also consider EU trade with the UK, and EU trade with third countries.
2. Alternatively, UK-EU trade can be compared to other countries' trade flows, avoiding the EU/non-EU comparison.

Using different methodologies and different time periods the overall conclusion from these studies is that there has been a negative impact both on UK-EU trade (relative to UK non-EU trade), but also on total levels of UK exports and imports.[25] The size of the estimated effects varies from study to study. Gasiorek and Tamberi (2023) find that after a sharp drop in January 2021, aggregate UK exports of goods to the EU recovered quickly. However, UK imports of goods from the EU were negatively affected throughout 2021, with a cumulative loss of up to 27%. The authors suggest that the asymmetric effect is due to the EU being a larger market for UK exports than the UK is for EU exports, making it less costly for EU exporters to stop serving the UK market.[26] While imports fell uniformly across sectors, exports showed significant variation. Agri-food, textiles, clothing, and footwear exports experienced the largest reductions and less of a recovery. Notably, these are sectors typically with higher trade barriers such as SPS requirements in agriculture, or more restrictive rules of origin requirements in textiles. Note that in 2020, and as discussed earlier, if we take exports of clothing, close to 90% of UK exports were undertaken by distributors (wholesalers or retailers) as opposed to by UK manufacturers.[27] It is likely that such firms may have been importing garments from elsewhere for re-export to the EU, and thus cannot satisfy the underlying rules of origin.

Du et al (2023), looking at the period 2019 to early 2022, find that the reduction in exports to the EU was 22.1%, the reduction in imports was 9.5%, exports to the rest of the world also declined by 7.7%, while there was no significant effect on imports.[28] Over a longer time period (2017 to 2023) the same team find a decline of 27% of exports to the UK, and a fall in imports of 32%.[29] The underlying data used in this analysis is based on aggregate product-level flows but not at the firm level. In contrast, Freeman et.al (2025) using firm-level data consider the period 2012-22. They find that by 2022, the decline in UK exports to the EU ranged between 10-14% depending on the specification, while the decline in imports appears to have been 20%. They also find that Brexit reduced UK total exports to the world by 6.4% and worldwide imports by 3.1%, with the decline in exports being concentrated among smaller firms, and the fall in imports being offset by sourcing more from non-EU countries.

The large impact on small firms suggests that larger, possibly multinational firms, which dominate UK-EU trade, absorbed the additional costs imposed by the TCA to maintain market access. In contrast, smaller exporters, disproportionately affected by the new trade barriers, exited EU markets. Evidence from Novy et al. (2024) supports this: small firms' exports to the EU declined by 30%, while large firms' exports remained largely unaffected. A related set of results focuses on the number of varieties of goods trade with the EU. A variety is defined as a product-destination pair. Hence, a t-shirt exported to France is considered different to a t-shirt exported to Malta. Results by Du et al and Freeman et al show a very sizeable drop in the number of varieties exported to the EU ranging from 20-40%.

The majority of this literature has focused on the impact of Brexit on trade in goods, and there has been comparatively little work on the impact of services trade. Early work focusing on the pre- TCA period (2016-2018, by Ahmad et.al, found that uncertainty connected with Brexit had a significant negative impact on UK services exports.[30] More recent work by Arnold et al (2025) examines the extent of the UK's divergence from regulatory alignment with the EU, and the introduction of trading frictions in services. They find that in the sectors where these barriers have arisen UK services exports to the EU have declined by 16% and that overall, UK services exports to the EU have declined by 4-5% as a result of Brexit barriers.[31]

The post-war reduction in trade barriers was intended to stimulate trade and growth. It is therefore not surprising that introducing barriers to trade with a key trading partner has had a negative impact. Estimating the size of that impact, and the differential effects across sectors and firms is difficult, and at this stage it is too early to understand the longer run impacts. Nevertheless, it is clear that, economically, to date, leaving the EU has not had positive economic effects for the UK. It is also therefore not surprising that having raised trade barriers with one partner (the EU), the UK was keen to sign free trade agreements with third countries in an attempt to mitigate some of the negative effects. We discuss Free Trade Agreements (FTAs) in Chapter 4.

References

1 The OECD - Organisation for Economic Co-operation and Development - is comprised of 38 member countries, including Australia, Austria, Belgium, Canada, Chile, Colombia, Costa Rica, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States. Organisation for Economic Co-operation and Development, 'Members and partners' <https://www.oecd.org/en/about/members-partners.html accessed> 15 October 2025.

2 John Van Reenen and Xuyi Yang, 'Cracking the Productivity Code: An International Comparison of UK productivity' (2024) 46 International Productivity Monitor 60; Diane Coyle, Bart van Ark and Jim Pendrill (eds), The Productivity Agenda (Report No 001, The Productivity Institute 2023) <https://www.productivity.ac.uk/wp-content/uploads/2023/11/TPI-Agenda-for-Productivity-2023-FINAL.pdf> accessed 7 October 2025; Sam Williams and others, 'The UK Productivity Puzzle: A Survey of the Literature and Expert Views' (2024) 32(1) International Journal of the Economics of Business 31.

3 Office for National Statistics, 'Annual Business Survey exporters and importers' (11 June 2025) <https://www.ons.gov.uk/businessindustryandtrade/business/businessservices/datasets/annualbusinesssurveyimportersandexporters> accessed 7 October 2025.

4 Own calculations using the TiG-IDBR dataset that combines HMRC and ONS data, which is based on the universe of UK firms. In the data, firms identify the UK SIC sector to which they belong, which enables us to group these firms into those sectors producing physical goods / outputs which we call producers, distributors (wholesale and retail), and services.

5 The Jobs in Trade database has been created as part of the Centre for Inclusive Trade Policy, by researchers at Strathclyde University, and will be publicly available. It is based on the linking of several UK micro datasets. The unique feature of this data is that it links firm level information with employee characteristic level information. The data sets which are used include the International Trade in Services survey, the Annual Business Survey, the Northern Ireland, Broad Economy Sales and Export Statistics, the Northern Ireland Annual Business Inquiry, the Business Structures Database, and the Annual Survey of Hours and earnings.

6 Refers to full-time equivalent employment, hereinafter 'employment'.

7 Own calculations from Jobs in Trade Database

8 Sebastian Benz, Alexander Jaax and Elisabeth van Lieshout, 'Digital trade and labour markets in the United Kingdom' (2024) OECD Trade Policy Papers No 284 <https://doi.org/10.1787/f3de4400-en> accessed 15 October 2025.

9 Michael Gasiorek and Nicolo Tamberi, 'Jobs in Trade and the EU referendum' (forthcoming 2025).

10 Gianmarco Ottaviano, Giovanni Peri and Greg C Wright, 'Immigration, Offshoring, and American Jobs' (2013) 103 American Economic Review 1925; Cristina Mitaritonna, Gianluca Orefice and Giovanni Peri, 'Immigrants and firms' outcomes: Evidence from France' (2017) 96 European Economic Review 62.

11 Riccardo Leoncini, Mariele Macaluso and Annalivia Polselli, 'Gender segregation: analysis across sectoral dominance in the UK labour market' (2024) 67 Empirical Economics 2289.

12 Shahra Razavi and others, 'Gendered Impacts of Globalization: Employment and Social Protection' (2012) UNRISD Gender and Development Programme Paper No 16 <https://assets.publishing.service.gov.uk/media/57a08a6440f0b652dd0006ee/60887-Gender_and_globalisation_UNRISD_final.pdf> accessed 15 October 2025.

13 This is based on the ONS' Standard Occupational Classification (SOC), which distinguishes between 9 skill levels. The high skill here is defined as SOC codes 1-3, 5; and the low skill is defined as SOC codes 4, 6-9. For an explanation of the SOC codes see: Office for National Statistics, *SOC 2020 Volume 1: structure and descriptions of unit groups* (ONS 2020) <https://www.ons.gov.uk/methodology/classificationsandstandards/standardoccupationalclassificationsoc/soc2020/soc2020volume1structureanddescriptionsofunitgroups> accessed 15 October 2025.

14 UN Comtrade, accessed from the World Bank WITS portal.

15 World Trade Organization, 'Digitally-delivered Services Trade Dataset' (July 2025) <https://www.wto.org/english/res_e/statis_e/gstdh_digital_services_e.htm> accessed 7 October 2025

16 This is based on looking at the share of HS chapters 71 and 27 on total UK exports, data sourced from UN Comtrade (United Nations Commodity Trade Statistics Database).

17 This is based on the HS trade classification at the 2-digit level.

18 For this analysis we have included all the products trade including gold, jewellery and petroleum products.

19 These industries are again defined at the HS 2-digit level. At this level, the HS categories are aggregated and do not represent specific products. Products are more detailed at the 6-digit level.

20 These are own calculations based on the TiG-IDBR and ITIS datasets. The latter is a survey of UK firms and so not all firms are included.

21 For the latest release of this data see: For the latest release of this data see: Office for National Statistics, 'Foreign direct investment involving UK companies (directional): inward' <https://www.ons.gov.uk/businessindustryandtrade/business/businessinnovation/datasets/foreigndirectinvestmentinvolvingukcompanies2013inwardtables> accessed 15 October 2025.

22 fDi Markets, 'fDi Markets: the in-depth crossborder investment monitor from the Financial Times' <https://www.fdimarkets.com/> accessed 15 October 2025.

23 The data also contains information on the purported value of the investment and the number of jobs involved. However, much of this information is interpolated and there is less confidence regarding the accuracy.

24 Thomas Sampson, 'Brexit: The Economics of International Disintegration' (2017) 31(4) Journal of Economic Perspectives 163; Swati Dhingra and others, 'The Costs and Benefits of Leaving the EU: Trade Effects' (2017) 32 Economic Policy 651; Gemma Tetlow and Alex Stojanovic, 'Understanding the economic impact of Brexit' (Institute for Government, October 2018) <https://www.instituteforGovernment.org.uk/sites/default/files/publications/2018%20IfG%20%20Brexit%20impact%20%5Bfinal%20for%20web%5D.pdf> accessed 7 October 2025.

25 Juan de Lucio and others, 'The Negative Impact of Disintegration on Trade: The case of Brexit' (2024) 163 European Economic Review 104698; Jun Du, Emine Beyza Satoglu and Oleksandr Shepotylo, 'How did Brexit affect UK trade?' (2023) 18 Contemporary Social Science 266; Janez Kren and Martina Lawless, 'How has Brexit changed EU–UK trade flows?' (2024) 161 European Economic Review 104634

26 Michael Gasiorek and Nicolò Tamberi, 'The effects of leaving the EU on the geography of UK trade' (2023) 38 Economic Policy 707.

27 Own calculations based on HMRC data. The share of exports by distributors for HS categories 61 and 61 (articles of apparel and clothing) was just over 93% and 91% respectively, in comparison to the average for all UK exports of 28%.

28 Jun Du, Emine Beyza Satoglu and Oleksandr Shepotylo, 'How did Brexit affect UK trade?' (2023) 18 Contemporary Social Science 266

29 Jun Du and others, 'Unbound: UK Trade post-Brexit' (Centre for Business Prosperity, Aston University, September 2024) <https://www.aston.ac.uk/sites/default/files/2024-09/Full%20Report.pdf> accessed 7 October 2025; Yohannes Ayele, Guillermo Larbalestier and Nicolò Tamberi, 'Post-Brexit: UK Trade in Goods' (UK Trade Policy Observatory, 2 May 2021) <https://www.uktpo.org/2021/05/02/briefing-paper-57-post-brexit-uk-trade-in-goods/> accessed 7 October 2025.

30 Saad Ahmad and others, 'Brexit Uncertainty and Its (Dis)service Effects' (2023) 15(4) American Economic Journal: Economic Policy 459.

31 Shania Bhalotia, Swati Dhingra and Danyal Arnold, 'Deglobalisation in Disguise? Brexit Barriers and Trade in Services' (CEP Discussion Paper 2110, Centre for Economic Performance, LSE June 2025) <https://cep.lse.ac.uk/pubs/download/dp2110.pdf> accessed 7 October 2025.

Chapter 2: What do we know about UK Trade Policy?

Chapter overview

This chapter provides an overview of the goals, objectives and policy tools of UK trade policy. It is primarily based on a detailed examination of a range of Government documents, which we refer to as the 'trade corpus'. The aim is both to understand UK trade policy and provide a systematic and robust methodology applicable in future years, or by other countries, or other policy contexts.

Section 2.1 outlines the core methodology underpinning our analysis of the trade corpus using state-of-the-art tools for text analysis and natural language processing. In Section 2.2, we identify the principal issues agreed upon in the preambles to the UK's Free Trade Agreements (FTAs). We then provide a detailed analysis of the trade corpus. For much of the review period, there was no UK trade strategy. Following the change of Government in July 2024, a Trade Strategy and a related Industrial Strategy were published a year later. Section 2.3 examines these, along with official statements, to assess changes in priorities and developments in trade policy.

Key points

- Economic growth has been the dominant goal of policy since 2019, reinforced in the 2025 Industrial Strategy and Trade Strategy.
- The most important objectives in support of growth are those directly focused on support for businesses, followed by innovation and investment, increasing competitiveness and digitalisation. Changes in regulations and infrastructure policies have lower priority, and there is more focus on manufacturing as opposed to services.
- Environmental sustainability, security, and inclusiveness receive more limited attention, contrasting with public preferences expressed in our Citizens' Jury and the Government's Public Attitudes to Trade Tracker, each of which suggest that the public appears to prioritise other goals as much as the goal of economic growth.
- The top three trade-focused objectives are promoting exports, improving market access for UK firms, and reducing border barriers, with little focus on the role of imports, except for with regard to 'critical' imports.
- To achieve the objectives, post-Brexit, the primary focus was on continuity agreements and five new FTAs as well as accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).
- The most common policy instruments to support and deliver growth are trade-related instruments, ranging from trade agreements, trade remedies, reducing trade barriers, to tariffs, import and export controls. The second most important category are those focused directly on businesses. Cross-cutting policies to improve the business / investment climate, such as regulations, skills, or infrastructure improvements, have a lower priority.
- The sectors of highest priority in the trade corpus are automotive and digital, followed by life sciences and defence.
- The Labour Government continues to prioritise growth and exports but with more emphasis on economic security, stability, supply chain resilience, digital transformation, and sustainability as key to underpinning investment and trade.
- Clean growth remains secondary, and equity or distributional issues such as environmental sustainability, worker's rights, and support for Least Developed Countries (LDCs) have an even lower priority.
- The strategy reveals some change of trade policy focus towards narrow trade agreements, expanding business support for exports, reducing regulatory barriers to trade, and strengthening trade defence and trade remedies.
- There is commitment in the trade strategy to the rules of the multilateral trading system, but conditioned by a pragmatic willingness to break such rules where necessary.

2.1 Methodological Overview

2.1.1. Introduction

The direct parameters of trade policy are:

- The international agreements the country in question has signed with partner countries, such as free trade agreements or more narrowly focused forms of international cooperation
- The Government's international trade related obligations notably from membership of the World Trade Organization
- The domestic framework and sets of policies with a focus on trade policy, be this the setting of the Most Favoured Nation (MFN) tariff schedule, to the application of trade remedies, or export promotion activities, such as the provision of export support services.

However, the trade policy landscape is broader than this. This is because trade policy is ultimately about how trade can help to achieve domestic policy objectives as well as meet international commitments. The domestic objectives typically include economic growth, as well as equity and distributional concerns, and also economic security. International commitments range from the Sustainable Development Goals (SDGs), to the Paris Climate Agreements. There is also the use of soft diplomatic power through the Foreign, Commonwealth and Development Office (FCDO) to facilitate both trade and advance foreign policy goals.

Thus, trade and trade policy interact extensively with other areas of policy and notably policy directed at what might loosely be called 'industrial policy'. Indeed, sensible industrial strategy and industrial policies need to take trade and trade policy very seriously, and vice versa, as trading conditions and commitments may constrain industrial policy. There may also be other areas of policy that need to be considered, such as regulatory policy (e.g. digital, health and safety), policy towards net zero, or the regional distribution of economic activity across the country. Policies on such areas are likely to impact and interact with trade both directly and indirectly. Hence, as well as trade policy instruments, such as tariffs, which are explicitly aimed at impacting international trade, there are also domestic policy areas which impact trade such as introducing a domestic carbon tax. Policy coherence and trade policy coherence require recognising each of these and how they interface with each other, and identifying where there may be trade-offs and where there may be complementarities.

To understand UK trade policy priorities and their evolution, it is important to consider the instruments of trade policy but also to look beyond the relevant legal frameworks and the policies being implemented to the intent behind those policies. Strategy documents provide key insights into those priorities and those intentions. Hence, such documents need to be considered and evaluated.

In this section of the report, we detail the methods used for this evaluation. We identify the main goals (broad aspirations) and objectives (routes to achieving the goals) of UK policy, and more specifically, trade policy, as well as the principal policy tools/instruments the UK employs to achieve these. The interplay between trade policy and other domestic policy areas, as discussed above, means that such identification is not straightforward.

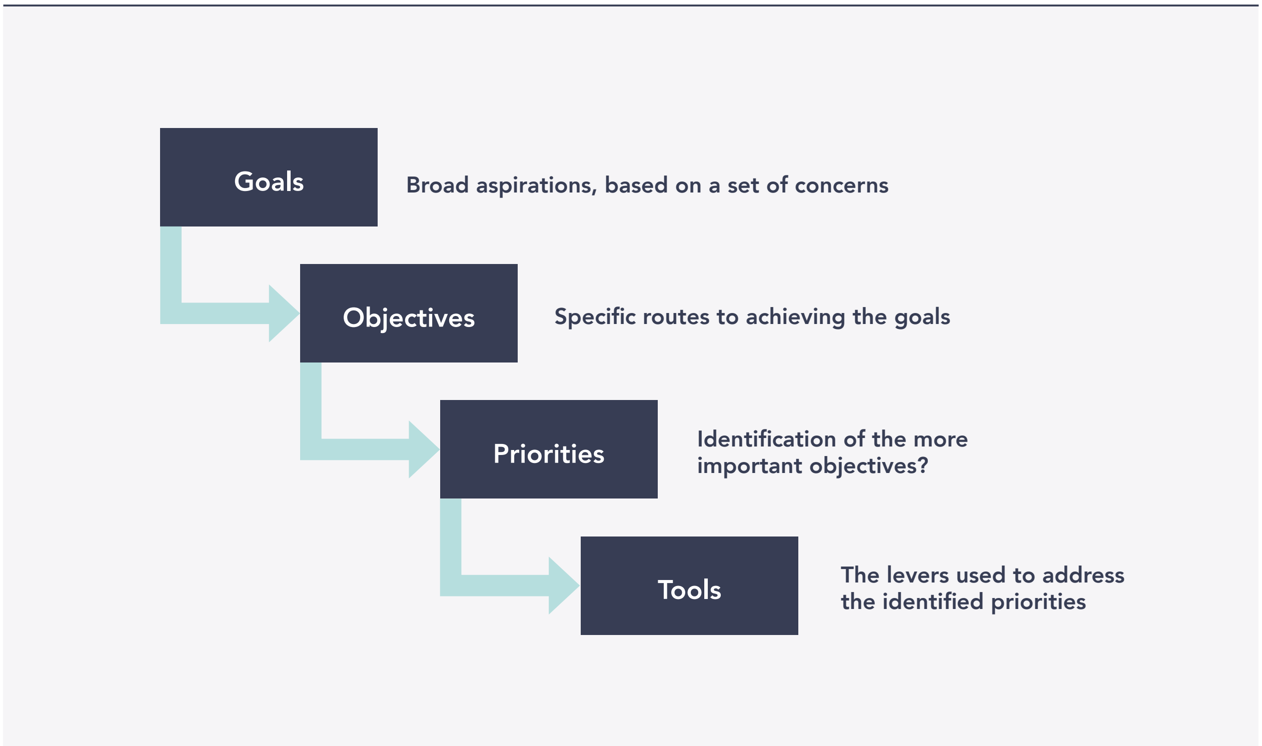
It is also complicated because, as a tool of Government policy, trade policy is somewhat unusual in that there are aspects of trade policy (such as the setting of MFN tariffs, or export support programs) which can be unilaterally determined by the Government. On the other hand, there are areas of trade policy that require negotiation with other Governments, be this a Memorandum of Understanding (MOU) or a fully-fledged free trade agreement, or at the World Trade Organization (WTO). The need to negotiate with other countries inevitably also brings in aspects of foreign policy and a further set of goals and objectives. Finally, as trade policy intersects with other areas of public policy, it also involves the participation of multiple Government departments, which poses a coordination problem in agenda setting.

The remit of trade policy thus covers a wide range of policy areas and levels, from purely domestic policies to international agreements, and involves a range of Government departments as well as the devolved administrations. To understand the scope of trade policy and the objectives of any Government's trade policy, therefore, requires going beyond any given trade strategy document (where/if it exists) and looking across a range of policy areas and policy documents. For this report, we have identified and examined in detail 11 core documents which directly or indirectly impact on trade, which de facto formed the previous Conservative Government's strategic approach.[1] Much was in the air until the signing of the revised Withdrawal Agreement with the EU in 2019, hence the documents selected are all from this date onwards.[2] We refer to these documents as our 'trade corpus'.

In July 2024, there was a change in Government with the election of the Labour administration. This, of course, in turn, raises the prospect of a change in UK trade policy. The Labour Government published a Trade Strategy in June 2025.[3] The Trade Strategy sheds light on how the objectives and tools of trade policy may have evolved or shifted under the new Government. It does not, however, revoke preceding policies and indeed, there is considerable continuity.

In order to identify the main elements of UK trade policy, conceptually it is useful to distinguish between goals, objectives, priorities and policy tools. Figure 2.1 provides a schematic representation of this and the definitions we use in this report.

Figure 2.1: From goals to tools



2.1.2 Inferring UK trade policy from existing agreements and documents

To identify the goals and objectives, and within these the priorities and tools, we first undertake a detailed textual analysis of the most relevant Government documents, which relate to international trade and which formed part of the previous Conservative Government's approach to international trade. We then discuss the evolution of trade policy since the election of the Labour Government in July 2024.

We use two complementary techniques: close textual analysis and natural language processing. These are briefly explained below.[4] In the first instance, we apply these techniques to our trade corpus, which consists of the 11 documents we have identified as being key to understanding the UK's approach to trade. In Section 2.3 of this chapter, we then move on to a discussion of the Trade Strategy and consider the way in which it aligns with existing policy, as well as any developments or departures.

The aim of the analysis is to identify the main objectives of policy across our trade corpus and then to focus on those with an impact on trade. In some cases, this impact may be direct, eg. signing trade agreements. In other cases, the impact is more indirect, such as focusing on increasing economic growth through more investment. As the method is essentially one of inference, the aim of using more than one technique is to provide an additional degree of robustness to the analysis, and to provide more nuance and depth to the results. We have used the two techniques iteratively such that each informs the other.

In a first stage, we use **corpus management** software in order to identify a core set of key active verbs ('increase', 'promote', 'reduce' etc) which appear in our trade corpus relative to a reference corpus, and the context in which they appear. Identifying the active verbs and what they apply to, enables identification of the stated objectives. The reference corpus represents the average normal use of language.[5] For example, we might identify the instances of sentences which call for 'increase / promote / stimulate trade' or sentences advocating the 'reduction of carbon emissions'.

In the second stage, we use **topic modelling** (an unsupervised learning method in natural language processing that helps identify latent topics or themes from the unstructured textual data) to identify the semantic patterns and meanings in the texts and thus to extract the key goals and objectives. As opposed to doing so in an unconstrained fashion, we apply the list of active verbs from stage 1 to constrain the topic modelling and to identify the core policy areas to which these active verbs apply. The advantage of this approach is that it can pick up the semantic similarity between active verbs (eg. 'promote' and 'increase') and identify the relevant policy areas and objectives associated with these.

In the third stage, we employ detailed **textual analysis**. This entails a close manual reading of each document in the trade corpus, and, based on the results from the topic modelling and our expertise/judgement, we identify the objectives and the policy tools. By 'trade-related' we mean both explicit trade objectives (e.g. 'increase exports', 'sign FTAs'), as well as objectives which are likely to have a direct or indirect impact on trade, even if trade is not explicitly mentioned. Examples of this might include 'investment' or 'infrastructure'. In contrast, if there is an objective, for example, to 'build more primary schools,' we would not include this. We then extract the frequency with which the different trade-related objectives and policy tools are present. This does not constitute a simple word count of, for example, how often the words "growth" or "free trade agreement" occur. We read and examine the documents themselves and identify the number of separate contexts in which a given objective or policy tool has been mentioned. This is important because a given term – such as 'free trade agreement' might appear several times in one paragraph or section, but where this is within the same context, it should only be counted once.

Each of the second and third stages results in a list of objectives: one generated from the topic modelling and the other from the textual analysis. In the fourth stage, we compare these lists to assess the degree of consistency, and as part of our iterative procedure. We do so by using the results from the topic modelling to reconsider and cross-check our inferred objectives from the textual analysis. In terms of Figure 2.1, cross-cutting broader goals are often not clearly articulated within the different documents, as each document typically has its own specific goal, such as innovation or supply chain security. Within each of these documents, specific objectives are easier to identify, and we have grouped those into broader cross-cutting goals across the entire trade corpus. The broader groupings are based on our expert knowledge and judgement.

In identifying the objectives, each of the techniques also provides a means for assessing their relative importance by providing us with the frequency with which each of the objectives appears across the documents. Frequency is important – if border barriers are mentioned much more often than free trade agreements, then it is reasonable to assume that these have a higher priority. However, we also have to bear in mind that we are looking across a range of documents. Hence, it is possible that border barriers are mentioned frequently but only in one or two documents, while free trade agreements are mentioned less often in total but across all eleven documents. By only looking at the total share of responses for any given goal or objective, we are not capturing the distribution of that objective across the trade corpus. That breadth in terms of the number of documents is also important information as to the relative importance of the objective.

We therefore use a measure that captures both of these dimensions, which we call the normalised Relative Priority Index (RPI).[6] We use the RPI to infer which of the objectives appear to be more important, and thus what the priorities are. If two objectives, A and B, had exactly the same distribution across the documents in the trade corpus, but there were twice as many entries for A than for B, then the RPI would be twice as big for A. Similarly, if objectives A and B had exactly the same number of entries in the trade corpus, but A only appeared in a small number of documents while B appeared in all the documents, then B would have a higher RPI. The advantage of this index is that we can compare the results across the text analysis and topic modelling approaches. The RPI can also be applied to other areas of interest for our analysis, such as goals or tools.

2.2 What do we know about UK trade policy?

In this section, we consider the main features of UK trade policy in two ways. First, we consider what can be gleaned from the agreements that the UK has signed with other countries. While this is informative, it only gives a partial picture. Hence, we then turn to examining all the documents in our trade corpus and focus on the results from the topic modelling and textual analysis from which we can infer the main features of UK trade policy in a more comprehensive fashion.

2.2.1 International agreements

One approach to understanding UK trade policy is to focus on the international trade agreements that the UK has signed. In the first instance, this includes the legally-binding free trade agreements the UK has negotiated with partner countries following its decision to leave the EU. Also relevant, maybe on a smaller scale, are more focused agreements, which are not free trade agreements in the accepted sense of the WTO. While it is a very broad term, for the purposes of this report we refer to these as 'mini deals'. Examples of these might include critical minerals partnerships, the agreements the UK has with different US states, or the Digital Economy Agreement (DEA) with Singapore. Mini-deals are discussed in Chapter 4.

A clear area of focus in recent years, under successive Conservative Governments, following the Brexit referendum in 2016, was on signing free trade agreements. In part, this was because of the necessity to provide continuity with the agreements the UK had been party to as a member of the EU. However, in addition, the UK Government was keen to exercise its new found freedom to sign new free trade agreements. There were five new free trade agreements which were negotiated and signed by the Conservative Government . These were with Japan (2021), Australia (2023), New Zealand (2023), the EU (2020), the EEA-EFTA countries (2021).[7] An FTA with India was signed in 2025, by the Labour Government. The UK also successfully negotiated accession to the CPTPP (2024). Note that the Japan agreement, and similarly the agreement with the EEA-EFTA countries, was also largely a roll-over of the existing agreement, which the EU had negotiated with Japan while the UK was an EU member state, and so little new was negotiated. The CPTPP agreement involved accession to an existing FTA; hence, the parameters of the CPTPP were not under negotiation.

The agreement the UK signed with the EU - The Withdrawal Agreement (2020) was different because it involved an increase in trade barriers in comparison to the status quo following the UK's decision to leave the EU. That departure left the UK trading with the EU on an MFN basis. The Trade and Cooperation agreement, effectively started from this basis, and led to an improvement on those MFN terms. This was also true of the agreement with the EEA-EFTA countries. As with the UK-EU TCA, the EEA aimed to preserve as much as possible the arrangements the UK had previously had as an EU member state.

To a degree, the objectives of UK trade policy, as demonstrated by these agreements, can be seen from the respective preambles to each of the negotiated agreements. However, as (some of) these were the first agreements the UK had signed, and was keen to sign quickly, the Government and the negotiators were, to some degree, learning about what could be negotiated and thus included in the final texts. Bearing these caveats in mind, the preambles identify what the two parties have jointly agreed as being the most significant elements and achievements. A summary of these is in Table 2.1. The table has seven panels, which identify respectively where there are common objectives that appear across all the agreements, those objectives which appear in all but one of the agreements, the objectives which appear in all but two, and so on.

The preambles are based on what was agreed between the parties and thus was subject to negotiation and does not simply reflect the UK's policy objectives. Nevertheless, the main messages emerging from the preambles are informative. There are only two areas which are common to all of the agreements. First, a strong commitment to maintaining and abiding by the rules of the WTO, and secondly, the overall objective to reduce barriers to trade and investment. The latter is what would be expected from a trade agreement, and is driven by the perceived economic gains from the reduction of such barriers. This highlights the importance of the direct economic benefits from signing free trade agreements from market liberalisation.

There are then three objectives which appear in all but one of the agreements and these relate to: support for Small and Medium Sized Businesses (SMEs); the importance of good governance, transparency and the rule of law; and the right for each of the signatory countries to regulate domestically for legitimate public policy purposes. Interestingly, these are not trade policy areas that emerge strongly in our analysis of the trade corpus, as discussed in the next section.

In the middle panels of the table, one can see the objectives over which there is a high degree of commonality – sustainable development and the environment, labour provisions, digital trade and increasing women's participation in trade. These objectives do all emerge from our analysis of the trade corpus, and we discuss this in more detail in subsequent sections and chapters.

In the last three panels of the table are the objectives that appear in less than half of the agreements, and are thus much more context and agreement-specific. For example, objectives around consumer protection, promotion of services trade, innovation, and inclusive trade fall into this category. Note that this does not necessarily mean that there are no provisions in this regard in the texts of the other agreements, simply that they are not explicitly identified in the preamble, and thus presumably were not jointly perceived by the signatories as significant as the other areas. There are two aspects of this worth noting. First, and as discussed in Chapter 1, services is extremely important for the UK economy and much more so than manufacturing, yet, it only appears in half of the preambles. Second, we note the lower apparent prioritisation of inclusivity.

Those objectives that only appear in one agreement are typically very specific to that agreement. We see this with regard to the inclusion of the provision allowing for state-owned enterprises in the CPTPP preamble, and in the inclusion of issues such as the level playing field, energy and raw materials in the agreement with the EU.[8]

The range of common and separate topics reflect the relative desires and negotiating positions of the respective partners. The core objectives are concerned with increasing market access and support for the multilateral trading system, followed by a range of secondary largely common objectives, followed by a specific areas of either bilateral concern, or of sufficient importance for one of the countries to insist on their inclusion.

Table 2.1: Areas identified in the preamble to Free Trade Agreements

	Japan	Aus	NZ	EU	India	CPTPP	EEA-EFTA
	2021	2023	2023	2020	2025	2024	2021
WTO trade & investment rules	✓	✓	✓	✓	✓	✓	✓
Trade / investment barriers	✓	✓	✓	✓	✓	✓	✓
Support for SMEs	✓	✓	✓	✓	✓	✓	
Good governance & rule of law		✓	✓	✓	✓	✓	✓
Right to regulate for pub. policy		✓	✓	✓	✓	✓	✓
Sustainable dev. & environment	✓		✓	✓		✓	✓
Labour provisions / ILO conventions	✓		✓	✓		✓	✓
Barriers to digital trade	✓	✓	✓	✓			
Increasing female participation	✓	✓	✓		✓		
Certainty & support for services		✓	✓		✓		
Consumer protection	✓		✓	✓			
Support and promote innovation		✓		✓	✓		
Inclusive trade / growth					✓		✓
Indig. people, cultural identity			✓				✓
Governance & dispute settlement				✓			
Level playing field				✓			
Energy & raw materials				✓			
State owned enterprises						✓	

Source: Own analysis using texts of agreements

2.2.2 Analysis of Government documents – the 'trade corpus'

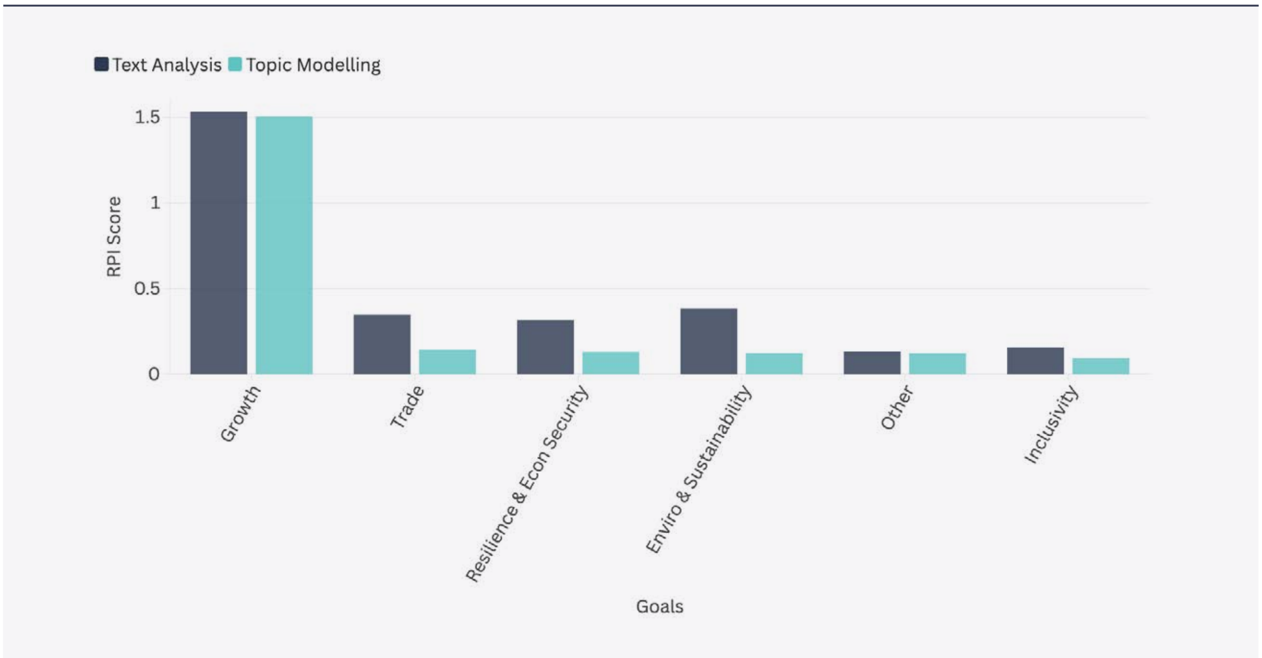
2.2.2.1 Core Goals

We turn now to consideration of the trade-related goals identified through analysis of the trade corpus. Figure 2.2 gives the RPI for each of the broader goals, which corresponds to the first element of the schematic diagram as derived from the text analysis and topic modelling approaches to each of the strategy documents. Overall, our assessment is that the text analysis approach is to be preferred as it involves a careful reading of the documents. However, the topic modelling is important for robustness and comparison.

We have grouped the objectives into six broad goals. These range from economic growth to inclusivity. In each case, we give the RPI for each of the goals.

There are several messages which emerge from Figure 2.2. First, we see the overall importance of the goal of growth, which clearly dominates the other goals. This emerges clearly from both techniques applied. Second, the figure shows that environment and sustainability, trade, and resilience and economic security receive relatively similar scores. Environmental sustainability captures concerns with climate change, the environment, energy and the circular economy; and economic security captures concerns related to supply chain resilience, security issues and risk.

Figure 2.2: Goals underpinning the trade corpus



Source: Own analysis using the trade corpus

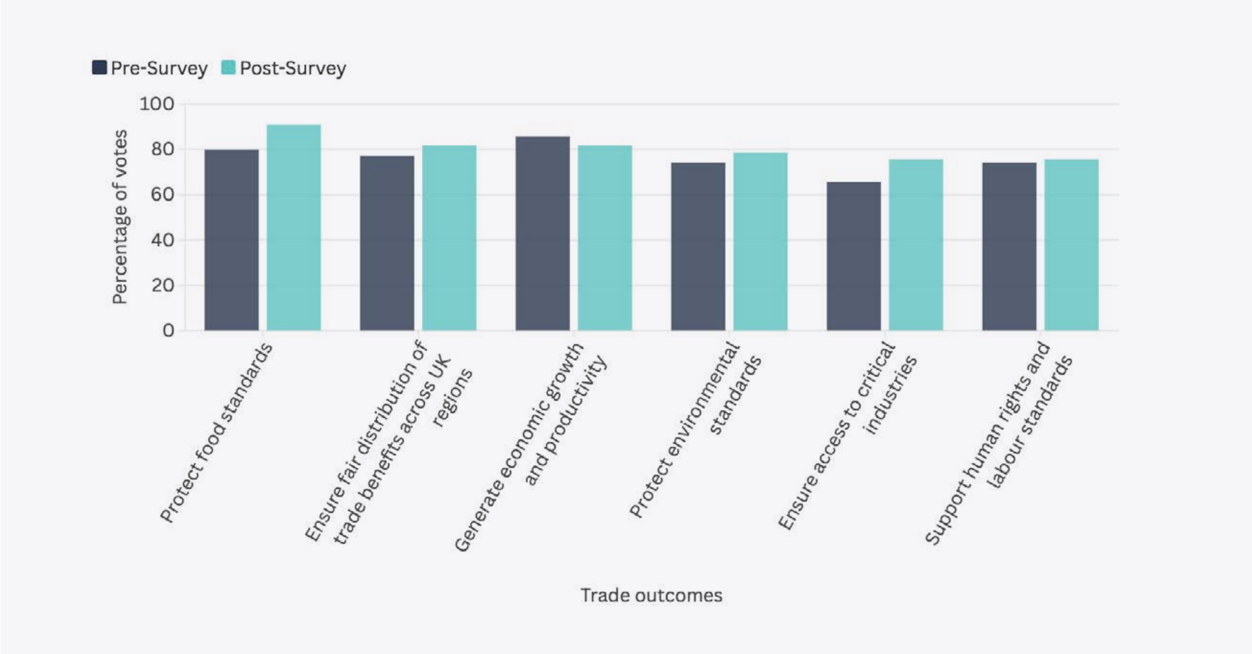
The goals of growth, resilience, economic security, sustainability or inclusiveness are outcome-focused goals — and, for example, reflect the aim of more growth, or more economic security. The goal is perhaps less directly clear when it comes to the category of 'trade'. Increased trade could be sought to address any of the other goals, such as growth, resilience or inclusiveness. Given the focus of this report on trade policy, we have, however, chosen to list the goal of trade separately. This is in order to identify the importance of the role of trade relative to the other broad goals in the trade corpus.

The category trade is also a good example of the value of using an index which takes into account both the number of entries and the distribution of the entries. If we focus only on the former, with the text analysis, trade would be the second most important goal, accounting for 20% of the entries. However, as environment and sustainability is more evenly distributed across the trade corpus, it becomes more significant with the RPI.

Finally, we see that issues of inclusivity as well as the category 'other' appear to have the lowest priority. The former includes concerns with labour rights, impacts on consumers and living standards, female empowerment or inequality. The latter groups together trade policy towards developing countries, mobility of labour and jobs.

It is interesting to contrast this analysis with the results of a Citizens' Jury[9] which we held in November 2024, where we asked the participants to rate the level of priority the UK Government should give to a number of different policy outcomes – see Figure 2.3. They were asked for this rating both before attending the citizens' jury and afterwards. In the pre-participation task, economic growth was (marginally) seen as the most important priority, and in the post-participation task, this was no longer the case, with food standards being rated more highly by more of the participants. What emerges from this is that there is much greater similarity in the prioritisation across the different topic areas, than we see from our analysis of Government documents. Alternatively put, prima facie, the 'public' (as given by our citizens' jury) appears to give more weight to equity and economic security considerations than is reflected in our analysis of Government documents.

Figure 2.3: **Trade policy priorities from the Citizens' Jury**

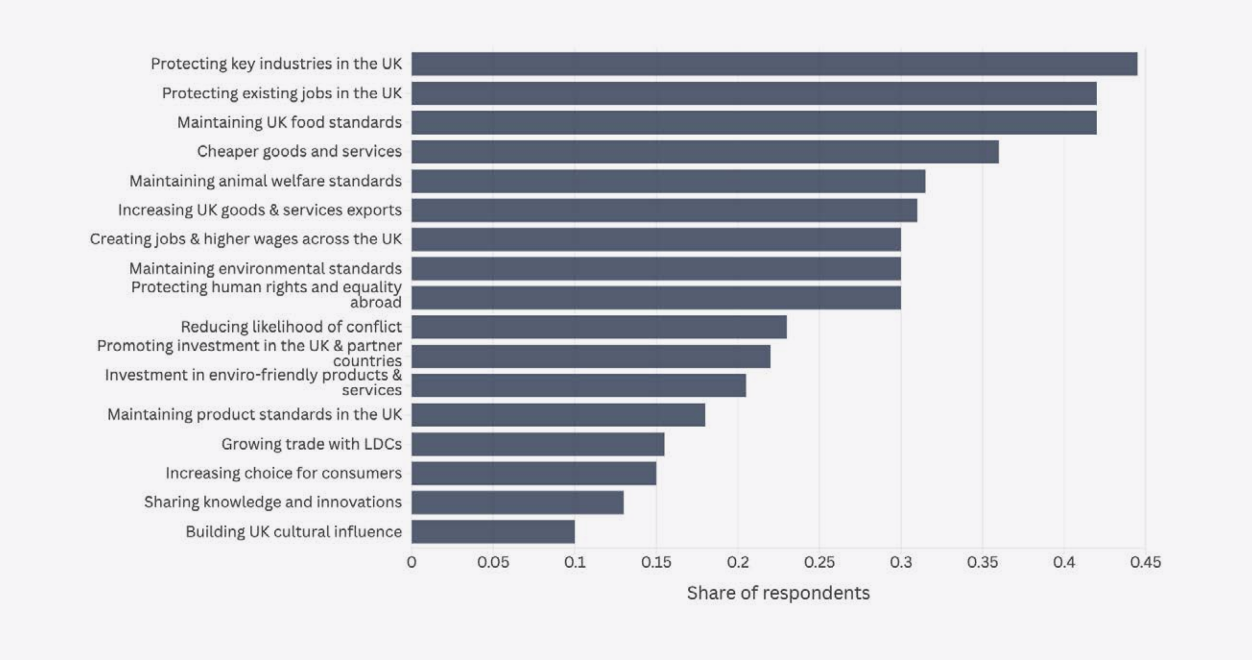


Source: Citizen's Jury conducted for this analysis

Another route to understanding public views on trade is from the successive waves of the PATT surveys, undertaken by the UK Government on an annual basis.[10] If we take the last two waves, which were undertaken in 2022 and 2025, respondents were asked to identify the reasons they supported and the reasons they opposed the Government signing FTAs. While these were two separate questions, the number of responses to the latter question was around 7% of the number of responses to the former question. It seems a reasonable inference that therefore there is much stronger support for FTAs, than opposition. The overwhelming reason for supporting FTAs, given by just under 60% of the respondents was to strengthen the UK economy. It is worth noting, however, that in this question the respondents were not asked how much they valued FTAs for any of the other priority reasons we explored in our Citizens' Jury, and so it is difficult to make a comparison.

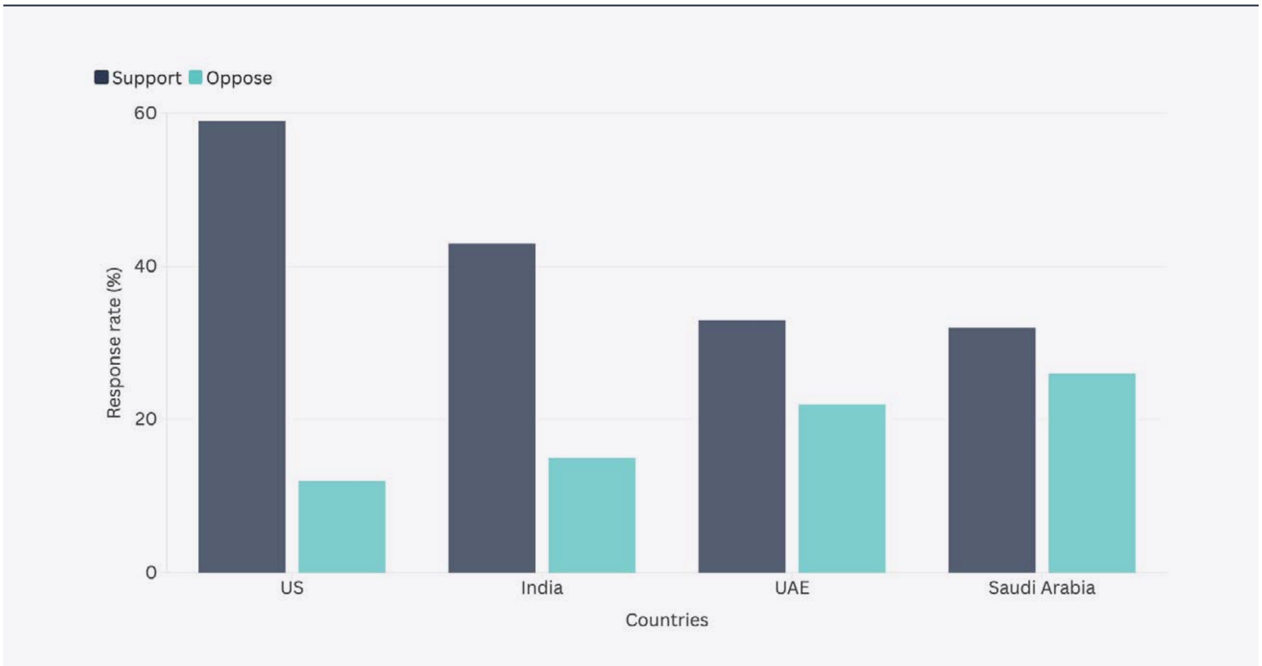
In a separate question, however, respondents were asked to select up to five considerations they thought the UK Government should give the highest priority to when signing FTAs with non-EU countries. The results can be seen in Figure 2.4. Greater priority appears to be given to 'protecting' either industries or jobs, than, for example, increasing exports or creating jobs. It is also interesting to note that maintaining food standards was considered the third highest priority. Relatively equal weight is given to maintaining animal welfare standards, increasing export, creating jobs, maintaining environmental standards, and protecting human rights. This is similar to the message from our Citizens' Jury, and overall reinforces the message that while economic outcomes focused on growth are important, public views on trade give high priority to other considerations.

Figure 2.4: Top 10 FTA priorities in the PATT survey (2022 & 2025 average)



Source: UK Government Public Attitudes to Trade Tracker[11]

Figure 2.5: Support or opposition to FTAs – PATT survey (waves 5-7)



Source: UK Government Public Attitudes to Trade Survey

Finally, it is also interesting to note that the public also appears to care about which partner countries the Government signs or negotiates free trade agreements with. This is illustrated in Figure 2.5 which considers the countries that were identified in the last three PATT surveys, and where the public was asked whether they support or strongly support, versus whether they oppose or strongly oppose the signing of a FTA with the US, India, the United Arab Emirates (UAE), and Saudi Arabia. From this, we see overwhelming support and comparatively little opposition to signing a FTA with the US. To a lesser degree, there was clearly more support than opposition for signing a FTA with India (which the Government has subsequently done). At the other end of the scale there is considerably less support and more opposition to the signing of FTAs with both the UAE and Saudi Arabia. From the point of view of policymaking, and to the extent that policymakers take on board public attitudes, it is important to understand and unpick why there is such variation in FTA support depending on the partner country.

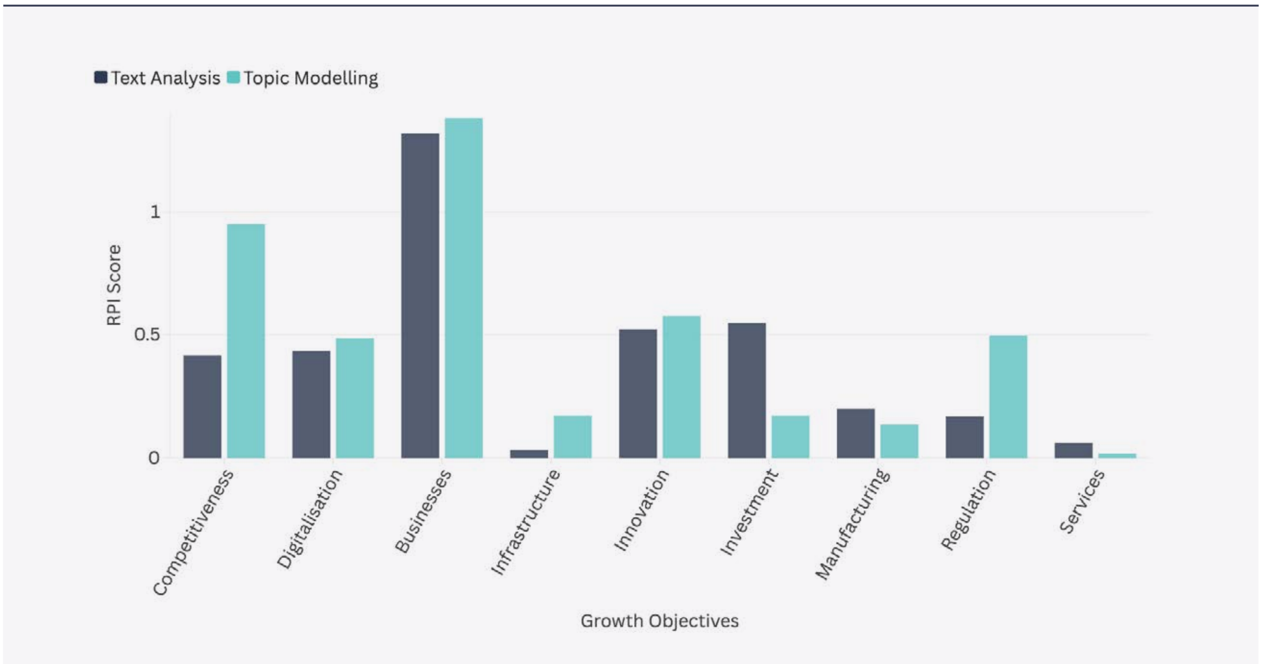
Unfortunately, the survey does not ask respondents to explain the reasons behind these responses. However, relatedly, in our Citizens' Jury, in the pre and post workshop survey participants were asked the extent to which they agreed or disagreed that the *"UK trade policy should aim to promote human rights internationally even if it means less trade with poor countries"*. Participant views remained largely the same before and after the workshop with the majority of participants (over 60%) agreeing with this statement. Plausibly, therefore, such issues are likely to have influenced public views as to the desirability of agreements across different countries.

2.2.2.2 Objectives and priorities

Underpinning each of these goals are more specific objectives, which we now turn to. As described earlier, our methodological approach identifies the relative frequency with which different topics / issues appear as well as their distribution across the trade corpus. The RPI thus enables us to identify the common topics / issues and provides a strong indication of priorities. Given the importance of the goal of growth, and the importance and relevance of the trade goal to this report, in the next two figures we summarise the objectives that emerge from our analysis within each of these goals. Once again, for expositional purposes, we have grouped some of these more specific objectives.

First, we consider the different elements which underpin the very broad goal of economic growth – see Figure 2.6 as given by both of our procedures. Hence, here we are detailing the specific objectives which underpin the first columns in Figure 2.2. It is worth noting that while we observe a high degree of correlation in these objectives across the two approaches taken, as the analysis becomes more detailed, unsurprisingly, greater differences between the approaches arise.

Figure 2.6: Objectives underpinning the goal of growth



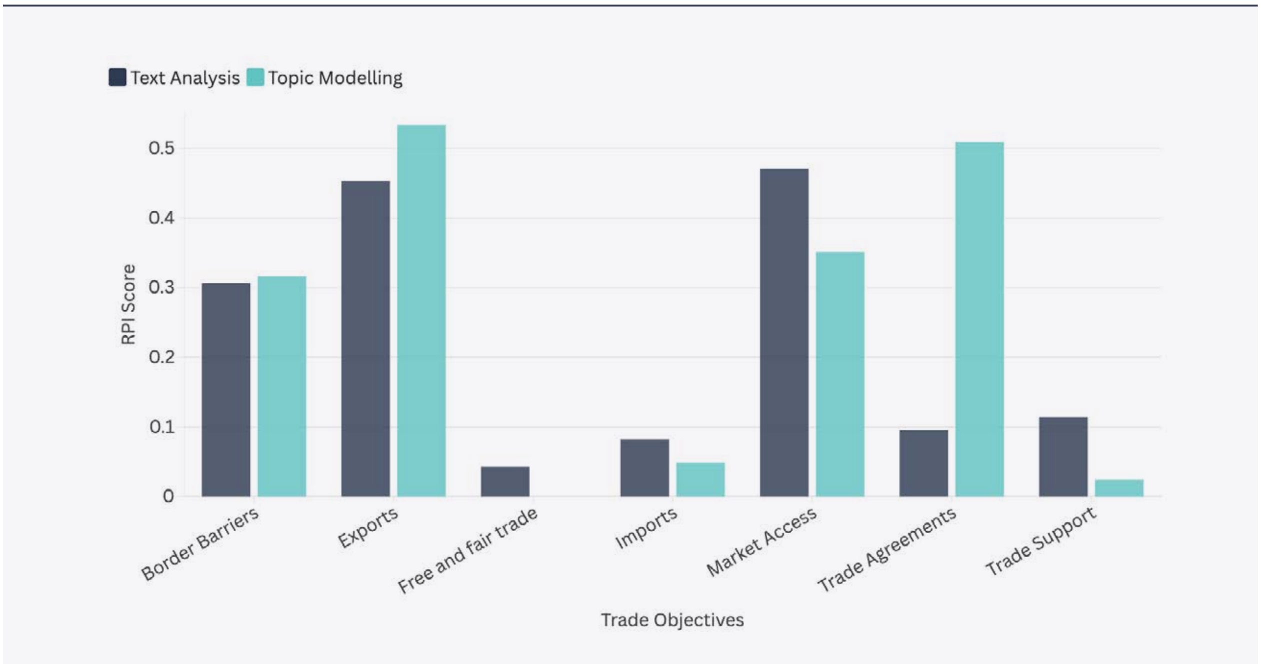
Source: Own analysis using the trade corpus

The most important of the elements across both techniques used are the range of objectives which are directly focused on businesses / firms. This ranges from aiming to improve the performance of SMEs, reducing firm costs, reducing the barriers that business face, and providing business support services to increase firm-level outcomes. Given that economic activity, including trade, is ultimately carried out by firms, the focus on policies directed at businesses as a key part of the route to higher growth is welcome.

The following significant growth objectives are innovation and investment, which scored similarly with the text analysis, though we note that investment scored lower with the topic modelling. Innovation captures several elements from support for R&D, the promotion of science and technology, to better links between academia and the business community, and investment includes both domestic investment and FDI. Both innovation and investment are, of course, also central to growth, and we also see a similar degree of importance accorded to both competitiveness and digitalisation. Changes in regulations and infrastructure policies appear as relatively low priorities. We have also included specific identification of objectives with regard to each of manufacturing and services. Despite the prevalence of services in the UK economy, there appears to be a greater focus on manufacturing.

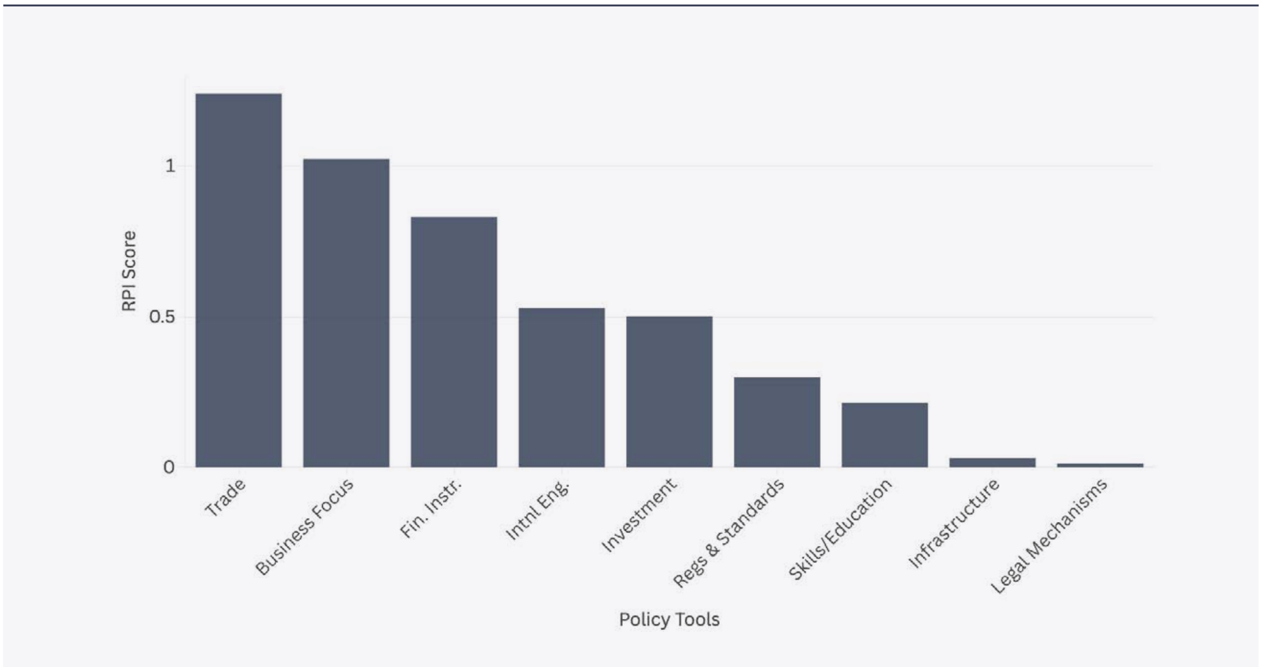
Moving on to the objectives underpinning the goal of international trade, we depict these in Figure 2.7. The top three categories are, respectively, promoting exports, improving market access for UK firms and reducing border barriers. While we saw the apparent importance of SMEs in the preambles to the FTAs, these do not emerge as one of the key objectives in the trade corpus. This focus on liberalising trade through boosting exports and lowering barriers to trade serves to underpin the perceived importance of the relationship between trade and economic growth. Each of the other categories are also largely directed at the overall goal of economic growth — be this through acknowledging the role of imports, the signing of trade agreements (which may include free trade agreements or more focused trade deals), or explicit trade support policies such as export finance, though they receive a lower relative priority. We see some divergence between the topic modelling and the text analysis results. The topic modelling suggests a considerably higher degree of importance for trade agreements than is the case for the text analysis.

Figure 2.7: Identification of specific trade objectives



Source: Own analysis using the trade corpus

Figure 2.8: Policy tools



Source: Own analysis using the trade corpus

2.2.2.3 Policy Tools

We now consider the main policy instruments across the trade corpus that are mentioned as means to achieve the growth objective. For this discussion, we focus on the text analysis as this is better suited for policy identification. Similarly to the earlier figures, in Figure 2.8 we give the relative importance, based on the RPI, of the different types of policy instruments.

The set of instruments which appear as most significant are trade-related instruments. This highlights the importance of trade policy to achieve the goal of economic growth as identified earlier. The trade policy instruments in this category include policies ranging from trade agreements (which could be Free Trade Agreements or mini deals), trade remedies, reducing trade barriers, tariffs, import and export controls, to border barriers. The single most important category in this group relates to trade agreements. Mention of some form of trade agreement appears both with the most overall frequency across the trade corpus and is also mentioned in each of the documents.

The second most important category concerns policy instruments focussed on businesses / firms, and we also saw the importance of the focus on businesses when looking at the growth objectives in Figure 2.6. Within this category fall policy instruments such as the promotion of digitalisation and the use of technology, information, business and export support services, policies to support better use of data, and policies to lower firms' costs, as well as the promotion of industrial clusters. The use of various forms of financial instruments (tax relief / credits, loans, grants and subsidies, and public finance institutions is the third most commonly cited category of tool. This category is also related to the investment grouping, which ranges from public-private partnerships to support for investment in R&D, or support for FDI.

There is a separate category which relates to international engagement. In this category, we capture the mention of UK participation in international organisations, commitments to the rules-based multilateral trading system, and regulatory diplomacy. Policies focused on regulations or regulatory barriers, skills and education, and infrastructure appear to have a lower priority.

2.2.2.4 Sectoral Coverage

Another key element in any trade strategy is the extent to which it has a particular sectoral focus. Successive UK Governments have long chosen to target particular industries as future growth industries, for which additional support has been typically provided. Over the last decade, this can be seen across a range of policies[12]:

- The Catapult network (2011-2015) with a focus on supporting innovation and 'bridging the gap' between research and industry.

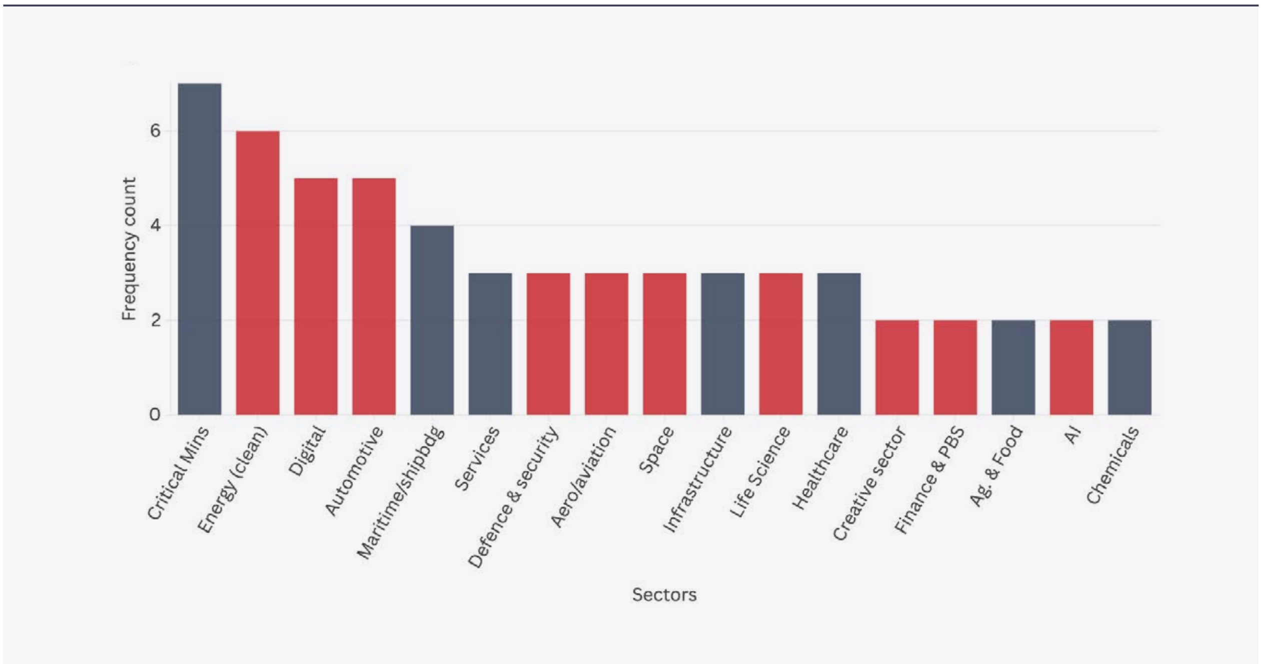
- The "eight great technologies" of the future announced, in 2012 (ranging from 'big data', energy storage, to satellites).
- The Industrial Strategy of 2017, which was more thematic in approach but also focused on a set of sector deals (life sciences, construction, AI, automotive, creative industries and nuclear).
- The Advanced Manufacturing Plan (2023) and Critical Imports Supply Chain Strategy (2024) together focused on a range of sectors from creative industries, life sciences, automotive and green industries.
- The Industrial Strategy (2025) has an explicit focus on eight sectors: advanced manufacturing; clean energy industries; creative industries; defence; digital and technologies; financial services; life sciences; and professional and business services.

There are many common elements in these strategies, in particular, across the more recent documents. This includes a focus on creative industries, life sciences, and advanced manufacturing — including elements within that, such as aerospace, automotive, digital and AI. There are also some important differences – with less emphasis now on construction or satellites, with greater focus on clean energy than energy per se. Importantly, the recent Industrial Strategy explicitly also focuses on more service industries, notably financial services and professional and business services.

Figure 2.9 summarises the extent to which particular industries or sectors emerge from the trade corpus. For this analysis, we identified the sectors mentioned in each of the strategy documents, and list all those sectors that appear in more than one of the documents. We define sectors here broadly. For example, while digital is a sector in its own right, it is also part of the process affecting and inputting into all sectors, and similarly, AI. The figure then gives the number of documents in which that sector is mentioned. Hence, the maximum 'score' that could be obtained would be 11, as there are 11 documents. The bars in red are the industries that have also been identified as priority industries in the Industrial Strategy (automotive, aviation, and space are part of advanced manufacturing). The most frequent industry that emerges is 'critical minerals', which appears in seven of the documents. This is followed by clean energy which appears in six of the documents, and then digital and automotive, each of which appears in five of the documents.

It is worth noting that the generic category of 'services' ranks sixth, and this identifies where services have been mentioned generically in the documents. Where particular service sectors have been explicitly mentioned – such as creative industries, financial services and professional business these are listed separately. On balance, there appears to be a greater prioritisation of the non-service part of the economy across these documents. There are also four sectors which only appear in one of the documents and are not depicted in the figure. These are Tourism, Education, Oil and Gas, and Intellectual Property.

Figure 2.9: Sectoral focus



Source: Own analysis using the trade corpus

2.2.2.5 Summary observations from the analysis above

The core messages which emerge from the analysis of the trade corpus are:

- The most important goal of Government policies since 2019 has been economic growth, with trade as a component of that.
- Goals such as environmental sustainability, or economic security have received considerably less emphasis.
- The main objectives with regard to growth are to support businesses, we note the greater focus on manufacturing in comparison to services, although there is now more focus on services in the new Industrial Strategy (see discussion below).
- The sectors of highest priority in the trade corpus are automotive and digital, followed by life sciences and defence.
- With regard to trade, the focus is clearly on increasing exports with comparatively little focus of the role of imports. On the export side, this primarily involves removing border barriers, improving market access and signing trade agreements, with more emphasis in the recent trade strategy also on export services. On the import side, only importance is explicitly acknowledged with regard to 'critical' imports.
- On tools / levers the focus is primarily on trade policy tools, within which the main trade policy is signing trade agreements. This underscores the perceived importance of trade for the growth agenda.
- Support for business across a range of instruments, is also important and is given more significant than cross-cutting policies to improve the business / investment climate such as regulations, skills, or infrastructure improvements.

2.3 Trade policy under the new Government – since July 2025

In the UK context, there was a change of Government in July 2024 followed by publication of both a Trade Strategy and an Industrial Strategy. This was an important step in understanding the evolution of the landscape of UK trade and industrial policy, as well as the new Government's priorities and policy tools. These documents build upon a range of policies and strategy documents that had been developed and published under preceding Conservative Governments, and there is a strong degree of continuity. However, what may change with a new Government is the prioritisation of the different objectives, and possibly also the policy tools which are used to address those objectives.

In order to assess current Government priorities, we consider the range of trade-related press releases from the Department of Business and Trade (DBT) following the election of the Labour Government in 2024, and the statements made by relevant ministers to parliament, as well as the Industrial Strategy and the Trade Strategy. We have not applied our text analysis or topic modelling approaches to either the Industrial or the Trade Strategy. This is for two reasons. First, because these are individual documents and the strength of our method is that it allows us to draw conclusions from across a range of documents; and secondly, because it was important to separately consider the extant trade corpus prior to the election of the new Government in 2025.

2.3.1 Press releases and ministerial statements

Since the election of the Labour Government there have been over 80 relevant press releases and statements made to the House of Commons with regard to trade and trade policy by UK trade ministers through to July 2025. In and of themselves, they do not provide a comprehensive overview of UK trade policy, as in many cases, they are in response to specific events (such as the outcome of a particular FTA negotiation), and some are addressing the legacy from the previous Government. Nevertheless, the tone and language of these statements and press releases provide a clear indication of the current Government's objectives and approach.

For example, shortly after the general election, on the 29 July 2024, in a statement to the House of Commons on the UK's free trade agreements negotiation programme, the then Secretary of State, Jonathan Reynolds stated:

"This Government are committed to developing a trade strategy that will drive economic growth. Our approach will be underpinned by rigorous economic and geopolitical analysis, and will align with our industrial strategy, support our net zero ambitions and enhance our economic security."

This indicates clearly the focus on growth but also gives recognition to broader industrial policy considerations, net zero and economic security.

There are five issues which emerge from examining press releases and statements:

- A focus on policies to boost UK exports, but little or no mention of imports, nor of the gains from importing.
- Improving market access to third countries, almost invariably through signing free trade agreements
- Economic security and supply chain resilience
- The role of the digital transformation in supporting and boosting trade
- An emphasis on stability, and the message that a key element of the Government's (growth) agenda is to provide a clearer and more stable environment – presumably for investment and trade.

Other areas mentioned less frequently include: a commitment to free and open trade and the rules of the multilateral trading system (even though the UK-US Economic Prosperity Deal would appear to violate those rules), investment, and regulatory cooperation with other countries.

2.3.2 The Industrial Strategy

The UK Government also published its "Modern Industrial Strategy" in June 2025. The main goal of the Industrial Strategy is economic growth, through investment and innovation, improving support for businesses, investing in skills and infrastructure and international trade. At the same time, there is some recognition of the importance of issues such as net zero, sustainability, supply chain resilience / security and the regional distribution of economic activity.

There are eight core sectors (the IS-8) which are: advanced manufacturing, clean energy, creative industries, digital and technologies, financial services, defence, life sciences and professional business services. In this list of industries, there is a welcome shift towards the inclusion of service industries, which previously (as discussed above) had comparatively little attention. In addition to the IS-8, there is explicit mention of what are termed 'foundational' industries which are considered as important backbone industries and suppliers to the UK economy. These are: electricity, ports, composites, materials, construction, steel, critical minerals, and chemicals. It is worth noting that these are largely infrastructure or manufacturing industries as opposed to services. It is also the case that most of these have been identified in previous Government documents and strategies, such as the Catapult Network, the Industrial Strategy (2017), or the Advanced Manufacturing Plan (2023).

The tools that are discussed in the Industrial Strategy encompass, inter alia: finance, business information and support, trade agreements, UK export finance and export promotion, public procurement, investment screening, regulatory reform, planning reform, support for collaboration between industry and researchers, coordination with regard to technology adoption and AI, improved use and provision of data, support for skill based education and training.

There are several aspects to the Industrial Strategy that are arguably 'different' from previous policy. There is a clear tone and message across the document that is captured in the executive summary, which states that *"… the Government's priority mission is to deliver strong, secure and sustainable economic growth to boost living standards for working people in every part of the UK"*. Hence, growth is ultimately the objective, but this is grounded in notions of security, sustainability, stability, and equity. The focus on stability can also be seen across a range of statements and speeches by ministers since the general election, discussed above. For example, in commenting on the UK-India Free Trade Agreement, Prime Minister Starmer stated that *"strengthening our alliances and reducing trade barriers with economies around the world is part of our Plan for Change to deliver a stronger and more secure economy here at home."*[13] The aim is to provide more certainty, longer-term planning, and stability while recognising the challenge of economic security.

There is a clear recognition of the broader context in which the strategy is written: this includes a stubborn lack of domestic growth and the rapidly evolving international environment. Hence, domestically, this challenge is to address low growth and investment. Internationally, this is an explicit recognition of the much more difficult geopolitical and economically interventionist environment, as well as the recognition of the fast pace of technological change.

The Industrial Strategy is clear in identifying the existing obstacles or constraints to achieving its objectives, and by and large these seem sensible: energy costs, access to finance and investment, the lack of long-term planning and support, skills, infrastructure, planning regulations and broader regulatory costs and burdens. There is also recognition of the importance of data and evidence both for good policymaking and for businesses. In comparison to the discussion of the trade corpus earlier, there appears to be more emphasis than previously on the long-term and on the overall business environment in which firms operate as opposed to focusing directly on business support.

The strategy contains clear statements on the goals and means of achieving its objectives. This explicitly involves a more interventionist approach and a readiness to intervene where it is needed (*"a more muscular approach to Government"; "industries… need the state to be an active partner"*). The approach is also explicitly more long-term, in particular, with regard to funding designed to give firms greater incentives and greater stability. There is also recognition of the role of international trade as *"the best route to prosperity"*, the importance of the rules-based international trading system, and the importance of evidence-based policymaking.

There is an attempt at more joined-up thinking with regard to the goals and objectives (investment, skills, trade) and the implementation across the sectors of the economy. That joined-up thinking applies both across Government departments, but also reflects a desire to work much more closely with businesses and stakeholders, and more of an emphasis on institution building. While there had been an industrial strategy produced in 2017,[14] in the post-2019 period of our analysis, there were various Government strategies ranging from batteries, digital, advanced manufacturing, critical imports etc, all written at different times, by different departments and different people. Bringing it together into one document and a focused strategy is more likely to achieve coherence and the desired positive outcomes.

Has the Government got it all right with this Industrial Strategy? Almost certainly not, and surely and rightly there will be specialists and experts who will argue the toss over specific issues, policies or recommendations; or about how monitoring and evaluation of success will be undertaken; whether taking a sectorally-focused approach is the right way to go; and whether sufficient (new) money has been allocated. Such discussions are to be welcomed and are healthy. The presence of the Industrial Strategy gives a much clearer basis for such discussions.

It is a mistake to think that Governments can get it all right and that such a document can be definitive. It is also a mistake to think that Governments should not make mistakes. There is naturally an in-built aversion to failure in Government policymaking, and this is for both good and bad reasons. In the pursuit of reasoned and evidence-based policies, there should be explicit recognition of risks, and thus Governments should be prepared to make some mistakes and to fail in some initiatives. On that note, the Foreword to the document states that the Government's approach is 'prepared to take punts in pursuit of growth and productivity'. This is a healthy approach. In taking a punt, you are taking risks.

2.3.3 The Trade Strategy

From the date of the referendum to leave the EU in 2016 until 2025, the UK did not have a clearly articulated (or written) trade strategy. From the discussion above, trade was considered an important part of each Government's aim to achieve higher rates of economic growth, and largely this was to be achieved through signing free trade agreements. However, there was little sense of coherence across the agreements signed, and no clear statement of priorities.

In summary, the key conclusions which emerge from the Trade Strategy are that overall economic growth remains the principal goal, and this is consistent with preceding policy. We also see, de facto, a strong continuation of pre-existing policy initiatives. However, there is also some change of policy focus – notably with regard to seeking more 'mini-deals', an expansion of business support for exports, a greater focus on regulatory barriers to trade, and a strengthening of trade defence and trade remedies. All this is primarily focused on the economic growth objective. Other objectives – clean growth / green transition – are seen as important but clearly of secondary order. Equity or distributional issues – such as environmental sustainability, workers rights, support for LDCs - are mentioned but would appear to have an even lower priority. It is worth pointing out that the prioritisation as discussed above is never made explicit and rather is based on a careful reading of the strategy.

The 2025 Trade Strategy is thus an important milestone in the evolution of the UK Government's approach to international trade. It sets out the context, the core objectives, and introduces some policy tools and initiatives. While there is a lot of focus on exports, which is par for the course in trade strategies, there is also explicit recognition of the importance of imports – for supply chains, competitiveness and consumers. It is too easy to forget that much of the benefit from trade comes from imports and not from exports, the importance of which was certainly neglected in the Government strategy documents in our trade corpus, discussed earlier.

The Trade Strategy follows a clear structure, first taking stock of what the UK economy and its trade flows look like, setting this against the current tumultuous world context, and then on that basis deducing objectives and policy instruments for how trade should be nurtured, with which partners, and with what institutional framework(s). It is closely linked to the Industrial Strategy, and there are several references to ensuring trade policy aligns with the focus on the IS-8 sectors.

In the following subsections, we outline some of the key features of the Trade Strategy and indicate the ways in which it perhaps represents a shift from previous policy as seen through our analysis of the trade corpus.

2.3.4 International engagement

The Trade Strategy identifies the UK's priority partners (the EU, the US, and China), and provides some useful signals about the Government's policy direction. While recognising that the decisions made by the EU, US, and China will prioritise those countries' national interests, and in a more aggressive way than heretofore, the UK aims to balance relations with all. Overall, the discussion is pragmatic, and the emphasis on maintaining or strengthening economic relations with a range of key trade partners is welcome. The UK commits to a "no containment, no alignment" approach, opting for strategic engagement in areas where bilateral mutual benefit is clear, particularly in green tech, finance, and consumer goods. The strategy acknowledges China's central role in supply chains and global trade, while also identifying sectors of concern, such as advanced manufacturing, AI, and digital infrastructure where the UK should engage more heavily, but with caution. However, the Trade Strategy doesn't explain how this balancing act will be managed in practice vis-à-vis the other important trade partners identified. In comparison to the Industrial Strategy, the Trade Strategy does not have a sector-specific framework for deciding where trade should not be, for example, encouraged, limited, or safeguarded. This should not be seen as a lacuna, but it is important that in deciding policy with respect to partner countries, the Government should not lose sight of its sectoral objectives.

Despite rising global protectionism and interventionism, the Trade Strategy also reaffirms the UK's commitment to free trade principles and a stated willingness for stronger international cooperation through the Group of Seven (G7), OECD and WTO. Importantly, the UK commits to join the Multi-Party Interim Appeal Arbitration Arrangement (MPIA), a temporary arbitration mechanism for addressing appeals while the dispute settlement system is partially operational (due to the current disabling of the WTO Appellate Body).

The MPIA provides a pragmatic means to preserve dispute settlement in the absence of consensual reforms; its key players include the EU, China, Canada, Australia, Brazil, and Japan, amongst others. It does not include all WTO members, most notably, the US and India.

On the one hand, joining the MPIA can be seen as a positive signal indicating the UK's alignment with free trade and open markets. On the other hand, the commitment to open trade seems conditioned by a pragmatic willingness to break rules where necessary. This is summarised by the sentiment that "… we need an agenda for trade that is not only free, but also fair, accountable and – **insofar as is practical** – governed by rules" (our bold italics), and that they will be *"unashamedly opportunistic in considering deals of every sort as we hunt out opportunities for growth"*.

The Trade Strategy is clear about the instruments the Government plans to use, given the current problems and blockages affecting the WTO. These are plurilateral agreements inside and outside the WTO; sector-specific, targeted, flexible trading arrangements, (a.k.a 'mini deals') including on regulatory cooperation and mutual recognition; and non-binding instruments. There is a general approach that the UK will *"need a more varied – and smarter – set of trade tools than we have had in the past"*. What this seems to translate into is a shift away from Free Trade Agreements as a primary instrument of trade policy towards international agreements which are not FTAs, something the document variously refers to as bespoke accords, *"new modern partnerships"*, *"bilateral and multi-party deals"* and *"smart agreements"*. For the purpose of this report, we loosely refer to such agreements as mini deals.

However, other than digital, there is little discussion as to which areas may benefit from mini deals, and the circumstances under which it is desirable to have binding and formal rules, or the circumstances which may do just as well with non-binding approaches. Despite the commitment to the international rule of law and the WTO, mini deals may well violate WTO rules, such as Article XXIV of the General Agreement on Tariffs and Trade (GATT), depending on their content. Indeed, the UK appears to have already done so in its negotiated agreement with the US – the Economic Prosperity Deal with the US.

2.3.5 Domestic policy initiatives

With regard to domestic policy instruments, there are quite a lot of statements of ambition and objectives, but the number of actual concrete new initiatives is relatively sparse. For example, the salience for the UK economy of services exports, in terms of trade value and employment, is prominently and repeatedly acknowledged. In a breakthrough for a strategy document, the linkages between services and goods trade are recognised. This corresponds to an increasingly blurred line between goods and services and the way in which business models have evolved. The importance of this for the UK was discussed in Chapter 1. Recognising these linkages bodes well for joined-up policymaking, including relevant associated aspects of investment policy, mobility, or intellectual property rights. However, while recognising the role of services is important and a departure from previous policy, there are almost no related policy initiatives related to services.

Similarly, the strategy has numerous references to clean energy, clean / green growth, and there is a clear affirmation of the UK's commitment to meeting its climate objectives and net zero. There is also a range of aspirational statements regarding initiatives that support trade in environmental goods and services, seeking outcomes in trading frameworks and international agreements - including at the WTO – that support sustainable trade and working with partners to diversify supply chains, including those for green technology. However, once again, there is limited discussion of specific policy initiatives.

Other areas where there is ambition, but few domestic policy initiatives, relate to digital trade and agri-food. This may be in part because there is also a UK Government Food Strategy for England where trade is discussed in more detail. The perceived salience of trade can be seen from the Ministerial forward in that food strategy which states that, *"since announcing our strategy, this Government has taken bold steps: securing a hat trick of trade deals that protect our farmers, opening new markets for exporters, and beginning negotiations to cut red tape with our closest trading partners"*[15]. It is important to note that agri-food trade strategy has the added complication that agri-food policy is devolved, whereas trade policy is not a devolved competence. On agri-food, in addition to finalising the terms of the UK-EU SPS agreement, there is discussion ranging from the use of commercial diplomacy to further agri-food objectives, streamlining customs procedures, working collaboratively with Governments, to a review of responsible business practices.

On digital trade, the strategy underlines the significant economic opportunities surrounding digital and technology as one of eight growth-driving sectors. It also addresses AI opportunities and the importance of developing digital infrastructure, and the possibilities arising from digital agreements with other countries. There is also discussion around developing resilient telecoms infrastructure, the desire to increase AI adoption through an AI Opportunities Action Plan.

The concrete policy instruments in the document include:

- **UK Export Finance**: A substantial expansion by 33% of funding for UK Export Finance, and some prioritisation of that finance towards clean energy and defence
- **Export support**:
  - The integration of export support services into the new Business Growth Service
  - Expansion of the network of regional Export Finance Managers to focus on clusters with strengths in the Industrial Strategy IS-8 core sectors.
  - A pivoting of resources in diplomatic missions to focus more on helping UK businesses to export and international firms looking to do business in the UK.
  - More funding for trade missions to boost exports.
  - Improved and modernised digital export support, bringing relevant information together into one place on GOV.UK.
  - Pilot projects focused on the adoption of Electronic Trade Documents to reduce border frictions, and digital trade corridors with EU markets.
  - New SME capability programme to support SMEs to digitalise and stay competitive
- **Trade Remedies and trade defence:**
  - legislation to expand Government powers to respond to unfair trade practices and guard against global turbulence in critical sectors such as steel
  - legislation to adjust the Trade Remedies Authority policy guidance and operating framework
  - To improve businesses' access to trade remedies by reducing the cost and increasing the speed of applications
  - To make the trade remedies system more accountable to Ministers
- **Regulatory barriers**: the establishment of the Ricardo Fund as a way for UK regulators to unlock foreign markets, in part, by getting trading partners to adopt international standards, or even simply UK-friendly ones
- **Economic security**: A new 'Supply Chain Centre' and a new Economic Security Advisory Service

There is also a chapter on "Accountable Trade" which covers both non-growth objectives (environment, labour rights, corruption, support for Least Developed Countries (LDCs), as well as internal UK governance arrangements. With regard to both, while there are warm words, commitments are lacking in substance.

On governance, the UK Government in the past has faced criticism due to its non-transparent approach to trade negotiations, poor stakeholder engagement and lack of strong input from devolved nations and oversight from parliament.[16] Many have called for the Labour Government to make formal changes to legislative[17] and governance processes[18] in order to create a more balanced and consultative approach. While some commitments have already been made, largely under the Conservative Government, the strategy largely preserves the status quo. The most concrete change is that while the Constitutional Reform and Governance Act (CRAG) timeframe of 21 sitting days stays the same, 10 additional days will be given for parliament to respond following the publication of the Trade and Agriculture Commission (TAC) (report on any new FTA. The strategy also states that the Government will make negotiators more available to parliamentary select committees (a controversial issue in the last Government). Overall, these are hardly significant reforms, and thus, with regard to the lack of parliamentary scrutiny, there is considerable continuity with the approach of previous administrations.

2.4 Conclusion and recommendations

This chapter has outlined the key messages that emerge from analysis of a range of trade-related Government documents and strategies, as well as from Government statements and existing trade agreements. There are several main points which emerge from this analysis.

First, the overall focus and primary objective of Government trade policy is economic growth. This has particular importance for the UK, which, as discussed in Chapter 1, has witnessed relatively low rates of economic and productivity growth since the financial crisis and lower than a number of comparable countries. The singular prioritisation of growth by Government contrasts somewhat with public attitudes to international trade which give equal weight to issues such as environmental sustainability, food standards or labour / human rights.

Second, to facilitate higher growth, the key trade policy instruments evoked involve increasing access to foreign markets, for example, through trade agreements, and making it easier for firms to export either by reducing border barriers and customs procedures, or through providing support for exporting firms.

Third, the 2025 Trade Strategy provides considerable continuity in this policy focus but also reveals some change in emphasis and in policy instruments. The change in the former is reflected in the growing importance of economic security and trade defence on the one hand, and the rise of digitalisation on the other hand. The shift in policy instruments includes a focus on a broader range of less comprehensive trade agreements (in comparison to free trade agreements), the expansion of business support for exports, more focus on regulatory barriers to trade, and a strengthening of trade defence and trade remedies. Importantly, while there is a commitment in the Trade Strategy to the rules of the multilateral trading system, at the same time, this is conditioned by a willingness to be prepared to break such rules where necessary.

Fourth, while there is some recognition in the Trade Strategy of the importance of imports for economic activity and economic growth, as well as of the importance of services for the UK economy, the strategy is relatively thin on policies with regard to each of these, and still appears more focused on goods trade.

Recommendations

- Greater consideration should be given to issues of sustainability and inclusiveness - how these are being impacted by trade and could be addressed by trade policy.
- Greater clarity over the objectives of mini deals, and the circumstances and issues for which they may be desirable.
- The UK should strongly adhere to the rules of the multilateral trading system. This is particularly important given the current challenges to those rules from the policies of other countries.
- Greater recognition in trade policy making of the importance of services trade and the linkages and synergies between services and goods trade, and thus on services and goods trade policy.

- A coherent approach to the ex post assessment of policies, their efficacy, and the extent to which the objectives have been realised. The assessment should cover the social, economic and environmental impacts, including the impacts on businesses, notably small and medium sized enterprises, as well as society more generally.
- The ex post assessment should evaluate coherence with policy in other spheres.
- The government should establish and publish evaluation frameworks in order to understand the effectiveness of interventions.
- An annual report on UK trade performance, UK trade policy and the barriers to UK trade. This would provide a summary of what has been achieved, as well as identifying on-going challenges.

References

1 The Conservatives were in Government from 2015-2024.

2 The 11 documents are: 'The Advanced Manufacturing Plan'; 'Net Zero Strategy'; 'Critical Imports and Supply Chains Strategy'; 'UK Export Strategy'; 'Levelling Up the United Kingdom'; 'UK Innovation Strategy'; 'National Semiconductor Strategy'; 'UK Critical Minerals Strategy'; 'Integrated Review Refresh 2023 (IR23)'; '2025 Border Strategy'; 'International Regulatory Cooperation Strategy'; 'Industrial Strategy Green Paper (2024)'. These documents constitute our 'trade corpus'.

3 Department for Business and Trade, The UK's Trade Strategy (Cm 1339, 2025).

4 For a more detailed explanation of the methodology, please see the UK Trade Policy Review website.

5 For this we have used the English Web 2021, accessed using the softward package Sketch Engine.

6 More formally, for each 'objective' the RPI is the inverse of the coefficient of variation (ICV) which is normalised by multiplying the ICV by the ratio of the number of observations for each objective divided by the maximum number of observations across all the objectives.

7 Norway, Liechtenstein and Iceland.

8 Indeed there were also other areas not listed in the table specific to the UK-EU TCA which were a direct result of the complications arising from the withdrawal of the UK from the EU, and notably the single market. These include, inter alia, discussion of marine preservation and fishing, social security rights, and joint research programmes.

9 Centre for Inclusive Trade Policy, 'Understanding the public's trade policy priorities' (Centre for Inclusive Trade Policy) <https://citp.ac.uk/uktpr/understanding-the-publics-trade-policy-priorities> accessed 28 October 2025.

10 Gianmarco Ottaviano, Giovanni Peri and Greg C Wright, 'Immigration, Offshoring, and American Jobs' (2013) 103 American Economic Review 1925; Cristina Mitaritonna, Gianluca Orefice and Giovanni Peri, 'Immigrants and firms' outcomes: Evidence from France' (2017) 96 European Economic Review 62.

11 Note that some of the options appeared in only one of the two waves. In those occurrences we have taken the response for the wave in which the option was offered.

12 Note that most of these pre-date our trade corpus.

13 'UK concludes trade deal with India' (6 May 2025) <https://www.gov.uk/Government/news/uk-signs-trade-deal-with-india> accessed 16 October 2025.

14 Department for Business, Energy & Industrial Strategy, 'Industrial Strategy: building a Britain fit for the future' (27 November 2017) <https://www.gov.uk/Government/publications/industrial-strategy-building-a-britain-fit-for-the-future> accessed 16 October 2025.

15 A UK Government food strategy for England, considering the wider UK food system' <https://www.gov.uk/Government/publications/a-uk-Government-food-strategy-for-england/a-uk-Government-food-strategy-for-england-considering-the-wider-uk-food-system> accessed 16 October 2025.

16 International Trade Committee, UK trade negotiations: 'Parliamentary scrutiny of free trade agreements' (HC 2022–23, 815).

17 Holger Hestermeyer and Alex Horne, 'Treaty Scrutiny: The Role of Parliament in UK Trade Agreements' (CITP Briefing Paper 9, 2024) <https://citp.ac.uk/publications/treaty-scrutiny-the-role-of-parliament-in-uk-trade-agreements> accessed 28 October 2025.

18 International Trade Committee, 'UK trade policy transparency and scrutiny' (HC 2017–19, 1043).

Chapter 3: Domestic dimensions of UK trade policy

Chapter overview

In the preceding chapter, we identified the principal goals and objectives of UK trade policy, evidenced by existing policy documents and government statements. In this chapter, we detail the main processes and legislative frameworks through which the key elements of UK trade policy are made. We also discuss the more informal consultative arrangements in place through advisory groups, as well as the role of the UK Devolved Administrations in the making of UK trade policy. The chapter also discusses the UK trade remedies regime and the subsidy regime.

Key points

- The UK's legal framework for trade policy is based on 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.
- In support of the legal framework, there is the Trade and Agriculture Commission (TAC) and the Trade Remedies Authority (TRA). These are constituted on a statutory basis. The TRA was created in 2021 as an independent arm's length body sponsored by DBT but operating quasi-independently and under WTO rules. The TAC was established in 2021 under the Agriculture Act (2020).
- UK trade policy making is also supported by a range of advisory groups, the name, composition and purpose of which have seen considerable change over recent years.
- 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. They also develop their own trade policy strategies and implement their own export promotion and business support schemes.
- Complications can arise because the Devolved Administrations have legal competence over certain policy areas (agriculture, environment, health), which may also be subject to negotiation in the UK's trade agreements. There have been three key policy developments in response to these complications: UK Common Frameworks (2017), the UK Internal Market Act (2020), and the Review of Intergovernmental Relations (2022).
- Many elements of trade policy making – public consultations, parliamentary updates, and negotiation strategies – remain discretionary. This means that significant elements of transparency, accountability and stakeholder engagement in the UK's trade policy process remain non-binding and subject to change.
- The Trade Strategy (2025) highlights the role of trade remedies in meeting economic security objectives and states that the system needs to be more accountable to ministers. It continues earlier efforts to give ministers greater discretion over whether to act on the TRA's recommendations following the Economic Interest Test – an innovation in the UK's trade remedies regime. These approaches are liable to introduce more political judgement into the application of trade remedies. The Strategy also notes that the UK's trade defence approach may need reconsideration amid geopolitical competition
- The Subsidy Control Act 2022 replaced the EU State aid, aiming to provide more flexibility for the use of subsidies for the pursuit of industrial strategy objectives. It moves the UK from ex-ante subsidy control to one of self-assessment. Subsidy regulation was contentious during TCA negotiations due to concerns about maintaining a "level playing field." The Subsidy Control Act seeks consistency with the provisions of the TCA, and with the WTO Agreement on Subsidies and Countervailing Measures (1995).

3.1 The legal framework for trade policy in the UK

3.1.1 Overview

The UK's legal framework for trade policy is based on a combination of statutory (legislation) and non-statutory processes. A key piece of existing legislation is the CRAG, passed in 2010, which requires all international treaties to be laid before Parliament. Further legislation was required following the UK's exit from the EU.

An initial step was taken through the Taxation (Cross Border Trade) Act of 2018, which granted powers to impose and regulate customs duties and contained provisions relating to the conduct of trade remedies investigations (anti-dumping, countervailing duties and safeguards). In 2021, the UK Parliament passed the Trade Act 2021, which formally granted powers to the Government to implement international trade agreements, established a Trade Remedies Authority and the Trade and Agriculture Commission, and granted powers to collect and disclose information on international trade. Other important legal instruments relevant to trade policy include the Agriculture Act 2020, the Subsidies Control Act of 2022, the Government Procurement Act of 2023 and the National Security and Investment Act (2021).[1]

Table 3.1 provides a summary overview of the key elements of the legal framework and scrutiny processes as they impact UK trade policy.

Table 3.1: UK legal framework applicable to trade policy

Process	Description	Note
Royal Prerogative	The Government has an unfettered power to make treaties which do not change domestic law.	Following *Miller v the SoS for Exiting the European Union* (2017)[2] the Government cannot unilaterally make a treaty that changes domestic law without Parliamentary scrutiny.
Treaties and Memorandum of Understandings	If domestic legislation is required to enable the UK to give effect to its obligations under a treaty, the legislation should be in place **before** the treaty comes into force, so that the two can come into operation at the same time.	Normal parliamentary process for creating or amending legislations
Constitutional Reform and Governance Act (2010)	No treaty subject to ratification, acceptance, approval, the mutual notification of completion of procedures, or to which the UK intends to accede, can be brought into force unless it has been laid before Parliament for 21 sitting days without either House having resolved that the UK should not demonstrate its consent to be bound.	Statutory form of the 'Ponsonby Rule';[3] the Treaty must be accompanied by an Explanatory Memorandum
Trade Remedies Regulations (2019)	Assigns powers to the Trade Remedies Authority (TRA) for investigation, review and other functions related to dumping. TRA conducts a review and submits a recommendation to the Secretary of State, who can accept or reject the TRA recommendation. If the SoS rejects the recommendation it has to lay an explanatory statement before the House of Commons.	No power for the House of Commons to examine TRA recommendations or the government's reasons for rejection of those recommendations; no power to challenge the rejection of a TRA recommendation by the government. If the SoS applies an alternative remedy under Section 76A(2), then they must lay a statement before the House of Commons stating the reasons for the decision.
Agriculture Act (2020)	Power to secure compliance with the Agreement on Agriculture (WTO)	Section 43, Agriculture Act 2020[4]

Agriculture Act (2020)	FTAs with UK regulation applicable to animal and plant health, animal welfare and environmental protection cannot be laid before Parliament under CRAG until the Secretary of State (SoS) has made a report that outlines the agreement's consistency with the UK's statutory requirements on human, animal or plant life or health, animal welfare, and the environment.	The Act allows the Secretary of State to "seek advice from any person the Secretary of State considers to be independent and to have relevant expertise". In practice, this advice is obtained from the Trade and Agriculture Commission set up by the Trade Act 2021, the Food Standards Agency and Food Standards Scotland.
Grimstone Rule (2021)	The Government will facilitate a House of Lords (HOL) debate on any FTA negotiating objectives, if the HOL International Agreements Committee has published a report and recommends a debate. FTA will not proceed to ratification unless such debate is facilitated.	Non-statutory commitment created during parliamentary discussion of the Trade Act 2021
Trade Act (2021)	Foreign Affairs Committee can publish a report on credible reports of genocide in the territory of a prospective FTA partner. The SoS has to respond to such a report. If the committee is not satisfied with the response and publishes a statement to that effect, it can set out the wording of a motion to be moved in Parliament. The Government must make time for debate and vote on that motion.	Creates the Trade and Agriculture Commission. At present, this provision of the Trade Act is not in force, so the TAC operates on a provisional basis,
National Security and Investment Act (2021)	The SoS has the power to give a 'call-in notice' when they suspect a person has gained control of a qualifying entity or qualifying asset. The SoS has to lay the statement about the call-in notice before Parliament.	The SoS must carry out consultations if they are publishing a statement about the call-in notice prior to laying it before Parliament.
Informal arrangement (2022)	The Government will make senior officials and the SoS available to the House of Commons International Trade Committee privately to discuss prospective negotiations with the committee and the House of Lords International Agreements Committee prior to negotiations being launched.	Letter from the SoS to International Trade Committee dated 19 July 2022.[5]
Subsidy Control Act (SCA) (2022)	Seven subsidy control principles are prescribed. Streamlined subsidy scheme must be laid in front of Parliament. If modified after being laid, the modified scheme also must be laid in front of Parliament. There is a 40-day period for Parliament to not approve the scheme/ modified scheme. If not approved, the scheme is not made.	The SCA is a development of the UK subsidy control regime that came into effect at the end of 2020 as part of the implementation of the UK's commitments in the EU-UK TCA.

Source: Own calculations from the ONS, Annual Business Survey exporters and importers, June 2025

3.1.2 Scrutiny

Trade policymaking in the UK, including entering into international trade agreements, is a function of the UK Government with oversight by Parliament. The UK Parliament consists of the elected House of Commons and the unelected House of Lords, both of which scrutinise policymaking and its national and international implications. Scrutiny procedures are based on legislation (e.g., CRAG), informal 'rules' (e.g., Grimstone Rule), and practices (e.g., correspondence between ministers and committees).

Parliament's role in the scrutiny of free trade agreements begins when the free trade agreement is brought to ("laid before") Parliament for 21 "sitting days". This procedure is set out in the CRAG and only applies to "treaties". "Treaty" in this case, includes free trade agreements, investment agreements and agreements establishing international organisations, such as the WTO. There is some ambiguity about whether mini deals must be scrutinised by Parliament, although it is possible for the government to voluntarily submit them for scrutiny.

During the 21 days when a treaty is placed before Parliament, Parliament can raise objections or request modifications to the treaty text, but cannot block it entirely. Each treaty must be accompanied by an Explanatory Memorandum, a detailed document outlining the treaty's objectives, its compatibility with UK laws, its governance framework, interactions with existing agreements, and its economic, social, and environmental impacts.[6] Additional reporting requirements apply in specific areas, like agriculture, where specific scrutiny processes exist.

In our consultations, the issue of insufficient transparency and parliamentary scrutiny over trade agreements was repeatedly raised. The comparative lack of scrutiny and transparency has also been raised by different UK parliamentary committees, which have each argued for a greater role for parliament in scrutinising agreements, and in inputting into negotiations. This includes the House of Commons International Trade Committee (ITC), and the Public Administration and Constitutional Affairs Committee (PACAC); and the House of Lords International Agreements Committee (IAC).

Following its inquiry into parliamentary scrutiny of trade agreements in 2022, the ITC concluded that the *"provisions for parliamentary scrutiny of treaties set out in the Constitutional Reform and Governance Act 2010 (CRaG) do not reflect the changes made since the UK left the European Union and so are therefore not fit to scrutinise future FTAs"*. (Paragraph 32). In its report into parliamentary scrutiny processes in the UK, the PACAC (2024) called for reform of the entire CRAG process: *"the current arrangements do not deliver a constitutionally sufficient level of scrutiny; nor do they provide an opportunity for Parliament to approve important policies which can have a significant impact on domestic affairs"* (para 23). The Committee recommended that all agreements, including 'non-binding legal instruments (mini deals), be subject to greater transparency and Parliamentary scrutiny than is the case at present. Greater transparency refers to, for example, providing more information regarding what is being negotiated, with whom, by whom, whether agreements are legally binding as opposed to MOUs, and what the purpose is.

There is some indication in the UK Trade Strategy that the current UK Government intends to revisit parliamentary scrutiny processes but when this will happen remains unclear, and what is being proposed which is an extension of the period of time for parliament to discuss negotiated agreements seems somewhat limited.

3.1.3 Consultations and advisory groups

Many elements of trade policy making – public consultations, parliamentary updates, and negotiation strategies – remain discretionary. This means that significant elements of transparency, accountability and stakeholder engagement in the UK's trade policy process remain non-binding and subject to change. The Grimstone Rule, introduced during the passage of the Trade Act 2021, commits the Government to consider facilitating debates on negotiating objectives of FTAs, if the relevant parliamentary committees request them. If a debate is requested in a timely manner, then the FTA will not become part of UK law until that debate has first taken place. Such commitments are political rather than legal.

The ad hoc character of the transparency commitments by the Government can be seen in the written ministerial statements issued by the Secretary of State for Trade in July, October and December 2020 to update Parliament on the progress of UK-Australia FTA negotiations. These were not formal regulatory requirements, but discretionary actions aimed at fostering transparency. There is still no legally binding requirement for the Government to update or inform Parliament or the public regarding progress during negotiations, despite calls from Parliamentary Committees to introduce this. The absence of a formal, statutory process means that there is less government accountability.

The ad-hoc approach to trade policy formulation also extends to the Government's public consultations on FTA negotiations and the preparation of negotiation strategies. While the government is not legally required to hold public consultation, it has committed to consult the public, and typically runs open public consultations and targeted stakeholder engagement. The normal procedures in an FTA negotiation involve:

- An information pack on the proposed FTA based on general principles and on the patterns of trade and investment between the partner countries.
- A public consultation with an invitation to submit evidence.
- A strategic case report with objectives, a scoping assessment, and a summary of the responses from the consultation.
- An agreement in principle, which outlines what has been provisionally agreed but has not yet been signed off.
- The text of the final agreement, typically with various summaries of the key achievements and the key chapters.
- An impact assessment. This updates the scoping assessment based on the actual agreement.
- TAC and Food Standards Agency / Food Standards Scotland reports and the government's response.

There is also concern about the processes for stakeholder input, and how that input is incorporated in the making of trade policy. In addition to the FTA public consultation process indicated above, the UK's trade policy ecosystem is (and in some cases was) also supported by a range of advisory groups, each with distinct origins, purposes, and degrees of statutory foundation. Foremost among these have been the Board of Trade, the Domestic Advisory Group (DAG), the Strategic Trade Advisory Group (STAG), Trade Advisory Groups (TAGs), and the Trade and Sustainable Development Domestic Advisory Group (TSD DAG). This list alone illustrates the multitude of ad hoc, overlapping, and thus potentially confusing arrangements.

There is also the Trade and Agriculture Commission (TAC) and the Trade Remedies Authority (TRA). All but the TAC and the TRA are non-statutory. The TRA is discussed in more detail in section 3.2, and the TAC is discussed in detail in Chapter 7.

The Board of Trade was reconfigured by the Labour Government and is described by DBT *"as one of the government's flagship advisory bodies on trade and the economy. Comprised of 10 appointed business advisers and a number of ex-officio advisers, representing the UK Nations and City of London, the newly formed board will advocate for UK businesses."*[8] There is very limited information regarding the Board with no information regarding any meetings nor minutes under the new government. It is also clear that the Board is very much focused on hearing the voice of the business community, as opposed to engaging with wider stakeholders and experts.

The UK DAG, is a civil-society advisory body formally established under the UK–EU TCA.[9] It draws representatives from business, labour and civil society to provide independent advice on the TCA's implementation, spanning issues such as customs, regulatory standards, energy, climate change, and labour mobility.[10] The DAG's purpose is to channel stakeholder feedback to government, including in the run-up to major reviews such as the 2025-26 assessment of the TCA. While DAG priorities, membership, and reports are regularly published to ensure transparency and accountability, its recommendations are advisory and non-binding, with no statutory requirement for government action, instead depending on TCA provisions to mandate its existence and consultative function.[11]

The first UK TSD DAG was created through the Department for International Trade (DIT) in September 2022 to advise on implementing the sustainability chapters in the UK's trade agreements.[12] Reappointed in April 2025, The TSD DAG, monitors the UK's trade agreements with non-EU partners on labour, environmental, and climate change chapters, covering FTAs with Australia, New Zealand, CPTPP members, and others.[13] Its members encompass representatives from agriculture, shipping, industry, technology, and NGOs, providing recommendations and participating in joint forums with international partners. The TSD DAG also has transparency obligations with meeting agendas, minutes, and agreed priorities published, and regular engagement with stakeholders and civil society.

The STAG, by contrast, was a ministerially constituted high-level cross-sector forum from 2019 to 2022. It consisted of core members selected for their expertise across regions and sectors. It used to meet regularly to inform trade strategy and policy, with high-level summaries of its confidential deliberations published to maintain a degree of public accountability.[14] STAG had no legislative foundation, and its role was advisory rather than statutory. STAG has been discontinued.

TAGs, introduced by the (then) DIT in 2019 (and also referred to as ETAGs)[15] were similarly non-statutory, set up to provide sector-specific expert input (e.g., on financial services, agri-food, or manufacturing) during FTA negotiations. TAG membership lists and meeting updates were published, but the system was phased out in early 2024. Both STAG and TAGs demonstrate a pragmatic approach to policy consultation, their advice providing context for negotiators but remaining legally non-binding.[16]

In contrast, the TAC and TRA are statutory bodies established under the Trade Act 2021 and related legislation. The TAC's chief purpose is to evaluate how new FTAs affect UK food, animal welfare, plant health, and environmental standards.[17] The TRA is empowered under the Trade Act 2021 and Taxation (Cross-border Trade) Act 2018 to investigate unfair trading practices, subsidies, and import surges that harm UK industries.[18]

Across these advisory bodies, the commitment to some transparency and some stakeholder engagement is evident, with status reports, meeting agendas, membership lists, priorities, and decisions routinely made public. However, there is no statutory basis for such transparency obligations, and they appear to be ad hoc, except for the TRA or TAC, where such obligations are explicitly defined (though as noted elsewhere, the relevant part of the statute related to TAC is yet to be brought into force). Similarly, for most of these groups, there is no legal obligation to accept or implement their recommendations and outputs are advisory.

Both the STAG and the TAGs have now ceased, and as stated on the DBT website, have been replaced by "updated stakeholder management structures".[19] It is not clear, however, what those new stakeholder management structures are – other than the DAG and the TSD-DAG. It appears that the new approach involves a combination of sectoral and thematic working groups (such as the Trade and Labour forum, or the Trade and Anti-Corruption Policy Insights Forum), as well as more tailored and ad hoc consultation meetings with external stakeholders and the business community. Many of these are covered by various confidentiality agreements, and publicly available information on these is largely not available. This means it is difficult to assess how many such groups may exist, how often they meet, the issues / topics being discussed and the extent to which the consultations are acted upon. This is particularly relevant when there are live negotiations taking place, but also in the wider formulation of policies and strategy. An oft-heard perception in our discussions with businesses and stakeholders was that the consultation processes do not work well in practice, and in good part because of the lack of clarity and transparency.

In the Trade Strategy (2025), there are several references to having had feedback from stakeholders, but there is scant discussion of consultation mechanisms other than *"we will continue to work closely with stakeholders as we implement this strategy. Ministers will hold more roundtables on priority issues, host discussion forums and convene ad-hoc meetings with experts as dilemmas and problems arise. We will keep our ears open for what stakeholders and experts think needs discussing – and also give weight to their views about the most effective forums to discuss them"*.[20]

There are clearly advantages to having a flexible and targeted approach, which can address issues as they emerge. There are also advantages in having clear, regular and more formal structures, where discussions can be minuted, and where there is more transparency.

Complementing the UK Government's trade policy ecosystem, the devolved governments have each developed consultation approaches to better understand their region's policy preferences. For example, the Welsh Government's Ministry for Economy set up the Trade Policy Advisory Group to provide expert advice on trade policy decisions. The TPAG consists of a diverse group of Welsh business, civil society and trade unions and provides an advisory role to current Welsh Government policies.[21] Differently, the Scottish Government's Ministry for Trade, Innovation and Public Finance has committed to conducting consultations with businesses as part of the trade policy's – *The Vision for Trade* – implementation monitoring commitments.[22] Additionally, the Scottish Government's trade policy directorate utilises an ongoing stakeholder management programme. The Department for Economy in Northern Ireland consults and engages with a range of local stakeholders from the business sector in respect of trade policy. This includes formal stakeholder groups such as the Economic Vision Engagement Forum, the Exports Forum, The Tariff Working Group and the Dual Market Access Stakeholder Forum, which is hosted jointly by the Department and its partner organisation Invest NI.

In summary, many UK constitutional processes have evolved without reference to formal regulation. Approaches to scrutiny have tended to be ad hoc in nature and include a range of overlapping institutional arrangements. This may in part be due to a combination of the rapid transfer of sovereignty over trade policy from the EU to the UK, and the need for the UK to quickly enter into trade negotiations. These negotiations were both with the EU and other partners with which the UK needed to negotiate "continuity FTAs".

Questions therefore remain about whether the entire system of parliamentary scrutiny and the processes of UK trade policymaking are suitable and adequate. Instituting formalised (statutory) procedures and greater transparency over consultation practices for trade policy formulation would ensure better scrutiny, more accountability, and improve inputs into trade policymaking.

3.1.4 Trade Policy and the Devolved Administrations

The competence to negotiate and sign international agreements, including trade agreements (ranging from full FTAs to mini deals), lies solely with the Government at Westminster, where, as discussed earlier, parliamentary scrutiny is limited. 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. Informal processes have developed but appear to be highly dependent on the government of the day and personal relationships.

The Devolved Administrations recognise that UK trade agreements do not necessarily have a balanced outcome for the political, economic, or social geographies of each of the constituent members of the UK. This was explicitly acknowledged in the Scottish Government's 2025 Paper to the UK Government on the UK Trade Strategy, where they set out their priorities in an attempt to see Scottish preferences reflected in the final trade strategy document. Research has highlighted the "uneven vulnerabilities" across the nations of the UK, specifically with regard to Tariff Rate Quotas for sheep meat and beef and what these may mean for the Scottish and Welsh agricultural economies.[23] Further work signals that such agricultural concessions, used routinely in UK trade deals, may create long-term tensions.

Complications arise because Devolved Administrations have legal competence over certain policy areas, which may also be subject to negotiation in the UK's trade agreements.[24] The situation is further complicated by the position of Northern Ireland following the UK's departure from the EU. The arrangements, which were agreed with the EU under the Windsor Framework, are discussed more fully in Chapter 4. Prior to leaving the EU, many areas of policy governed by common EU laws and regulations provided a consistent regulatory environment across the four nations of the UK, even in areas that were otherwise devolved. For example, standards for food, environmental protection, or animal welfare were often set at the EU level and applied uniformly. When the UK left the EU, these powers were "repatriated" from Brussels, some of these powers related to areas where the Devolved Administrations had regulatory competence (e.g., agriculture, environment, health). This has created the potential for regulatory divergence within the UK, which could disrupt the UK internal market, complicate international obligations, or make cross-border trade and cooperation more difficult. In addition to positions developed at the UK-level, the devolved administrations have also developed policy positions on trade, reflecting regional priorities. These policies are: Scotland: a Trading Nation (2019) and Scotland's Vision for Trade (2021); Northern Ireland's Trade and Investment for a 10X Economy (2021); the Welsh Government's Approach to Trade Policy (2024).

Such issues and tensions are common to multilevel governments where there is a need to balance regional policymaking authorities and international trade obligations which overlap with regional jurisdictions.[25] The UK's devolution system makes this even more challenging as the distribution of population and economy are significantly asymmetric, with England representing nearly 85 per cent of aggregate population, economy, and voting population. However, some policies matter more for the Devolved Administrations than they do for England (e.g., fish in Scotland). As such, there is a challenge for the UK Government to make decisions that will have disproportionate effects for the regions when these policy matters are on the table of a negotiation. From a legal and constitutional standpoint, matters that fall within the Devolution Settlements could create a 'clean line' of responsibility, but many reserved policies also have significant spill-over effects for Devolved Administrations, such as immigration policy on education, labour and economic policies.

Finally, in addition to the Devolved Administrations, the UK also represents the interests of its Crown Dependencies i.e. the Bailiwick of Guernsey, the Bailiwick of Jersey, and the Isle of Man. All three come under the scope of the UK's membership of the WTO. The extent of formal participation any FTA negotiated UK FTA's depends on the position taken by the Crown Dependencies /and in practice will involve a degree of negotiation between the UK, its partners and the Crown Dependencies). By virtue of the fact that they have a customs union with the UK, commitments on goods made by the UK will apply to the Crown Dependencies. The implementation of other commitments may vary. Thus, for example, the UK's protocol of accession to the CPTPP provides that chapters on services and investment do not apply with immediate effect to the Crown Dependencies, while providing for a pathway for future inclusion under these commitments. The UK government consults with the Crown Dependencies on matters related to specific FTA negotiations.

There have been three key policy developments in response to challenges involved in managing the allocation of competencies between the UK and the Devolved Administrations:

- UK Common Frameworks (2017)
- The UK Internal Market Act (2020) 'UKIMA', and the review of the UKIMA[26]
- The Review of Intergovernmental Relations (2022)

These are discussed in the sections below.

3.1.4.1 Common Frameworks (2017)

The UK Common Frameworks were developed jointly by the UK Government, Scottish Government, Welsh Government and the Northern Ireland Executive. The governments set out how to work together on policy areas where EU law previously created common approaches and where powers have now returned to the UK. The Frameworks were developed "*in line with the principles for Common Frameworks agreed at the Joint Ministerial Committee (EU Negotiations) in October 2017*" between the UK, Scottish and Welsh Governments and later endorsed by the Northern Ireland Executive in June 2020.

The Common Frameworks are non-statutory documents with the core aims of maintaining common standards or approaches in certain areas: ensuring that goods and services can flow smoothly across the internal borders of the UK even if there is some policy divergence; ensuring compliance with international obligations across all the Devolved Administrations; and enabling the management of common resources.

Despite an initial four-nation approach to the development of the Common Frameworks, little information has been shared on how UK Common Frameworks are being used. The vast majority of issues covered by UK Common Frameworks relate to the EU (Withdrawal) Act, DEFRA affairs and one Food Standards Agency paper. However, very little has been published since 2022, with the exception of the policy paper, *Food compositional standards and labelling: provisional common framework* (published 23 March 2021, updated 11 January 2023), even though there has been a substantial change in the number of issues requiring a common framework over the period 2017-2021. The most recent publication on the Framework Analysis is from 2021.[27] A 2022 House of Lords Common Frameworks Scrutiny Committee report stressed the need for efficiency, cooperation with Devolved Administrations, and early consultation on draft Bills. However, the Committee was dissolved on 31 December 2023, leaving unclear whether frameworks are actively used for consultation or have been abandoned.[28]

3.1.4.2 The UK Internal Market Act (2020):

A key component of the UK's internal market is the interaction between the UK Internal Market Act, 2020 (UKIMA), the Devolution Acts, and the Sewel Convention[29] for UK intergovernmental relations.[30] The core aim of the UKIMA is to ensure the smooth functioning of the UK's internal market for goods, services and professional qualifications after the UK's departure from the European Union, in the face of possible post-Brexit regulatory divergence within the UK.

The UKIMA is based on two market access principles. First, mutual recognition, which means that if a good or service could be lawfully sold in one part of the UK (where it was produced or initially imported), it could be sold in any other part of the UK, even if that other part has different regulatory requirements. Second, non-discrimination, which is intended to prevent direct or indirect discrimination against goods or service providers from one part of the UK when they are seeking to sell goods or provide services in another part. The creation of an internal market within the UK has been challenged by the Devolved Administrations as a perceived constraint on their ability to regulate within their jurisdictions.[31]

The UKIMA also established the Office for the Internal Market (OIM) within the Competition and Markets Authority (CMA). The OIM's role is to monitor the health and functioning of the UK internal market, to report on potential or actual barriers to internal trade and to provide technical and economic advice to the UK Government and Devolved Administrations on the impact of their regulatory proposals on the internal market. The UKIMA also contains specific provisions relating to the Northern Ireland Protocol to ensure that qualifying Northern Ireland goods can have unfettered access to the British market.

3.1.4.3 Review of intergovernmental relations (2018-2022)

Following dissatisfaction with intergovernmental relations among the Devolved Administrations, parliamentary committees and academics, a joint review was initiated by the UK Government and the Devolved Administrations in March 2018.[32] This led to a new framework for intergovernmental relations, built on agreed principles and a new three-tier committee structure. The review committed to improved reporting on intergovernmental activity, with an annual report to be published by the new secretariat, and greater transparency for each government's respective legislatures.

The review of intergovernmental relations represents an attempt to create a more formal, transparent and effective system for managing relations between the UK's four governments in the post-Brexit context. Its success depends on the goodwill and commitment of all governments to make the new structures work, though little has been published on its workings. However, anecdotally, the revised system has been more effective than the previous Joint Ministerial Committee (JMC) system that followed Brexit. From conversations with the Devolved Administrations, it appears that data sharing and frank communications from the UK Government are two areas that have improved as a result of the review.

This improvement in communications helped to foster an environment in which devolved government civil servants were able to gain more timely information to be able to provide informed responses during FTA negotiations.[33] In principle, this is to be welcomed. Nevertheless, both the Welsh and Scottish Governments have indicated that a significant factor inhibiting their involvement in contributing to the making of UK trade policy is the lack of access to sufficiently detailed and timely data on the trading activities of firms.[34]

Some of the main tensions or difficulties within the UK system with regard to devolution and trade policy are about meaningful consultation. The key issue centres around the extent and processes through which the UK Government has consulted with the Devolved Administrations in the making of its trade policy. Some challenges also stem from difficulties within the Devolved Administrations due to:

- **Capacity**: The Devolved Administrations have had to develop the capacity to set priorities, advocate and meaningfully engage with the UK Government both politically and operationally with a much smaller budget and trade team.
- **Legal**: When policy matters that are managed by the UK Government affect the Devolved Administrations, there is a challenge for the Devolved Administrations to make a case that they should be included in these conversations. A willingness from the UK Government is needed to even open a dialogue.
- **Political**: Political tensions between the Devolved Administrations and the UK Government are not new. Many in Scotland and Northern Ireland voted against leaving the EU, making cooperation harder where preferences diverge.

Despite this, Devolved Administrations engage in formal and informal forums with the UK government on their trade policy preferences. Often, Devolved Administrations are required to respond to UK Government requests within tight timelines and manage multiple ongoing negotiations and discussions. At the political level, First Ministers take a leading role in advocating for their jurisdictions with UK elected officials at regular meetings, including those created alongside the Intergovernmental Relations Review. Complementing these political meetings, trade officials are in regular contact across the four nations via in-person, regularly scheduled meetings and virtually through online meetings, email, and phone calls, although the UK Government retains sovereignty over final decisions in this field.

While progress has been made, the lack of a formal role for Devolved Administrations in trade policy leaves a policy vacuum and risks incoherence. The June 2025 Trade Strategy briefly noted devolved engagement through intergovernmental relations structures, but without constitutional footing, inclusion remains based on goodwill rather than legal precedent.

As such, while the Devolved Administrations have a deep desire to engage with trade policy and have an incentive to do so because many devolved competences are touched by contemporary trade policies and agreements, there are structural and process-based barriers. These challenges could be improved by more consultation and involvement of the Devolved Administrations in the formulation of trade policy, through standardised data sharing agreements and data collection, publication of trade-related data that is collected by the UK and Devolved institutions, and/or the disaggregation of open-source trade data.

3.2 Trade remedies

The term "trade remedies" refers to WTO-compliant measures that a country can apply to counteract injury to domestic industries caused by alleged unfair international trade practices or unforeseen import surges. Trade remedies are protective measures designed to provide relief to domestic industries suffering injury. Their aim is to "remedy" the harm, ensuring a level playing field for UK businesses. Trade remedies should be transparent, evidence-based, proportionate to the damage caused, and not politically driven.

On leaving the EU, the UK had to implement its own approach to Trade Remedies. The Taxation (Cross-border Trade) Act 2018 and Trade Act 2021 created the TRA, established on June 1 2021, succeeding the interim Trade Remedies Investigations Directorate. The TRA is an independent arm's length body sponsored by the Department for Business and Trade but operating independently and under WTO rules. It conducts investigations and makes recommendations on trade remedies to the Secretary of State. Its operations are guided by the primary legislation referred to above, as well as secondary regulation covering, respectively, responses to dumping and subsidisation; and responses to surges in imports that cause injury.[35]

The TRA's core role is investigating and defending UK industries against unfair practices, focusing on: (a) dumping; (b) subsidies; and (c) import surges. Hence, trade remedies in the UK encompass the three main WTO permitted instruments in response to each of these:

i. Anti-dumping duties address goods sold in the UK "at prices that are below the normal value in the exporting country".[36] Dumping occurs when exporters sell goods in the UK market at prices lower than those charged in their home market or below the cost of production.

ii. Countervailing duties target "imports of goods that are subsidised by foreign authorities".[37] These measures counteract the unfair advantage conferred by foreign government subsidies that distort international competition.[38]

iii. Safeguard remedies "protect domestic industries against an unforeseen surge of imports"[39], which are sudden, sharp, and recent, and the remedies are aimed at providing temporary relief when import increases cause serious injury to domestic producers, regardless of whether unfair practices are involved.

The terms "trade remedies" and "trade defence" are sometimes used interchangeably.[40] 'Trade defence' is broader than trade remedies, covering all actions a country takes to shield domestic industries from adverse trade effects. It includes the three WTO-sanctioned remedies and can also describe wider policies protecting national trade interests.

3.2.1 Economic Interest Test

Following investigations (see below), the TRA determines if UK industries are harmed or threatened (whether the injury is "clearly foreseen and imminent") and recommends remedies to the Secretary of State, usually tariffs, quotas, or tariff-rate quotas.

The UK's framework is largely carried over from the EU with some changes, notably, the Economic Interest Test (EIT), replaces the EU "Union interest test." The EIT assesses whether remedies serve the UK's wider economic interests, considering impacts on producers, consumers, and supply chains.[41] The existence of the EIT reflects the need to assess the economy-wide effects of trade remedies, including the possibility of net-negative impacts, particularly in a world of integrated value chains, as well as the impact on consumers.[42]

The EIT was established under the Taxation (Cross-border Trade) Act 2018 and is used by the TRA to determine if the UK should impose trade remedies.[43] The test considers six factors:

1. **Injury to UK Industry and Benefits of Removal**: Assessment of harm caused by unfair imports and potential benefits to domestic industry from remedial action.

2. **Economic Significance**: Evaluation of the importance of affected UK industries and consumers to the national economy.

3. **Wider Industry and Consumer Impacts**: Analysis of likely effects on downstream users, suppliers, and end consumers.

4. **Geographic and Demographic Effects**: Consideration of regional impacts and effects on specific groups within the UK.

5. **Competitive Environment**: Assessment of consequences for market competition and industry structure.

6. **Other Relevant Matters**: Catch-all provision allowing consideration of additional factors deemed pertinent.

For anti-dumping and countervailing cases, remedies are presumed to meet the EIT unless negative impacts disproportionately outweigh positive ones. Safeguard cases require positive demonstration of economic benefit.[44]

While the recourse to the EIT was seen as an important innovation in the UK's trade remedies regime, subsequent actions taken by the government appear to have diminished its force.[45] In particular, following a review of the TRA, the government concluded that more discretion was needed as to whether the minister acted on TRA recommendations emanating from the application of the EIT. Specifically, that then the Secretary of State said that the government would "Make the TRA's assessment of the economic interest test (EIT) advisory so that the Ministers will still be able to apply measures if the TRA determines that the EIT is not met".[46]

3.2.2 Investigation process

There are several stages / elements to the investigation process:

Initiation of an investigations either following applications from UK industry or at the Secretary of State's request;[47] (b) Dumping/subsidy determination;[48,49] (c) Injury assessment, where the TRA examines whether dumped or subsidised imports cause material injury to UK industry;[50] (d) Causation analysis which entails demonstrating that dumped/subsidised import cause the identified injury.[51,52]

Once imposed, trade remedies are reviewed to ensure they remain suitable. Reviews include circumvention (suppliers bypassing measures – which apply to new exporters from countries concerned in goods subject to existing measures) to tariff-rate quota reviews (which aim to assess whether the set quotas need amending).[53]

Table 3.2 provides summary information on the trade remedy investigations completed by the TRA and those that are ongoing (at the time of writing).

From this table, we see that the majority of the trade remedy cases, both completed and ongoing, relate to anti-dumping cases, with a high share of the investigations focused on the transition reviews (those that were transferred from the EU to the UK).

Table 3.2: Trade remedy cases

Completed trade remedy cases		
Type	No	Share
Anti-dumping investigation	3	6.25
Subsidy investigation	2	4.17
Circumvention exemption review	4	8.33
New exporter review	3	6.25
Safeguard discontinuation	1	2.08
Safeguard extension review	1	2.08
Safeguard mid-term review	3	6.25
Safeguard suspension application	1	2.08
Scope review	1	2.08
Suspension extension review	1	2.08
Suspension application	1	2.08
Tariff Rate Quota review	2	4.17
Transition anti-dumping review	17	35.42
Transition anti-subsidy review	7	14.58
Transition safeguarding review	1	2.08
Ongoing trade remedy cases		
Type	No	Share
Anti-dumping investigation	6	28.57
Anti-subsidy investigation	2	9.52
Tariff Rate Quota review	1	4.76
Transition anti-dumping review	7	33.33
Transition anti-subsidy review	5	23.81

Source: Own calculations from TRA Investigations

3.2.3 Trade defence and the Trade Strategy

The Trade Strategy (2025) argued that the UK's approach to trade defence needed to be re-examined in an era of geopolitical strategic competition. However, in the document there is a lack of detail as to what this would entail in practice. Trade defence is only discussed in detail over three pages, with one full page dedicated to a case study of steel. The discussion of trade defence is located in the section on "Protecting the Economy," where there is also discussion of national security measures (investment screening, export controls, sanctions, procurement security and working with businesses). The measures proposed in the Trade Strategy on trade defence in general are:

- To introduce legislation to expand government powers to respond to unfair trade practices and guard against global turbulence in critical sectors such as steel.
- To seek views on the potential for new powers to respond to deliberate economic pressure against the UK.
- To continue to utilise bilateral, plurilateral or multilateral opportunities to improve subsidy transparency and the rule framework on market-distorting practices.

And specifically on trade remedies:

- To seek to introduce legislation to adjust the Trade Remedies Authority's policy guidance and operating framework.
- To improve businesses' access to trade remedies by reducing the cost and increasing the speed of applications.
- To make the trade remedies system more accountable to Ministers.
- To make the UK's trade remedies system more accessible, assertive and agile.

The Trade Strategy appears to address trade defence defined more broadly than just trade remedies. Reference to the "strategic weaponisation of trade" and the need to "create new powers to face these new threats" suggests a broader interpretation is being adopted. Hence, the suggestion for new powers to respond to deliberate pressure may allude to the possible need for some form of anti-coercion instrument, perhaps along the lines of the EU.

The references to expanding government powers and introducing legislation are somewhat vague as to what is being proposed, why it is needed, and are proposed on a conditional basis, i.e. "when parliamentary time allows…we will seek views on the potential for new powers". It may be that the government wishes to move quickly on this to be able to pursue a more aggressive trade policy and it will be important to monitor closely any such developments.

The statement regarding making the trade remedies system more accountable to ministers risks a greater politicisation of the process of trade remedies as opposed to such actions being evidence-based and investigated by an independent authority.

3.3 Subsidies framework

Subsidies are not per se trade measures, however, subsidies may well impact on the competitiveness of industries and could potentially discriminate between domestic and foreign producers. The linkages between subsidies and trade can be seen in WTO disciplines which constrain or regulate the use of subsides.[54]

Whereas the UK's approach to trade remedies largely adopted, with some adaptations, the EU's framework, the UK's subsidy control regime underwent fundamental transformation post-Brexit. The Subsidy Control Act 2022 replaced the EU State aid regime that previously governed UK subsidies. The issue of the regulation of public subsidies in the UK following its departure from the EU, and how that regulation would compare to the EU state-aid provisions was a difficult and contentious area in the negotiations over the Trade and Cooperation Agreement. The specific concerns about subsidies were tied to broader concerns about maintaining a "level playing field" between the EU and the UK. The Subsidy Control Act 2022 aims to be consistent with the provisions of the TCA, and with WTO law, notably the Agreement on Subsidies and Countervailing Measures (1995).[55]

A subsidy is defined under the UK Subsidy Control Act 2022 as "financial assistance" that: (a) is given directly or indirectly from public resources by a public authority, (b) confers an economic advantage on one or more enterprises, (c) is specific (benefiting some enterprises over others), and (d) has, or is capable of having, an effect on competition or investment within the UK or on international trade or investment.[56]

Subsidies encompass a wide range of public support including grants, tax concessions, loans, guarantees, equity investments, debt waivers, below-market purchases of goods or services, and provision of publicly owned facilities at below-market prices.[57] The purpose of subsidies is to address market failures, support policy objectives, such as regional development, innovation, environmental protection, and promote economic activities that would not otherwise occur without public intervention.[58]

As part of the Subsidy Control Act, the UK established the Subsidy Advice Unit which is an independent body providing non-binding advice on subsidies to public authorities, and which is tasked with monitoring and reporting on the effectiveness of the subsidy control regime. The SAU's first report is due in 2026.

The UK's subsidy regime operates on seven subsidy control principles outlined in Schedule 1 of the Act[6] – common interest, proportionality, behavioural change, additionality, least distortive means, competition, and balancing.

The EU operates an ex-ante ('after the fact') notification system for subsidies and state-aid, whereby member states are required 'ex ante' to notify the European Commission of planned state aid, and before the aid can be given the Commission has to adopt a decision approving that aid. The aim of this system is that it for the Commission to be able to ensure compatibility with the EU internal market.

Unlike the EU's ex-ante notification system, the UK regime operates on self-assessment, whereby "public authorities are required to self-assess whether their proposed subsidies comply with the subsidy control requirements". This creates a system where "subsidies are assumed to be lawful so long as the awarding authority has considered the subsidy principles".[60]

Broadly speaking, the approaches taken to subsidy control are in line with the greater degree of industrial policy activism seen in the UK, notably since the referendum to leave the UK, and magnified following Covid-19 and the recent prominence given to economic security (see Chapter 5). The regime thus enables targeted support to meet the UK's strategic and policy priorities, and as most recently outlined in the Industrial and Trade Strategies. This ranges from support for regions, the desire to meet climate change related targets, for environmental reasons, or with regard to critical sectors, and technologies essential for economic security. Hence, for example, the government has established three Streamlined Routes covering Research, Development and Innovation; Energy Usage; and Local Growth,[61] facilitating rapid deployment of support in strategically important areas

The subsidy regime as outlined above, is designed to regulate the use of domestic subsidies to industries. Countervailing duties, as explained in section 3.5 address foreign subsidies that distort competition in UK markets through imports. The UK does not, however, have any instrument that addresses any other alleged adverse effects of subsidies on competition. These include cases, for example, where businesses operating in the UK receive financial contributions from foreign governments, which may in turn have effects on mergers and acquisitions or access to government procurement. These are matters which the EU, for example, addresses through its Foreign Subsidies Regulation of 2022. The UK Trade Strategy includes a reference to introducing *'legislation to expand our powers to respond to unfair trade practice'*, adding that the UK *"will continue to utilise bilateral, plurilateral or multilateral opportunities to improve subsidy transparency and the rule framework on market distorting practices, including such practices by state-owned enterprises"*.[62] This suggests that the UK may be considering similar regulation.

3.4 Business and industrial support

As observed above, the development of the UK's subsidies framework took place in parallel with an increased trend towards industrial policy activism over the last decade, following the referendum to leave the EU. This was first evident in the Industrial Strategy of 2017, published under the Conservative Government of Theresa May. The Strategy drew on the notion of a "missions-oriented" approach to industrial policy: namely one in which government funds were targeted to support collaborative private-public initiatives in designated priority areas.[63] Pursuant to this, the authorities established UK Research and Innovation (UKRI), which had oversight of 23 "Challenge Funds" across four priority areas: clean growth[64], ageing society[65], future of mobility and artificial intelligence and data economy[67]. The Challenge Funds ran for different durations broadly between the period 2017-2025. Their main focus was on addressing market failures in research and development, and barriers that impeded the process of commercialising the results of innovative activity, especially the challenge of scaling from prototype to industrial scale. The scale of funding involved – a little under £5 billion – also required a substantial investment in evaluation to ensure that interventions conformed to government best practice requirements.[68]

The 2025 Modern Industrial Strategy supersedes the 2017 strategy. As discussed at various other points in this report, it focuses on eight priority sectors for growth. These are: advanced manufacturing; clean energy industries; creative industries; defence; digital and technologies; financial services; life sciences; professional and business services. Each of these sectors also have a specific sector plan or strategy. We discuss various aspects of the Industrial Strategy in the other chapters of this report.

At this juncture, a few overarching remarks may be made. First, there are some differences in sectoral focus: for example, tourism and construction, which were priorities in the previous strategy, were dropped from the new strategy, while financial services and professional and business services have been included (see also the discussion in Chapter 2 Section 2.2.2.4). The recognition and inclusion of both goods and services sectors is to be welcomed, and was an issue highlighted in our consultations. By and large, the sectoral selection appears to have been driven by an understanding of where the UK's comparative advantage lies. The Industrial Strategy Green Paper, published in 2024, undertook an analysis of the UK's Revealed Comparative Advantage, and the findings from this work fed into the prioritisation in the finalised version of the Strategy.[69] The fact that since the publication of previous industrial strategy, responsibilities for industrial and trade policy had been brought under the same department may account for this greater integration between trade and industrial policy concepts.

Secondly, national and economic security were not a focus in the previous strategy but are prominent in the 2025 strategy (see also chapter 5 on economic security). These concepts, along with considerations of comparative advantage, also played a role in determining sector selection, with defence, notably, as a priority sector.

Notwithstanding these differences, there are broad lines of continuity. Like the previous strategy, the present one draws on the notion of mission-oriented approaches to overcome market failures. The previous strategy emphasised that the Government's role was not to pick winners, but rather to overcome market failures that inhibited performance in sectors in which the UK has potential. The 2025 strategy largely builds on that notion, emphasising specific government interventions that support public-private collaboration. There is also a significant focus on research and development, innovation and the scale-up/ commercialisation of innovative activity, in line with the approaches taken under the previous strategy.

The Industrial Strategy is complemented by a separate strategy for small and medium enterprises, entitled "Backing Your Business". The importance of appropriate support for SMEs, and in regarding tackling barriers to trade, was another area which our consultation exercise revealed as being important to businesses. The SME strategy is articulated around five core areas: (i) services that help businesses to enter into markets and expand, notably via an advisory service known as the Business Growth Service; (ii) initiatives to reduce various sources of business costs, ranging from energy to regulatory burdens; (iii) improving access to finance; (iv) measures to support the "everyday economy" including reforms to licensing and business rates, particularly in the hospitality sector; and (v) additional funding for skills development.[70]

Support for exports is also a significant element in the 2025 Trade Strategy, with frequent mention of UK Export Finance, the proposed integration of export support services into a new Business Growth Service, expansion of the network of regional Export Finance Managers to focus on city regions and clusters with strengths in the Industrial Strategy IS-8 core sectors, a pivoting of resources in diplomatic missions to focus more on helping UK businesses to export and international firms wanting to export to, or invest in, the UK, and the proposal to bring relevant information into single portal while making it more accessible and customer focused.

The policy stance taken by successive governments, therefore, requires a policy infrastructure geared towards industrial and business support, and specifically via the use of public funds. Broadly speaking, this rests on the following elements. First, support for research and innovation, as already referenced, comes under the purview of UKRI. Operating under the umbrella of UKRI, Innovate UK supports businesses in the processes of development and commercialisation of new products and services. Funding is intended to remedy market failures that affect these processes, in particular, by mitigating risks that would otherwise raise rates of return above those that could be sustained by commercial funding. The view is that such hurdles would deter investments that are socially beneficial, because innovative activity has spillovers that raise productivity and /or because of the contribution made by innovation to delivering public goods such as decarbonisation. For the period 2024-2025, Innovate UK's core budget was a little over £900 million. Grants emphasise collaborative approaches between businesses and between business and research institutions.

A second plank of government support to business lies in financing. There are various aspects to this. The British Business Bank (BBB) operates a range of financing schemes targeting SMEs. The schemes are a mix of debt and equity financing. The BBB underwrites financing provided by commercial operators, and also provides loans through specific facilities (e.g. for start-ups), usually at fixed interest rates that are considered close to those prevailing in the market. The underlying logic of the Bank is that its interventions help to mobilise capital from private sources, which would otherwise not be forthcoming. It reflects a view that lending to SMEs is constrained by various market failures (e.g. lack of information). As a result of the Government's spending review in 2025, the capacity of the BBB was increased by nearly two-thirds, to £25.6 billion, including £3 billion in additional capacity to underwrite loans. As it stands, the BBB has £17.6 billion funded capacity, and £8 billion of contingent liability or guarantee capacity.[71] The BBB's future strategic orientation is being aligned to the sectoral prioritisation set out in the Industrial Strategy, particularly via a new £4 billion Industrial Strategy Growth Capital Initiative.

Another aspect of government financing is export financing, delivered through UK Export Finance (UKEF). The UKEF guarantees loans provided by commercial lenders to businesses for the purposes of working capital and for backing a performance or advance payment bond required by foreign customers. The UKEF also provides guarantees to banks providing finance to overseas buyers, as well as loans directly to foreign buyers. The UKEF's annual report for 2024/ 2025 states that it provided £14.5 billion of support to 667 businesses.[72] The "Backing Your Business" strategy referenced above envisions expanding UKEF's capacity by a further £20 billion.

A third plank of business support lies in the UK's activities in relation to export promotion and investment promotion. Both come under the purview of the DBT. Export promotion includes export financing (see above), and a range of online and in-person advisory services, primarily geared to SMEs. These include, in particular, the International Trade Advisors (ITA) service, an international markets advisory service, and the Export Academy. The first and second of these are one-to-one services, targeting SMEs that are identified as having "high export potential". ITAs typically advise businesses on how to overcome specific barriers on their export journey, which could include administrative and regulatory barriers, as well as how to access networks of customers. The International Markets service offers bespoke advice, including reports, on specific markets. The Export Academy provides many-to-one training services. The various services provided by DBT link to overseas missions and posts, and a network of Trade Commissioners who operate on a regional basis and are responsible, at a high level, for commercial diplomacy. Evaluations of export promotion suggest that DBT's interventions have a significant effect on various firm performance indicators, notably firm survival rates, whether a firm is an exporter or not, and employment.[73]

Investment promotion activities are based around four core pillars: raising the attractiveness of the UK as an investment destination; identifying new opportunities; enabling investment; and enhancing the impact of foreign investment in the UK. The investment promotion system has been undergoing a comprehensive overhaul since 2023, to better align investment promotion to UK strategic objectives (notably tech, digital and decarbonisation), and to improve intra-governmental coordination.[74] Alongside investment promotion schemes, the UK provides various incentives for foreign investors. These include: tax relief for investors in small businesses, via the Enterprise Investment Scheme and Venture Capital Trusts; incentives for companies investing in R&D; and a 10% corporation tax (compared to the standard 25%) on profits from inventions patented in the UK.

In sum, the general trend in the UK has been towards a greater level of industrial policy activism, under the heading of a missions-oriented approach. This has involved a substantial mobilisation of institutional and financial resources. In parallel to this, the Government has mobilised significant resources to evaluate whether interventions are delivering value for money. The Modern Industrial Strategy 2025 includes a commitment to evaluation, both of the Strategy as a whole, and of interventions delivered under it across government. The Industrial Strategy Advisory Council, an independent, expert committee has been tasked with the job of monitoring and evaluating success and reporting annually, to help embed the Strategy for the longer term. The applicable evaluation frameworks are set out, respectively, in the Government's Green Book and Magenta Book.

The application of these principles should ensure that interventions are designed and implemented in ways that deliver value for money, in particular because they target sources of identified market failures, which is a sensible approach to take. The evaluation principles do not specifically require that distortions/ spillovers into international trade be considered, though the terms of reference for specific evaluations may set out such requirements. The fact that the overall thrust of interventions is related to market failures, and that the Government has focused on aligning its sector prioritisations with principles of comparative advantage, might reduce the scope for trade distortions and improve the efficiency of interventions. However, this does not necessarily eliminate the possibility of adverse effects (in the sense of WTO rules on subsidies) on partners.

3.5 Conclusions and recommendations

The UK's departure from the EU and the repatriation of sovereign powers over trade policy have entailed a series of legislative changes within the UK. The legislative framework is concerned with the signing of international treaties such as free trade agreements, trade remedies and subsidies policy, as well as the balance of competencies between Westminster and the Devolved Administrations. Successive governments have made some efforts to consult stakeholders and inform Parliament and relevant parliamentary committees with regard to trade policy. Nevertheless, 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.

Recommendations

- Trade agreements, including 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. They should also be subject to greater Parliamentary scrutiny than is the case at present.
- There should be greater transparency over formal and informal consultation processes, and clear formal consultation processes should be reintroduced. This would facilitate dialogue and contribute to improved and more inclusive trade policy.
- There should be greater consultation regarding overall trade strategy and trade priorities than is currently the case. The current Board of Trade is focused on the voices and needs of the business community and does not include wider stakeholders and expert voices, that can also raise broader societal concerns, for example, with regard to inclusiveness or sustainability. 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.
- Westminster should build on progress in engagement with the Devolved Administrations made 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. This should be supported with standardised data sharing agreements and disaggregated data collection, and the publication of trade-related data collected by the UK and Devolved institutions.
- The independent Trade Remedies Authority should decide on the need for and level of remedy in response to imports that are being sold unfairly or which are causing serious unforeseen disruption in domestic industries. TRA decisions should not be subject to political interference by ministers.
- Serious consideration and consultation should be undertaken regarding the proposed legislation to expand government powers to respond to unfair trade practices and deliberate economic pressure against the UK.
- The Industrial Strategy adopts a "missions-oriented" approach to industrial policy. The substantial volume of institutional and financial resources deployed through interventions under this strategy increase the need for rigorous evaluation, as well as monitoring of the extent and nature of spillovers into international trade.
- Businesses trading internationally have to deal with increasing commercial and financial complexity as well as increased uncertainty / risk. These factors are particularly challenging for SMEs, and there is a need for practical and coordinated policy (eg. advice, finance, taxation policy, trusted advisor, business mobility) to support SME's entering export markets and expanding sales. The single portal, announced in the Trade Strategy. providing coherent information and advice for businesses would be welcome and is much needed.
- Trade promotion activities in embassies / diplomatic missions abroad can be very effective in facilitating UK exports and should be maintained. Their effectiveness needs to be monitored and evaluated over time.

References

1 Secondary legislation was enacted in 2019 in relation to trade remedies, specifically the Trade Remedies (Increase in Imports Causing Serious Injury to UK Producers) (EU Exit) Regulations 2019, SI 2019/449 (the Safeguarding Regs); the Trade Remedies (Dumping and Subsidisation) (EU Exit) Regulations 2019, SI 2019/450 (the D&S Regs).

2 R (on the application of Miller and another) v Secretary of State for Exiting the European Union [2017] UKSC 5, [2018] AC 61.

3 Department for Business and Trade, *The UK's Trade Strategy* (Cm 1339, 2025).

4 Agriculture Act 2020, s 43.

5 Letter from Secretary of State for International Trade to Chair of the International Trade Committee (19 July 2022) <https://committees.parliament.uk/publications/23120/documents/169339/default/> accessed 30 October 2025.

6 CRAG provides exceptions for certain treaties, particularly those related to tax and finance, as specified under relevant legislations. For example, treaties for which Order-in-Council may be made for double taxation arrangements are exempt from the 21-day period for the treaty to be placed in Parliament.

7 These issues emerged as part of our consultation processes.

8 'Board of Trade' (GOV.UK, 20 August 2018) <https://www.gov.uk/government/groups/board-of-trade> accessed 30 October 2025.

9 UK-EU Trade and Cooperation Agreement, UK Domestic Advisory Group: 2024 to 2025 priorities report (GOV.UK, 2024) <https://www.gov.uk/government/groups/uk-eu-trade-and-cooperation-agreement-domestic-advisory-group> accessed 23 October 2025.

10 UK TCA Domestic Advisory Group, 'Meeting of the UK TCA Domestic Advisory Group, 19 March 2025' <https://assets.publishing.service.gov.uk/media/6814caf82de62f4a103a82cc/2025-03-19_DAG_Minutes.pdf> accessed 23 October 2025.

11 'UK-EU Domestic Advisory Group' (n 9).

12 Trade and Sustainable Development Domestic Advisory Group (TSD DAG): launch event agenda and minutes (GOV.UK, 2022–2025) <https://www.gov.uk/government/publications/trade-and-sustainable-development-domestic-advisory-group-tsd-dag-meeting-agendas-and-minutes> accessed 23 October 2025.

13 Trade and Sustainable Development Domestic Advisory Group documents (GOV.UK, 2024/2025) <https://www.gov.uk/government/collections/trade-and-sustainable-development-domestic-advisory-group-documents> accessed 23 October 2025.

14 Strategic Trade Advisory Group (STAG): summary of discussions (GOV.UK, 2022) <https://www.gov.uk/government/publications/strategic-trade-advisory-group-stag-summary-of-discussions accessed> 23 October 2025.

15 Department for Environment, Food and Rural Affairs, 'A UK Government food strategy for England, considering the wider UK food system' <https://www.gov.uk/Government/publications/a-uk-Government-food-strategy-for-england/a-uk-Government-food-strategy-for-england-considering-the-wider-uk-food-system> accessed 16 October 2025.

16 International Trade Committee, *UK trade negotiations: Parliamentary scrutiny of free trade agreements* (2022–23, HC 815).

17 Trade and Agriculture Commission (GOV.UK) <https://www.gov.uk/government/groups/trade-and-agriculture-commission-tac> accessed 23 October 2025.

18 International Trade Committee, *UK trade policy transparency and scrutiny* (HC 2017–19, 1043).

19 'Strategic Trade Advisory Group' (GOV.UK) <https://www.gov.uk/government/groups/strategic-trade-advisory-group> accessed 30 October 2025.

20 Department for Business and Trade, *The UK's Trade Strategy* (Cm 1339, 2025) 93.

21 Welsh Government, 'Trade Policy Advisory Group: Terms of Reference' <https://www.gov.wales/trade-policy-advisory-group/terms-of-reference> accessed 30 October 2025.

22 Scottish Government, *Scotland's Vision for Trade* (2021) <https://www.gov.scot/binaries/content/documents/govscot/publications/strategy-plan/2021/01/scottish-government-vision-trade/documents/scotlands-vision-trade/scotlands-vision-trade/govscot%3Adocument/scotlands-vision-trade.pdf> accessed 30 October 2025.

23 Alexander Fitzpatrick and Ludivine Petetin, 'Uneven vulnerabilities: Challenges and opportunities for the UK and devolved agricultural sector' (CITP Briefing Paper 21, 2025) <https://citp.ac.uk/publications/uneven-vulnerabilities-challenges-and-opportunities-for-the-uk-and-devolved-agricultural-sector> accessed 30 October 2025.

24 Lisa Claire Whitten, 'Trade and Devolution' (CITP Briefing Paper 18, 10 December 2024) <https://citp.ac.uk/publications/trade-and-devolution> accessed 20 October 2025.

25 See Stéphane Paquin and others, 'Quebec, Scotland, and substate governments' roles in Canadian and British trade policy: lessons to be learned' (2021) 76(1) International Journal 85; Thomas Pope, 'Trade in the UK internal market', Institute for Government (25 September 2020) <https://www.instituteforgovernment.org.uk/article/explainer/trade-uk-internal-market> accessed 24 October 2025.

26 UK Government, *UK Government response to the Review of the United Kingdom Internal Market Act 2020 and Public Consultation* (15 July 2025) <https://assets.publishing.service.gov.uk/media/686fa10e2cfe301b5fb679d0/uk-government-response-to-the-review-of-the-united-kingdom-internal-market-act-2020-and-public-consultation.pdf> accessed 20 October 2025.

27 UK Government, 'Frameworks Analysis 2021' (2021) <https://assets.publishing.service.gov.uk/media/61890ff4e90e07197a68c4ae/UK_Common_Frameworks_Analysis_2021.pdf> accessed 30 October 2025.

28 Common Frameworks Scrutiny Committee, *Common frameworks: an unfulfilled opportunity?* (HL 2022–23, 41) pp 3–4.

29 The Sewel Convention, also known as the legislative consent convention, states that the UK Parliament will not normally legislate on matters within the devolved competence of the Scottish Parliament, the Welsh Senedd, or the Northern Ireland Assembly without the consent of the relevant devolved legislature. While not legally binding, the convention is intended to foster cooperative intergovernmental relations and protect the autonomy of devolved administrations.

30 Alexander Fitzpatrick and others, 'Negotiating a turbulent world: The role of devolved nations in UK trade' (CITP Briefing Paper 24, 2025) <https://citp.ac.uk/publications/negotiating-a-turbulent-world-the-role-of-devolved-nations-in-uk-trade> accessed 20 October 2025.

31 Office for the Internal Market, 'About us' (GOV.UK) <https://www.gov.uk/government/organisations/office-for-the-internal-market/about> accessed 24 October 2025.

32 UK Government, The Review of Intergovernmental Relations (12 January 2022) <https://assets.publishing.service.gov.uk/media/61df0068e90e07037ba76b4c/The_Review_of_Intergovernmental_Relations.pdf> accessed 20 October 2025.

33 Lindsey Garner-Knapp, 'Free trade agreements through a prism: exploring the making of trade policies from a subcentral government context' (PhD thesis, University of Edinburgh 2025).

34 This issue emerged during the CITP's *Wales Regional Policy Forum*, held at Cardiff University's School of Law and Politics in January 2025 and attended by members of Welsh Government, academics, business associations, and CSOs. The sentiment was echoed in the Scottish Government's Paper on the UK Trade Strategy, which argued that trade support by the UK Government "should [emphasis added] also aim to make it easy for businesses to transition between Scottish Government and UK Government support, such as through data sharing and transparency", corroborating the notion that this is currently not the case. See Ludivine Petetin, Charles Whitmore and Aileen Burmeister, 'Addressing barriers for Welsh institutions and civil society to contribute to UK trade policy', CITP Briefing Paper 6 (6 November 2023) <https://citp.ac.uk/publications/addressing-barriers-for-welsh-institutions-and-civil-society-to-contribute-to-uk-trade-policy> accessed 20 October 2025.

35 The Trade Remedies (Dumping and Subsidisation) (EU Exit) Regulations 2019, and The Trade Remedies (Increase in Imports Causing Serious Injury to UK Producers) (EU Exit) Regulations 2019.

36 Trade Remedies Authority, 'Determining Subsidies and Countervailing Duties' (Guidance) <https://www.gov.uk/government/publications/the-uk-trade-remedies-investigations-process/determining-subsidies-and-countervailing-duties> accessed 17 October 2025.

37 Trade Remedies Authority, 'The TRA's Investigation Process' (Guidance) <https://www.gov.uk/government/publications/the-uk-trade-remedies-investigations-process/the-tras-investigation-process> accessed 17 October 2025.

38 There are four conditions for an action to be classed as countervailable subsidy: (a) Financial Contribution; (b) from a Foreign Authority; (c) it confers benefit; (d) that it is Specific (must be limited to specific industries, regions or situations).

39 Trade Remedies Authority (n 36).

40 Note that the UK TRA uses 'trade remedies' (e.g. trade remedy measures, trade remedy cases, trade remedy investigations) but the European Commission uses 'trade defence' (e.g. trade defence instruments, trade defence investigations). See Trade Remedies Authority <https://www.gov.uk/government/organisations/trade-remedies-authority> accessed 17 October 2025; European Commission, 'Trade defence investigations' <https://tron.trade.ec.europa.eu/investigations/cases> accessed 17 October 2025.

41 Ilona Serwicka and others, 'The Economic Interest Test in UK Trade Remedy Investigations' (2023) 22(3–4) World Trade Review 408.

42 See for example, Maria Johem, Nils Norell and Patrik Tingvall, *EU Trade Defence – The unintended effects of anti-dumping measures* (National Board of Trade Sweden 2021); Aksel Erbahar and Yuan Zi, 'Cascading trade protection: Evidence from the US' (2017) 108 *Journal of International Economics* 274.

43 Taxation (Cross-border Trade) Act 2018, sch 4, para 25; sch 5, para 23.

44 Serwicka and others (n 41).

45 L. Alan Winters, 'Here's the remedy, what's the disease? How the government gutted the Trade Remedies Authority' (Centre for Inclusive Trade Policy, 26 June 2023) <https://citp.ac.uk/publications/heres-the-remedy-whats-the-disease-how-the-government-gutted-the-trade-remedies-authority> accessed 30 October 2025.

46 HCWS 623, 9 March 2023.

47 Trade Remedies Authority (n 36).

48 Trade Remedies Authority (n 36).

49 Trade Remedies Authority (n 36).

50 Trade Remedies Authority, ‘Determining Injury and Causation in Dumping and Subsidy Investigations’ (TRA Guidance) <https://www.gov.uk/government/publications/the-uk-trade-remedies-investigations-process/determining-injury-and-causation-in-dumping-and-subsidy-investigations > accessed 17 October 2025.

51 ibid.

52 ibid.

53 Different types of circumvention include: a) trans-shipment of goods via third country; b) assembly operations in third countries; c) minor modification of goods that results in change to commodity code; and d) reorganisation in patterns and channels of sales. *Trade Remedies Authority, Trade Remedies Authority Plan 2024 – 2027* (April 2024) <assets.publishing.service.gov.uk/media/66155192eb8a1bd3bd05e2cd/TRA_Plan_2024_-_2027.pdf> accessed 17 October 2025.

54 The core WTO disciplines are ‘National Treatment’, the Agreement on Subsidies and Countervailing Measures, and the Agreement on Trade Related Investment Measures. ‘National Treatment’ (GATT Art III) means that with regard to internal taxation and regulations a government is required to accord foreign products ”no less favourable” treatment than that gven to domestic products. Article III.8 clarifies that National Treatment does not forbid subsidies to domestic production that are not given to suppliers of imported goods, however this is under the condition that the subsidy does not violate other WTO disciplines, notably the Agreement on Subsidies and Countervailing Measures (ASCM). The ASCM distinguishes between prohibited subsidies and actionable subsidies. The former are those which are explicitly prohibited. These include export subsidies (that is, any subsidy designed to increase exports); and subsidies with local content requirements (for example, where the producer obtains a larger subsidy if they use more local content over using imported inputs). Most subsidies fall into the category of actionable subsidies - these are not prohibited but are subject to challenge in the WTO, if they are ‘specific’ and if they cause ‘adverse’ effects to another country. The agreement on Trade-Related Investment Measures is an elaboration of GATT Article III in that it forbids investment incentives which discriminate against imports.

55 Emily Lydgate et al, ‘Taking Stock of the UK-EU Trade and Cooperation Agreement: Governance, State Subsidies and the Level Playing Field’ (UK Trade Policy Observatory Briefing Paper no 54, January 2021) <https://blogs.sussex.ac.uk/uktpo/files/2021/01/BP_54.pdf> accessed 17 October 2025.

56 Subsidy Control Act 2022, s 2(1).

57 Department for Business, Energy & Industrial Strategy, ‘UK Subsidy Control Statutory Guidance’ (August 2025) para 2.8 <https://assets.publishing.service.gov.uk/media/688c952b486754ec28878345/UK_subsidy_control_statutory_guidance_august_2025.pdf> accessed 17 October 2025.

58 Subsidy Control Act 2022, sch 1.

59 Principle A (Common Interest): Subsidies must pursue specific policy objectives to remedy market failures or address equity concerns; Principle B (Proportionality): Subsidies must be proportionate and limited to what is necessary; Principle C (Behavioural Change): Subsidies must bring about change in economic behaviour; Principle D (Additionality): Subsidies should not compensate for costs that would be funded anyway; Principle E (Least Distortive Means): Subsidies should be the most appropriate policy instrument; Principle F (UK Competition): Subsidies must minimise negative effects on UK competition and investment; Principle G (Balancing Test): Benefits must outweigh negative effects. See: The UK Subsidy Control Regime’ Butterworths Competition Law Service (LexisNexis, Issue 166, September 2025) ch 11, para 701.

60 Andreas Stephan, ‘Will the New UK Subsidy Control Regime Help “Level Up” the Economy?’ (2024) 87 MLR 172.

61 UK Subsidy Control Statutory Guidance (n 36) ch 2.

62 Department for Business and Trade (n 9) 80.

63 Department for Business, Energy and Industrial Strategy, *Industrial Strategy: Building a Britain Fit for the Future* (Cm 9528, 2017).

64 The clean growth funds were: industrial decarbonisation, low-cost nuclear, made smarter innovation, prospering from the energy revolution, smart sustainable plastic packaging, transforming construction, transforming food production, and, transforming foundation industries.

65 The ageing society funds were: accelerating detection of disease; healthy ageing; and, data to early diagnosis and precision medicine.

66 The future of mobility funds were: driving the electric revolution; future flight; The Faraday battery challenge; National Satellite Test Facility; Robots for a Safer World; and, Self-Driving Vehicles.

67 The AI and data economy funds were: Audience of the future; commercialising quantum technologies; creative industry clusters; digital security by design; next generation services

68 Set out respectively in the Government’s ‘Green Book’, HM Treasury, *The Green Book: Central Government Guidance on Appraisal and Evaluation* (2022); and ‘Magenta Book’, HM Treasury, *Magenta Book: Central Government Guidance on Evaluation* (2020).

69 Department for Business and Trade, The UK’s Modern Industrial Strategy (CP 1337, 2025).

70 Department for Business and Trade, *Backing your Business: Our Plan for Small and Medium Sized Businesses* (CP 1358, 2025).

71 Department for Science, Innovation and Technology and HM Treasury, ‘Statement of strategic priorities to the British Business Bank’ (20 October 2025) <https://www.gov.uk/government/publications/statement-of-strategic-priorities-to-the-british-business-bank/statement-of-strategic-priorities-to-the-british-business-bank-html-version> accessed 7 November 2025.

72 UK Export Finance, 'Annual Report and Accounts 2024/25' (HC 924, 2025) 11.

73 Department for Business and Trade, The impact of export promotion activities on firm outcomes (2023) 8-13 <https://assets.publishing.service.gov.uk/media/651d64df6a6955001278b2ee/impact-of-export-promotion-activities-on-firm-outcomes.pdf> accessed 7 November 2025.

74 Department for Business and Trade and Frontier Economics, *Developing the Monitoring and Evaluation Framework of the Investment Transformation Programme: First Phase Report* (2023) <https://assets.publishing.service.gov.uk/media/657c21a60467eb000d55f8a6/developing-the-monitoring-and-evaluation-framework-of-the-investment-transformation-programme-first-phase-report.pdf> accessed 7 November 2025.

Chapter 4: International dimensions of UK trade policy

Chapter overview

In the preceding chapter, we focused on the domestic institutional and legal frameworks for UK trade policymaking. In this chapter, we look at the aspects of trade policy that require agreements or coordination with other countries. We consider the UK's role and position in the World Trade Organization (WTO). This includes Free Trade Agreements conforming to WTO rules and what may be more loosely described as mini deals, as well as policy towards developing countries with discussion of the UK Developing Country Trading Scheme (DCTS) and its Economic Partnership Agreements (EPAs).

Key points

- The UK has been a long-standing supporter of the rules-based multilateral trading system, as a founding member of the GATT (1947) and the WTO (1995). It was a key proponent of the Uruguay Round and Doha negotiations, and remains active in WTO discussions, including current reform efforts.
- A major rationale for leaving the EU was regaining sovereignty, including over trade policy. The Conservative Government promoted a vision of "Global Britain," as a key proponent of free trade and the rules-based world trading system. The UK was the first G7 country to establish a dedicated trade track.
- On leaving the EU, the UK submitted its own schedules of concessions for goods and commitments for services at the WTO for certification. It implemented its own Most Favoured Nation (MFN) tariffs, the UK Global Tariff (UKGT), on 1 January 2021, involving both simplification and a modest reduction in the trade weighted average in comparison to the previous EU tariffs. The UK joined the Multi-Party Interim Appeal Arbitration Arrangement (MPIA) in June 2025.
- The UKGT increased 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%.
- Leaving the EU, the assumption was that WTO rules would offer the UK a stable framework for its trade relationships. The current strains on the WTO rules-based system, and the de facto US withdrawal from multilateral commitments present a fresh set of challenges to the UK.
- The Trade Strategy reaffirms commitment to the multilateral rules-based system, while acknowledging the need for WTO reform. It proposes a pragmatic approach with more emphasis on a wider set of trade deals. These may stretch compatibility with WTO trade rules. The UK has signed 62 "mini-deals" since 2020.
- Since leaving the EU, the UK has signed over 30 'continuity' and 7 new FTAs. The FTAs with the EU and the EEA-EFTA raised barriers to trade. FTA countries account for 61% of UK imports and 55% of UK exports of goods and services in 2024. Government assessments estimate the five most liberalising FTAs will raise GDP by 0.39% in the long run.
- The UK's FTAs are comprehensive, with most chapters subject to dispute settlement, though some areas – typically Sanitary and Phytosanitary (SPS), labour, and environment – are often excluded.
- The US-UK Economic Prosperity Deal represents a departure from standard, WTO-compliant agreements. It provides a measure of insulation against US tariffs, but is also weakly enforceable, subordinated to US perceptions of security, and risks an erosion of the UK's commitment to core principles of non-discrimination.
- The UK is renegotiating its relationship with the EU to liberalise trade further than was achieved in the TCA. Discussions are focused on fisheries, SPS alignment, Emissions Trading Scheme (ETS) and energy markets, youth mobility, services, and mutual recognition.
- The UK has a long-standing reputation for support for developing economies, both directly and through trade. The principal trade tools are the reformed DCTS and the EPAs, both of which aim to facilitate trade in goods from developing countries.

4.1 UK global positioning on trade and the WTO

4.1.1 Defining the UK's formal position at the WTO

The UK was a founding signatory to the General Agreement on Tariffs and Trade (GATT) of 1947. The UK, as a Member State of the European Union, was also a founding member of the WTO. Its specific position in goods and services trade was defined via the schedules submitted by the EU on behalf of its member states.[1] Its membership of the plurilateral Agreement on Government Procurement was also secured via EU membership.

Following the UK's decision to exit the European Union, it submitted its own schedules of concessions for goods, and on specific commitments and MFN exemptions on services.[2] The process was characterised as a technical process of certification, i.e. one that needed to be validated by the Director-General of the GATT. At the same time, the process also required the UK to define its position on agricultural subsidies and agricultural tariff rate quotas, i.e. the UK needed to extricate its commitments on these matters from the EU's position. That process involved negotiations with other WTO members whose commercial interests were affected by the changes. The process comes under the scope of GATT Article XXVIII, and completion is required prior to the certification of schedules. At the time of writing, the UK's schedules on goods and services had not been certified. However, the UK is still able to give effect to its schedules of goods and services.[3]

Separately, the UK implemented its own MFN tariff schedule, known as the UK Global Tariff, which took effect on 1 January 2021. The Global Tariff used the EU's MFN tariff that had previously applied to its imports as the starting point, but with some changes. At the time of its announcement, it was estimated that around 66% of tariff lines had been modified to some extent. The changes are summarised in Table 4.1. The changes reflect a combination of measures. Some tariffs – essentially "nuisance tariffs", defined as those of 2% or less – were eliminated altogether. Others were simplified by means of rounding down to the nearest standardised band, or by conversion from specific duties to percentages. Remaining specific duties were converted from euros to pounds based on an average exchange rate for the five years preceding the announcement.[4]

Table 4.1: Summary of modifications made by UK Global Tariff relative to the previous EU MFN tariff

Change from EU MFN tariff	No. of tariff lines	Share of tariff lines	Simple average tariff	
			Current (EU) MFN tariff (%)	New Global Tariff (%)
No Change	3963	34.0	3.3	3.3
Fully Liberalised	2001	17.0	3.6	0.0
Simplified	4747	40.1	6.8	6.0
Reduced	12	0.1	21.0	10.0
Currency conversion	1105	9.3		
Total	**11828**	**100.0**		

Source: UKTPO analysis based on data provided by the Department for Business and Trade at the 8-digit tariff level. Averages exclude non ad valorem duties).

In terms of products, the largest relative reduction took place for stone, plaster and cement, where around 85% of tariff lines changed to some degree, just under half of which have been fully liberalised. This is followed by processed food products, where most of the change was due to conversion of specific duties, and plastics and rubber products, and chemical products where the vast majority of tariff lines were simplified. Overall, the distribution of cuts reflected a desire to reduce or simplify tariffs on intermediate goods, perhaps as a way of boosting the competitiveness of UK exports.[5] Tariffs on textiles remained largely unchanged, partly in order not to erode tariff preferences accorded to developing countries (the UK's system of tariff preferences is described in section 4.4).

The tariff changes increased the share of imports coming in duty-free, on non-preferential terms, to the UK to around 70%, relative to 52% under the EU MFN tariff. In trade-weighted terms, the effect was relatively modest, with the weighted average tariff falling from 2.1% to an estimated 1.5%. The changes also represented a degree of administrative simplification in regard to MFN tariffs.

Since implementation, further changes to the UK MFN tariff include the temporary suspension of duties, announced in August 2025, on 89 products to ease cost pressures on households and businesses.[6]

The UK has participated directly in WTO dispute settlement proceedings in a limited way. It has been a respondent in four cases, three of which predate its exit from the EU. The cases were *EC-Computer Equipment*, brought by the US, and two complaints, also brought by the US, against the EC in relation to aircraft subsidies (*EC and certain member States — Large Civil Aircraft*). In the first of these cases, decisions on customs classifications taken by the UK were part of the matters addressed, and in the Civil Aircraft cases, the issues were various forms of state support for the development and manufacture of Airbus Aircraft. The only case in which the UK has been involved after its exit from the EU is one brought by the EU in relation to contracts for difference in low-carbon generation. That dispute has not progressed to the panel stage.

The UK joined the Multi-Party Interim Appeal Arbitration Arrangement (MPIA) in June 2025, five years after it had been originally established. The decision was seen as part of the new government's emerging trade strategy. Previous governments had taken the position not to join on the grounds that the UK's interest was better served by fully restoring the WTO's Dispute Settlement Mechanism.

4.1.2 The UK's position on the WTO and global trade matters

4.1.2.1 The UK as an EU Member State, and after exiting the EU

As already observed, the UK was a founding signatory of the GATT in 1947, and indeed was a key participant in the GATT negotiations. Perhaps ironically in view of current events, its position was largely hostile to the US's insistence that imperial preferences should be scrapped and that MFN become the guiding principle underpinning commercial relations.

Following accession to the European Communities (EC, now the EU) in 1973, the UK's trade policy competencies were in effect delegated to the European Commission. Notwithstanding this, the UK continued to play an important role in global trade policy, both directly and indirectly through its influence in the EU. There are a number of examples of this. The UK was a major proponent, as a member of the G7, of the launch of the Uruguay Round of trade negotiations, which took place during the UK's presidency of the EC. The UK also played a role as mediator between the competing interests of the US and the EC, helping to bring the Round to a conclusion (notably in 1992 by averting a trade war and pressuring both sides to negotiate on agriculture).[7] Following the foundation of the WTO, the late Sir Leon Brittan, as EU Trade Commissioner, played a central role in China's accession negotiations to the WTO. The former Department for International Development (DFID) was an early and influential supporter of Aid for Trade, which in turn became an important aspect of the Doha Round of trade negotiations launched in 2001. By 2011, the UK reported that it spent around £1 billion per year on Aid for Trade.[8] Following the Global Financial Crisis, the 2009 G20 summit in London, chaired by the UK, led to a standstill commitment on protectionist measures and the initiation of a trade monitoring mechanism by the WTO.

The UK's decision to leave the EU, in essence, repatriated trade policy competence from the EU, and the question of control over 'sovereignty' over trade policy was part of the discussions leading to the referendum. The UK's ability to run an "independent trade policy" then became an important matter for proponents of exiting the EU, in the context of negotiations on the terms of departure and on future arrangements. In part, this was driven by a desire for what was perceived as sovereignty; in part, this was so that the UK could become a more influential player on the world stage. It was hoped that the UK could become an important ally, a key convening power, an important trading nation and a supporter of the rules-based trading system.[9]

This new orientation was often expressed via the phrase “Global Britain”. Some examples of this can be seen in the collection of documents on the government website under the heading ‘Global Britain: delivering our international ambition 2016 to 2019’. Jeremy Hunt, Foreign Secretary under Theresa May, stated in a speech that the UK must become *“an invisible chain linking the world’s democracies… such an approach will work because alliances built on shared values are always more durable than those based on transactional convenience”*.[10] Support for Global Britain was then taken up by Boris Johnson, particularly around the 2021 Integrated Review of Security and Defence, Development and Foreign Policy. In the preface to that review, Prime Minister Johnson stated that 2021 would be the year of British leadership, setting the tone for the UK’s international engagement in the decade ahead. A key element of the Global Britain strategy was to identify the UK as a middle-power leader of strategic initiatives and one that could bring other powers together. In so doing, the UK aimed to be an important advocate for democracy and the rule of law, and a strong supporter of free trade. Though, as highlighted above, much, or all of this, was also possible when the UK was an EU member state, perhaps in a manner that was less visible.

Indeed, notwithstanding the change in rhetoric, the UK’s positioning within the WTO largely remained constant on either side of the referendum to leave the EU. Its main adjustments were largely in line with views expressed by major industrial economies, notably the US, but also the EU, on matters such as WTO reform and the need to tackle what were deemed to be distortive practices by China. This is seen in the speech given by the then Secretary of State, Liz Truss, on WTO matters in 2020, shortly after the UK formally left the EU, and which highlighted three key areas for international trade cooperation:

- To reverse the rise in protectionist measures and to *“lead defence of a free, fair and rules-based international trade”* with a strong commitment to the WTO.
- To provide and lead on support for WTO reform, and in particular, to enable the WTO to resolve issues around industrial subsidies, state-owned enterprises, and forced technology transfer.
- To address trade issues fit for the ‘modern era.’ Specific reference was made to services, digital trade and cross-border data flows and climate change — all in the context of the WTO, either through multilateral or plurilateral agreements, such as the Joint Statement Initiative on E-Commerce (JSI). On climate change, the speech reaffirmed the UK’s commitment to becoming carbon neutral by 2050. In the context of trade, this meant championing an end to environmentally wasteful practices, like the use of state subsidies, and pressing for the successful conclusion of the fisheries subsidies negotiations.

There are several key examples of UK ‘leadership’ in international trade within the WTO and beyond. First is the UK’s involvement in various “Joint Statement Initiatives” launched at the WTO’s 11th Ministerial Conference in December 2017. These involved a large subset of WTO members who sought to advance negotiations on matters of interest to them, in the absence of progress under the Doha Round.

One of these was the on E-Commerce JSI.[11] The UK was an active participant in negotiations that concluded in August 2024. Many of the provisions of the finalised text reflect provisions in the digital chapters of FTAs signed by the UK (see Chapter 3). In describing the outcome of the negotiations, the UK noted the importance of digital trade to its economy and the prospect that the JSI would help stimulate exports, particularly of SMEs.[12]

The UK was also an active participant in a separate Joint Statement Initiative on Services Domestic Regulation. This was concluded in 2021. At the time of its conclusion, the UK Government stated that “The UK has been a strong and vocal participant throughout negotiations since they were launched at the 11th Ministerial Conference in Buenos Aires in 2017, particularly after formally taking up our independent seat at the WTO last year. As the world’s second-largest services exporter, the UK is among the countries positioned to benefit the most from these terms.”[13]

A second area in which the UK has been active is the relationship between trade, environment and sustainability, currently pursued in the WTO through a process known as the Trade and Environmental Sustainability Structured Discussions (TESSD). The process is organised across four working groups: trade-related climate measures, environmental goods and services; circular economy; and the negative environmental effects of subsidies. The UK has demonstrated a particular interest in the environmental goods and services agenda, which focuses on facilitating trade in goods and services that help to meet environmental objectives, specifically on climate change mitigation and adaptation. The process itself is a continuation of the unsuccessful attempt, under the Doha Trade Round, to negotiate market access commitments in this area.

A third example relates to women’s economic empowerment and trade and gender in the WTO have become important in the UK’s international positioning on trade.[14] This is also discussed in Chapter 8 in more detail, but, in summary, the UK chaired the informal Working Group on Trade and

Gender along with Cabo Verde and El Salvador (until October 2025), and this area has been a key initiative of the UK's activities in the WTO, with several outcomes including the Buenos Aires Declaration on trade and women's economic empowerment (2017). This was the first time that WTO members collectively committed to a formal framework for enhancing gender equality in trade by aiming to increase the participation of women in trade and removing barriers faced by women in entering the global market. This was to be achieved by a combination of analytical work and data collection, sharing of best practices, collaboration on the removal of barriers, and support for the participation of women through Aid for Trade and capacity building.

Another achievement under the heading of women's economic empowerment is the compilation of a compendium of financial inclusion initiatives for women entrepreneurs. This was launched at the WTO's 13th Ministerial Conference in February 2024 by the WTO Working Group on Trade and Gender, as well as the WTO Working Group on Micro, Small and Medium-Sized Enterprises. This database brings together information on programmes supporting access to finance for female-led micro, small and medium-sized enterprises aimed at giving them the opportunity to scale up and access new markets.

Finally, the UK was the first country of the G7 to announce a specific trade track for the G7.[15] This was announced on 31 March 2021 by the then Secretary of State for International Trade, Liz Truss. Building on her inaugural speech to the WTO on 3 March (discussed above) the key issues raised focus on the risks of the fragmentation of the international trading system, the failure of the trading system to deliver for people, and the need to strengthen the WTO – *"if we fail to act, then we risk global trade fragmenting under the tyranny of the largest… in which the big players feel they get to set the rules. That winner-takes-all future would ultimately leave people across the world worse off"*.[16] The speech highlights another part of the trade track: these include digital and data, the environment, and women's economic empowerment. Fairness was an important element of the speech. This was framed in terms of a reformed and modernised rules-based international trading system.

Strategically, too, as part of its G7 presidency, the UK invited international organisations, such as the WTO, to the talks as well as key 'middle powers' like India, South Korea, Australia and South Africa to participate in the discussions. This can be seen as the UK positioning itself as an honest broker working towards being a facilitator of global initiatives. The emphasis in the final report on the G7 was on inclusive growth, and the importance of free trade and collaboration on economic resilience to achieve that growth.[17]

4.1.2.2 Future directions following the UK Trade Strategy

At the time of the UK's exit from the EU, the working assumption was that a secure system of multilateral rules underpinned by the WTO would provide a framework within which the UK could deepen its trade relations with the rest of the world, notably through WTO-compliant FTAs. At the very least, it would also provide guard rails against surges in protectionist sentiment.

Yet, the multilateral rules-based trading system is currently under considerable strain. There are numerous factors driving this. They include technological change and the rise of the digital economy and AI; the growing awareness of the imperatives around climate change and environmental sustainability, rising geopolitical tensions, notably between the US and China, and the de facto withdrawal of the US from the rules-based multilateral trading system under President Trump. All this has led to increased concerns regarding national security, economic security and supply chain resilience.

Many of these issues are taken up in more detail in Chapters 5, 6 and 7, but it is important to highlight some key issues here. The long-standing strains on the WTO and the more recent rise in geopolitical and geoeconomic tensions present two key challenges for the UK. First, there is the growing need for reform of the WTO and the multilateral rules-based system and the UK's role within those discussions and reform proposals. Second, and closely related, is the issue of how to respond to the actions of the US. There is not the scope within this report to discuss the challenges and options for WTO reform, but it is important to identify the UK's stated position and actions with regard to the rules-based system. With regard to the latter, the key features of the US's current approach are a rejection of the MFN principle and hence differentiating between countries in the terms on which they trade with the US, and increasingly incorporating restrictive third-country provisions. The UK will need to address both how this policy shift impacts its bilateral relations with the US and its relations with its other trading partners.

In the Trade Strategy (2025), the UK reaffirmed its commitment to the WTO and identified the substantial intangible (*"simply* (from) *being part of a predictable system"*) and tangible (*equivalent to a* 13.75% drop in tariffs with all partners"[18]) benefits to the UK and to the world economy from membership of the WTO. The strategy is clear too on the need for WTO reform: *"We recognise that it [reform] will require strong political will across all nations to support the WTO to reposition itself for the 21st Century. We do not underestimate the challenge, but we urge all WTO Members, both developed and developing countries, to come together to help both* *preserve and modernise the system on which so much of our shared trading interests depend."*[19]

The strategy also emphasises Prime Minister Keir Starmer's point that the UK intends to strengthen global alliances and reduce trade barriers with parties, as this is key to promoting a secure economy in the UK. This approach draws a direct link between what the UK does internationally and the benefit of that international positioning to the UK. At the same time, the Trade Strategy makes clear that it is important for the UK, going forward in a multipolar world where the largest economies are China, the US and the EU, to undertake a "pragmatic trade policy" that supports UK business and economic growth but also facilitates open trade. Pragmatic here seems to mean supporting adherence to WTO trade rules, while still recognising the lack of multilateral progress in WTO reform.

The pursuit of the "pragmatic policy" will require the UK to manage a tricky balance between various objectives. These include: respect and advocacy for the rules of the multilateral trading system, and support for dispute settlement (joining the MPIA), while at the same time retaining the option to be *"unashamedly opportunistic in considering deals of every sort."*[20] These "deals" include traditional FTAs, which have tended to operate within the framework of WTO rules, notwithstanding concerns that they may hinder rather than promote multilateral rules. But they also include more unconventional arrangements, such as mini deals[21] and bilateral arrangements, such as the UK-US Economic Prosperity Deal, which may run counter to core WTO principles such as non-discrimination.[22]

It is perhaps worth underlining in this context that in our consultations, roundtables and discussions with numerous businesses and stakeholders, the importance of the rules-based trading system under the auspices of the WTO was repeatedly stressed. It is also important to underline that the multilateral rules-based system is still central to global trade and over 70% of world trade continues under WTO terms.[23] UK support for such a rules-based system, as stated in the Trade Strategy and in speeches and statements by successive trade ministers, is therefore to be welcomed and encouraged.

4.2 The UK's Free Trade Agreements

In this section, we provide an overview of the FTAs the UK has signed since the decision to leave the EU was taken in 2016, and since the actual departure from the EU in January 2020. As well as providing an overview, because of its importance to the UK, we also provide a discussion of the UK-EU TCA. In addition, and in order to illustrate some of the issues raised in negotiating and signing FTAs, we also discuss the agreement with Australia, which was the first FTA the UK signed, and the CPTPP, which involved accession to an existing FTA.

4.2.1 Overview of UK FTAs

Following the decision to leave the EU, the UK signed a number of FTAs notified to the WTO. In the first instance, there was the need to 'roll-over' the free trade agreements the UK was part of as a consequence of its membership of the EU. There were 34 such continuity agreements covering over 100 countries or territories. The UK signed a further seven new free trade agreements - with Japan, Australia, New Zealand, the EU, the EEA-EFTA countries (Norway, Liechtenstein and Iceland), the CPTPP and India.[24] Such FTAs are, in principle, important in opening new markets, providing access to cheaper imports, incentivising UK exports and providing valuable opportunities for increasing resilience, diversification and sustainable trade growth.

The UK has also signed a number of agreements which focus on specific areas of policy impacting trade, ranging from investment, transport, customs procedures, and access to critical minerals. A term that is increasingly being used to describe such agreements is 'non-binding legal instrument', or 'mini deals', and we discuss these in Section 4.3.

The new comprehensive trade agreements include:

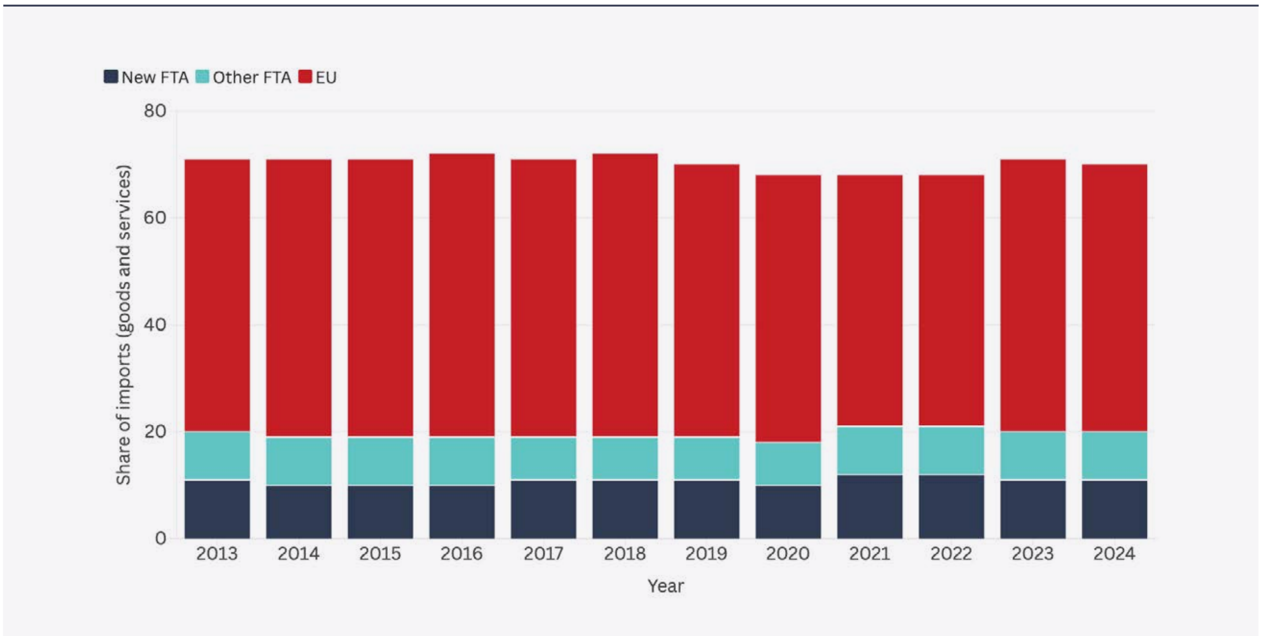
- The UK-EU TCA, and the FTA between the UK and the EEA EFTA countries (Norway, Iceland and Liechtenstein). What distinguishes these two agreements from the other five is that they each involved increasing trade barriers between the UK and the partners because of the UK's exit from the EU Single Market.

- The FTA with Japan. This largely replicates the existing deal that Japan negotiated with the EU, so some commentators consider this to be a continuity agreement.

- The FTAs with Australia, New Zealand and India. These are new agreements negotiated from scratch and not based on previous agreements with the EU.
- The CPTPP. Note, the CPTPP was an existing agreement that the UK joined and so had to accept the existing trade terms. The UK already had a bilateral FTA with most of the CPTPP countries.

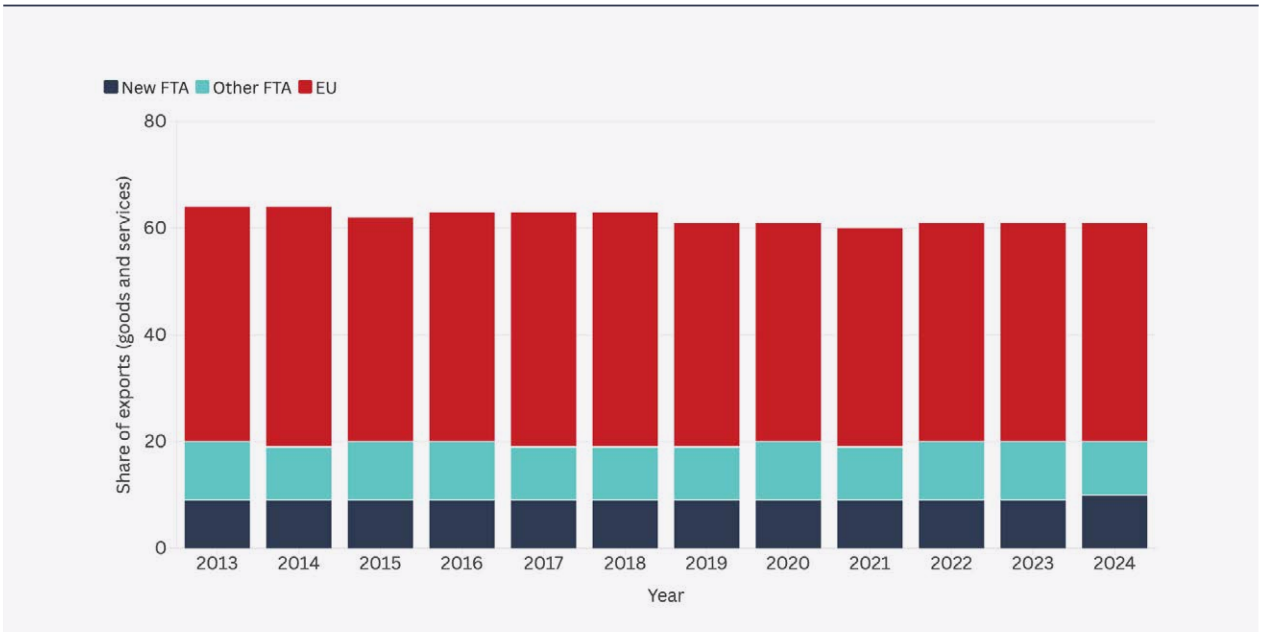
Figures 4.1 and 4.2 show the share of the EU, the new FTAs, and all other FTAs in UK exports, and imports, of goods and services in total.[25]

Figure 4.1: Share of UK imports of goods & services from current FTA countries[26]



Source: Office for National Statistics, UK total trade: all countries, seasonally adjusted

Figure 4.2: Share of UK exports of goods and services to current FTA countries



Source: Office for National Statistics, UK total trade: all countries, seasonally adjusted

First, we see that all FTA countries account for 61% of UK exports, and 71% of UK imports. The seven new free trade agreements accounted for nearly 10% of UK exports and just over 11% of UK imports in 2024. From the figure, we see that the share of trade accounted for by these FTA partner countries has remained fairly stable over time. While not shown in the graphs, of the share accounted for by non-FTA countries (i.e. countries that are trading on MFN terms) over 26% of UK exports of goods and services go to the US and China, and these countries account for 21% of UK imports. Hence, while trade with FTA partners is important, a substantial portion of UK trade is undertaken with countries (notably China and the US) that the UK trades with on MFN terms.

Second, Figure 4.1 and 4.2 show the significance of the EU in UK trade. The EU accounts for 41% of UK exports, and 50% of UK imports. It is important to underline that, as the UK is a former member of the EU, the trade agreement with the EU represents an increase in trade barriers as opposed to a liberalisation of trade (see more detailed discussion below). This also applies to the agreement with the EEA-EFTA countries.

The figures show the stable share of the new FTAs in both imports and exports over time. Within these FTAs, there have been some changes in the relative importance of different countries, with the most significant changes being with regard to Japan and India. In 2016, Japan accounted for 2.2% of UK imports, and India accounted for 1.7%. By 2024, the respective shares were 1.9% and 2.9% - hence a decline in the relative importance of Japan and an increase in the relative importance of India. Similarly, the export shares of Japan and India in 2016 were 1.9% and 1.1% respectively, and in 2024 they were 1.7% and 1.9%. Other than Japan and India, the main supplier of imports to the UK was Norway, and the main destinations for UK exports to this group were Australia, Norway and Singapore. For all the remaining countries, their share in either UK imports or exports of goods and services was less than 1%.

The increased importance of India in UK trade is interesting and also serves to underline the potential value of the UK-India FTA. This is the most recent agreement the UK has signed and is seen by the UK Government as the most significant and ambitious. It involves the elimination of tariffs on 99% of Indian goods exports to the UK. For UK exports to India, tariffs will be significantly reduced or eliminated on 90% of products, with 85% becoming fully tariff-free within a decade. Substantial tariff cuts were achieved on Scotch Whisky, automobiles, as well as reductions for medical devices, cosmetics, aerospace components and certain food and drink products. There are also improvements to business mobility, a digital trade chapter, and some liberalisation of Indian Government procurement for UK businesses.

In Table 4.2, we provide summary information on five of the UK's comprehensive trade agreements that sought to liberalise trade. The table provides information on when these FTAs came into force and the UK Government's estimates of the possible future economic impact of each agreement.[27] It is worth noting that mini deals are not covered by impact assessments, as these are not legally binding agreements which are required to be laid before Parliament.

The table shows that each FTA has an extremely modest impact on UK GDP. The combined effect of all these agreements is estimated to be 0.39% of GDP, with the largest projected gains from the agreement with India. It is worth considering why the projected impacts are low, and here several factors are worth mentioning.

First, since these countries account for a small share of UK trade, it is not surprising that the projected impacts are low.

Table 4.2: Projected impacts of UK FTA based on government estimates

Country/Agreement	Australia	New Zealand	CPTPP	India	Japan
Year entered into force	2023	2023	2024	2026*	2021
Year Projected	2035	2035	2040	2040	2035
▲ GDP (Value £ billion)	2.3	0.8	2	4.8	1.5
▲ GDP (%)	0.08	0.03	0.08	0.13	0.07
▲ Goods & services Imported (Value £ billion)	4.2	1	2.3	9.8	13
▲ Goods & services Imported (%)	66	76	4.17	25	79.90
▲ Goods & services Exported (Value £ billion)	6.2	0.7	2.6	15.7	2.6
▲ Goods & services Exported (%)	44	40	3.56	59	17

Source: UK Government Impact Assessments

Second, the simulated impacts are based on standard economic models. The UK Government normally uses a computable general equilibrium (CGE) model, as well as partial equilibrium (PE) modelling, supplemented with gravity modelling. These measure changes in trade and GDP arising from the reorientation of trade that is likely to occur as a result of improved market access for goods (e.g. through lower tariffs) and services (through reductions in regulatory barriers). To a large extent, such models are focused on capturing the gains from changes in specialisation and comparative advantage that may occur. There are a range of other factors that the modelling does not capture, and it is reasonable to assume that these estimates underestimate the gains from the agreements, and the longer-run impacts are likely to be higher.[28] It is very hard, however, to say how much higher.

Third, as seen in Chapter 1, the highest share of UK trade is in services. With regards to services trade, the FTAs the UK has signed have largely focused on reducing the gap between bound MFN regimes under the GATS and applied regimes, rather than seeking new market access, or addressing some of the practical issues that businesses face, such as business mobility. The benefits from services barrier reductions, including those that come from greater policy predictability when gaps between bound and applied MFN rates are eliminated, can be harder to quantify than those in goods. This makes it also harder to evaluate effects of services commitments.

Our consultations with stakeholders suggested that the Government needs to pay more attention to services trade. That includes stand alone services exports, but also services that are linked to good exports through value chains. Sectors, including pharmaceuticals, automotive, and aerospace, illustrate how their success in international markets depends not just on physical goods, but on a wide array of associated services, such as intellectual property management, marketing and regulatory compliance. It is also worth noting that the services workforce outweighs the production workforce in many large companies. The rise in the use of imported services as inputs for exporting activity, and the rise in the joint bundling of goods and services exports, for the UK was documented in Chapter 1, and underlines the importance of treating trade policy with regard to goods and trade and with regard to services trade jointly. This is relevant not only for maximising the economic benefits from trade liberalisation and trade agreements, but given the close integration of supply chains, it is also relevant for economic security.

4.2.2 Assessment of UK FTAs

The UK's new FTAs can all be considered comprehensive trade agreements covering an extremely broad set of largely market access issues. They each contain core chapters and commitments which provide for improved market access in goods (typically with 99% or more tariff liberalisation), rules of origin to ensure that the preferences are granted to FTA partner's originating goods, and a degree of liberalisation and additional commitments with regard to services trade, as well as provisions on areas such as investment protection, intellectual property rights, digital trade and competition policy. Many of these chapters also serve as enabling policy, which can help stimulate trade and investment. Hence, as well as addressing direct market access barriers such as tariffs, they can help establish norms for business, for example, in the form of intellectual property protection and enforcement.

In considering the possible impact of FTAs in addition to the reductions in barriers as modelled in the impact assessment discussed earlier, there are several factors that it is important to mention:

The first is that the scenarios modelled represent improvements in market access and coverage of rules relative to the WTO baseline. For economies that are relatively liberal, these incremental improvements will be relatively limited. An alternative way of conceiving of the benefits of FTAs is via the added predictability they give relative to the MFN baseline, and notably assurance against the possibility of policy reversals – for both goods and services. This is particularly true in relation to services, where the scope for policy reversals is significant, given the large gap that exists between WTO commitments on an MFN basis and actually applied levels of restrictions. Similar observations may also apply where WTO rules are weak or non-existent (for example, on investment, and certain areas of regulatory and institutional cooperation). The results do not capture the gains from avoided policy reversals, and so may understate an important benefit of FTAs, particularly at a time of heightened economic fragmentation.

Secondly, regarding goods trade, the gains from any given reductions in tariffs in an FTA will depend on the underlying rules of origin and the consequent utilisation of preferences. Preference utilisation refers to the extent to which firms take advantage of the preferential tariffs that are available to them under an FTA. The impact assessments, discussed above, typically assume 100% preference utilisation. In contrast, if we consider the actual preference utilisation rates (PURs), we see that in 2022 the overall preference utilisation rates on UK exports to the EU, Korea and Canada were 74%, 56% and 52% respectively.[29] There are some sectors where the PURs appear consistently lower. Hence, for example, for leather goods, footwear, textiles, and precision tools the (unweighted) average PUR across the three agreements with the EU, Korea and Canada, is 40% or less. This indicates that there is a high share of FTA trade which does not utilise the available preferences. There are several factors that could be driving this outcome, and these were raised by business in our consultations and roundtables. They include difficulties in meeting the underlying rules of origin, and simply that the administrative costs and bureaucratic burdens outweigh the cost of paying the MFN tariffs. The latter is more likely when the MFN tariffs are low.

Third, in considering the provisions of FTAs, it is important to distinguish between commitments that are enforceable, for example, under the FTA's dispute settlement clauses, and those which are merely "best endeavour" clauses. The latter typically represents a political commitment to try to achieve a certain objective. In such clauses, the parties typically agree to cooperate on a set of issues either through transparency, information sharing, or cooperation to reduce trade barriers. However, such provisions are not subject to formal dispute settlement if one party believes the other has in some way contravened that clause. Note that FTAs typically envisage that various committees will discuss issues related to the agreement, and an aggrieved party may raise issues related to provisions in such committees, even if formal dispute settlement is not applicable to such provisions.

In contrast, many clauses in FTAs are 'subject to dispute settlement'. This has a specific legal meaning. Any dispute regarding compliance with the provision can be brought to formal, legally binding dispute settlement proceedings, as set out in the dispute settlement chapter of the FTA. The general principle is that all the FTA's chapters are subject to dispute settlement, unless specified otherwise. It is also possible for agreements to have other formal processes for redress, which may not be covered specifically under the dispute settlement chapter. Examples of this include the level-playing field and rebalancing provisions in the UK-EU TCA.[30]

Table 4.3 provides a list of the key chapters across several key agreements and indicates whether they are covered by binding dispute settlement or other formal procedures for redress. The table is informative in several regards. First, it provides a useful overview of the key areas covered by the agreements and shows the high degree of overlap but also some differences. Hence, there is a chapter on indigenous trade only in the agreement with New Zealand, and not all the agreements have specific chapters on subsidies. It also shows that there are certain chapters/areas which are sometimes explicitly excluded from dispute settlement – notably SPS, TBT and good regulatory practice, as well as chapters with regard to labour and the environment.

This can be seen, for example, in the most recent FTA with India, where the labour, environment and subsidy provisions are not subject to formal dispute settlement. In turn, this might indicate that the focus of this agreement may have been more on market access and economic growth objectives, as opposed to additional objectives to do with sustainability or inclusiveness.

Table 4.3: FTA principal chapters and dispute settlement

FTA / Chapter Type	UK-EU	UK-Australia	UK-New Zealand	UK-Japan	UK-India	CPTPP
General Scope of DS	Art. INST.9	Art. 30.4.1	Art. 31.4.1	Art. 22.4.1	Art. 29.4.1	Art. 28.3.1
Goods (tariffs, quotas)	✓	✓	✓	✓	✓	✓
Rules of Origin	✓	✓	✓	✓	✓	✓
Customs Procedures	✓	✓	✓	✓	✓	✓
Sanitary & Phytosanitary	✓					✓*
Tech. Barriers to Trade	✓		✓	✓	✓	✓
Trade in Services	✓	✓	✓	✓	✓	✓
Inv. (State-to-State)	✓	✓	✓	✓		
ISDS						✓
Digital Trade	✓	✓	✓	✓	✓	✓
Intellectual Property	✓	✓	✓	✓	✓	✓
Competition Policy	✓				✓	
Govt Procurement	✓	✓	✓	✓	✓+	✓
Labour	✓	✓	✓			✓
Environment	✓	✓	✓			✓
Subsidies	✓*					
State-Owned Ent.	✓	✓	✓	✓		✓
Anti-Corruption	✓	✓*	✓*			✓
Gender Equality	C	C	C	C	C	C
Indigenous Trade			C			
SMEs (Cooperation)	C	C	C	C	C	C

Source: Own elaboration from Chapters identified from text of the treaty

Notes:
✓ indicates that the chapter is subject to dispute settlement
✓ dispute Settlement applicable subject to modification/conditions specified in the Chapter*
✓+ dispute settlement obligations not applicable for a period of four years from date of entry into force of the agreement
C indicates that this is characterised as a best endeavour clause, where countries agree to cooperate

A fourth set of issues is regulatory concerns and bureaucratic barriers to trade. One specific example of this relates to rules of origin, discussed above. However, in the evidence we received and in our roundtables, a broader set of barriers and issues were raised. These include 'red-tape and administrative burdens' including customs checks and SPS controls; regulatory differences across countries and associated compliance costs (e.g. increased costs arising from UK Conformity Assessed (UKCA) marking, which involves duplication of compliance efforts); regulatory barriers within the UK and the need for simplification; logistics costs: and food and animal welfare standards.

In many cases, these are seen to apply in the context of UK-EU trade (discussed below) but these issues also have broader relevance. Animal welfare standards are a good example of this. The UK has over 40 specific animal welfare and health standards set out in legislation, 18 on farm welfare.[31] The UK is generally seen as having higher legal animal welfare standards than all the countries, which it has or is negotiating FTAs, except Switzerland and New Zealand. However, this may not apply across all sectors and species. The relative strength of welfare standards depends on the specific animal (e.g. laying hens, pigs, cattle) and the issue addressed (e.g. space allowance, transport duration, or slaughter practices).

In general, UK animal welfare legislation governs domestic production and does not impose equivalent welfare requirements on imported products (except for the requirement that animals be stunned prior to slaughter). This feature is not unique to the UK: several other jurisdictions with advanced animal welfare regimes – such as the EU, New Zealand, and Switzerland – also apply most of their animal welfare measures only to domestic production. Stakeholders have raised concerns that FTAs could either lead to an impact on the standards used by UK farmers and/or undercut UK farmers because of the lower standards abroad. Maintaining food standards, and the impact of FTAs on standards, were also raised as concerns in our consultation exercise. There are two issues here. The first relates to the terminology applied in free trade agreements and whether agreements undermine or weaken the 'precautionary principle,' which the UK has largely maintained since its departure from the EU. The second relates to the ability of UK customs checks to adequately control for food imports that do not meet UK minimum food standards, such as pesticide levels.

The issue of standards and regulatory differences goes beyond food, agriculture and farming. Standards are needed for a range of public policy purposes, and evaluation of compliance with the standards is provided by conformity assessment bodies, who are in turn assessed by nationally appointed accreditation bodies. Different standards and different procedures for the accreditation of conformity assessment bodies can all create technical barriers to trade for firms. For example, differing national regulations may lead to varying compliance requirements. Such barriers can be reduced through mutual recognition agreements between countries, which can be either embedded within FTAs or as standalone agreements. Our consultation exercise also revealed the importance of such technical barriers to trade for UK businesses trading with the EU and beyond. Relatedly, there was also some concern regarding the rise of regulations, especially in the EU, with regard to corporate due diligence and responsible business conduct, which increases firms' costs.

4.2.3 UK-EU trade relations

4.2.3.1 The Trade and Cooperation Agreement

Following the 2016 referendum, the UK gave formal notice to withdraw from the EU under Article 50 of the Treaty of the European Union on 29 March 2017 and continued to follow EU rules until formal withdrawal on 31 January 2020. The EU–UK TCA now governs post-Brexit trade and economic cooperation.[32] Its broad objectives are to continue the relationship in trade, but also broaden it to include close cooperation in other areas. The agreement underscored this cooperation with 100% tariff liberalisation and some support for trade in services.

The TCA was signed on 30 December 2020. It applied to the UK on 1 January 2021, and formally entered into force on 1 May 2021.[33] The TCA encompasses traditional areas included in an FTA, such as trade in goods and services, digital trade, intellectual property and public procurement, and covers other areas like aviation, road transport, energy, fisheries, social security coordination and law enforcement cooperation. The TCA guarantees tariff-free and quota-free access for UK and EU goods in each other's respective markets, provided those goods meet the stringent rules of origin (ROO) set out in the TCA.

The TCA also commits both sides to maintaining high standards in environmental protection, labour rights and state aid. Both parties balanced the need for sufficient safeguards against future regulatory divergence to ensure fair competition with the freedom to set their own rules.[34] Finally, the TCA provides for dispute resolution and creates mechanisms for the enforcement of obligations. However, obligations related to good regulatory practices (Title X), competition policy (Title XI, Chapter 2), weakening of taxation laws (Title XI, Chapter 5) and the annex on medicinal products (Annex 12) are not subject to dispute settlement. The TCA is scheduled for review five years (Article

776) after its entry into force. How the TCA should be changed is already subject to debate.[35]

The TCA does not replicate the seamless integration and trade flow that the UK enjoyed as an EU member.[36] It introduced new layers of administrative requirements, including customs declarations, technical and regulatory checks, such as sanitary and phytosanitary (SPS) inspections and conformity assessments, which cause delays and increased costs. These challenges were exacerbated because the EU applied its third-country customs and regulatory regime to goods imported from Great Britain on 1 January 2021. Although the UK pledged to introduce new customs formalities, it repeatedly delayed applying its own third-country customs and regulatory regime to goods entering from the EU, with some SPS measures implemented as late as October 2024.[37] This discrepancy between the UK and EU positions on customs checks caused confusion for businesses and led to calls from UK business for the UK to level the playing field with the EU in this regard.[38]

4.2.3.2 The Northern Ireland Protocol

The Northern Ireland Protocol is formally part of the EU-UK withdrawal agreement. It addresses the unique border situation between Ireland and Northern Ireland. The Northern Ireland Protocol, which is intended to ensure that there is no hard border between Northern Ireland and the Republic of Ireland by applying EU Single Market rules for goods to Northern Ireland.[39] Consequently, this required checks on goods moving between Great Britain and Northern Ireland, creating a de facto customs border in the Irish Sea. This was the case even for goods remaining in Northern Ireland and not transported onwards to the EU. This process deviated from the integrated market arrangement of the past.

The protocol applied the relevant EU Single Market rules for goods to Northern Ireland and exempted from customs duties goods not "at risk" of entering the EU. It applied EU tariffs to "at risk" goods that might find their way into the EU customs union via Northern Ireland. These rules created practical challenges for implementation.

The Windsor Framework was agreed upon by the EU and UK to resolve these challenges. It created a new green-lane/red-lane system for moving goods from Great Britain into Northern Ireland. Goods staying in Northern Ireland go under the green lane with far fewer checks and controls, while goods bound for Ireland and beyond go through the red lane and are subject to the full checks and controls by the EU. The Windsor Framework also creates a 'Stormont Brake,' allowing members of the Northern Ireland Assembly to seek to prevent certain changes to EU laws applicable in Northern Ireland under the Protocol. In addition, it commits the UK and the EU to resolve issues jointly and engage more with stakeholders in Northern Ireland on the operation of the Protocol.

While the TCA and the Windsor Framework have maintained critical trade links between the UK and the EU and provided legal certainty post-Brexit, they have introduced new administrative barriers that hinder seamless commerce. Ultimately, cooperation and targeted reforms remain essential to mitigate these challenges and support the competitiveness of UK businesses.

4.2.3.3 The UK-EU reset

The new Labour Government pledged to "reset" the relationship with Europe, proposing an SPS Agreement and a broad security pact,[40] while committing to remain outside the Single Market and the Customs Union and refusing deals on free movement of people.[41] The importance of improving economic relations with the EU and reducing barriers to trade was repeatedly raised by businesses and stakeholders in the evidence we received and the consultations we undertook.

It is therefore welcome that, in May 2025, the EU and the UK agreed to establish a closer partnership, including a Security and Defence Partnership. The "Reset" deal is predominantly a negotiating agenda, with economic aspects outlined in a "Common Understanding", whose title hints at its non-legally binding nature. Some of the main elements of the Common Understanding are:

A 12-year extension of the reciprocal rights to access fishing waters from June 2026 (the deadline previously set in the TCA) to June 2038.
This was a core EU demand and was implemented in June 2025 by a decision of the TCA Specialised Committee on Fisheries. The UK fishing industry did not welcome this extension, but a longer-term solution is preferable to the alternative of annual negotiations, so producers can benefit from agreements.

An agreement on SPS to reduce trade barriers on agri-food exports to the EU.
The agri-food sector contributes a sizeable portion to UK GVA – £147 billion, or 6.5% of GVA in 2022 – and absorbs about 13% of the UK's workforce.[42] The share of sole traders and SMEs in employment in agriculture is over 80%, and the share in the manufacture of food is 34%.[43] The EU is by far the most important agri-food trade partner (57% of exports and 71% of imports), with Brexit being among the primary factors responsible for a marked decline in trade flows since the end of the transition period.[44] Since then, the UK, and to a lesser extent EU traders, have had to familiarise themselves with new complex processes and comply with enhanced documentary changes and inspections, in an attempt to minimise disruptions to the supply chain. Agri-food trade with the EU is not only important as a

source of export revenue, but EU-produced food also accounts for the largest fraction of UK food consumption (24%) after UK domestic production.[45]

Therefore, the SPS agreement is set to benefit a sizeable and strategic part of the UK economy and many small or sole producers. Reduced documentation and inspections at the border are expected to stimulate trade in agri-food products, including between Great Britain and Northern Ireland (where EU SPS rules under the Windsor Framework apply). The size of the benefit will be proportional to the degree of regulatory alignment between the UK and the EU.[46]

In the "Reset" deal, the parties agreed to 'dynamic alignment' of UK SPS rules with SPS rules made in the EU. The UK can input into the rule-making process, but it will not be able to vote on the adoption of rules. This is the maximum degree of alignment the UK could expect as a non-EU member. It is a significant departure from the Brexit positions, and a welcome step in terms of the potential economic benefit to the agri-food sector, because UK producers can easily meet EU standards and will regain easier and cheaper access to a very large market. This will also help the fishing industry, as 70% of UK fish exports go to the EU.

Linkage of the UK and EU Emissions Trading Scheme (ETS).
This is also to be achieved through dynamic alignment with relevant EU rules. Unifying the markets for carbon allowances will stabilise and align the price of emissions in the EU and the UK. A key advantage is that this should guarantee the mutual exemption from high compliance costs and charges on trade applied under Carbon Border Adjustment Mechanisms (CBAMs), which are being implemented in both regions.[47] A linked EU-UK ETS will also avoid CBAM charges for Northern Ireland, which is part of the UK ETS. This approach should benefit a large fraction of the UK economy because the main sectors covered are energy-intensive industries (oil refineries, steel, iron, aluminium, glass, cement, lime, ceramics, pulp, paper, cardboard, acids and bulk organic chemicals), plus electricity generation, industrial and domestic heat generation, domestic and international aviation and maritime transport. There is also scope for future extension to include other industries.[48]

UK participation in the internal EU electricity market.
Merging the two markets might lead to lower electricity prices as both sides will be able to exchange surpluses more efficiently. For example, UK North Sea plants will be able to send electricity to either the UK or the EU, depending on demand. As high domestic energy costs have been identified as a drag on UK productivity and a burden on UK consumers, this provision could potentially be very beneficial to the UK economy.

Whilst the 'Reset deal' can be considered an important achievement, at the same time, there are areas where more alignment could have been sought. These include:

- Facilitating services trade: This would be in line with the UK Trade Strategy. The UK has strengths in these services: services exports exceeded goods exports in 2024 – £183 billion versus £174 billion. In addition, there is a lack of deep services-trade provisions in the TCA.
- Reducing regulatory trade barriers: For example, negotiating an agreement on mutual recognition of conformity assessment and eliminating the need for duplicated testing of goods for conformity with UK and EU rules would be beneficial to UK manufacturers in several sectors, primarily those needing third-party conformity assessment, like machinery.
- Greater support for SMEs: The UK could include UK firms in the EU's Import One Stop Shop scheme. This would facilitate online sales of low-value goods (under €150) to EU consumers by firms from outside the EU.

4.2.4 Australia

The FTA with Australia is a "deep FTA" drawing on the CPTPP agreement, but going further in some areas in terms of coverage and depth of rules. The overall economic impact is modest. While the agreement achieved near-total tariff elimination - covering 99% or more of products - Australia is not a major UK trade partner. In 2024, the share of Australia in the UK's total goods exports was only 1.3%, and for goods imports 0.7%. For services, Australia accounted for 2.3% of UK exports and 1.5% of UK imports.[49] UKTPO simulations suggest that the UK-Australia FTA may lead to an increase in GDP for the UK of between only 0.05% to 0.07%. This is similar to the UK Government's impact assessment of 0.02% to 0.08% reported earlier in this chapter.[50]

Australia's services commitments exceed its GATS obligations, including in the areas of business mobility and youth mobility. Gains remain limited as Australia's market is already open, and UK trade shares are small. Nevertheless, a potential benefit is the increased legal certainty regarding those commitments, which lock in the current autonomous liberalisation in services trade in terms of major disciplines. For example, market access and national treatment obligations, except for measures listed as reservations. On investment, the number of reservations indicates that the agreement retains Australia's more restrictive approach.

For the UK, the FTA with Australia reflects a move towards a more Asia-Pacific style market-driven and innovation-oriented regulatory approach. For example, there is a comprehensive digital trade chapter modelled on the Australia-Singapore Digital Economy Agreement that prioritises free cross-border data flows and a market-led digital economy to promote innovation and technology. The provisions relating to cross-border data transfer, such as digital identities, cross-border transfer of information by electronic means and a ban on data localisation, are expected to facilitate business. It should be noted that the provisions of personal information protection do not provide clear safeguard solutions to ensure the protection of UK citizens' data. For a more detailed discussion of digital trade and digital trade policy, see Chapter 6.

On SPS, the UK has established high regulatory standards in these areas based on EU law. In the Agriculture Act 2020, the UK committed to maintaining statutory levels of protection around human, animal or plant life or health, animal welfare and environmental protection.[51] While generally on SPS-related measures, the UK takes a more cautious 'precautionary' approach,[52] the approach in the UK-Australia FTA around the role of science underpinning SPS measures is closer to that of the CPTPP. The UK Trade and Agriculture Commission, which scrutinised the trade agreement for its impacts on the UK's existing statutory levels of protection around plant and animal health, animal welfare and environmental protection, did not regard this difference as undermining the UK's existing levels of protection.[53] As can be seen from the table, the SPS chapter in the Agreement is not subject to dispute settlement.

This is not the case for the environment chapter, which is subject to dispute settlement. However, many of the provisions in the chapter are framed as 'best endeavour' clauses as opposed to specifying obligations or commitments. The UK-New Zealand FTA is also subject to dispute settlement and goes further, for example, on fossil fuel subsidies, or in having an agreed list of environmental products.

The FTA with Australia was the first 'new' trade agreement signed by the UK Government and was much heralded by the government of the time as a demonstration of the UK's newly found independent trade policy. However, the agreement was criticised for being rushed through precisely to demonstrate the UK government's ability to sign free trade agreements, and in so doing, was less favourable to the UK than would have been the case if more time had been taken.

Specific areas of concern centred on the liberalisation of tariffs on agricultural products, particularly beef and lamb, and the damage this would do to UK farmers and food security. There was a concern that the lower costs in Australia, arising from larger farms, differences in climate, and production standards, would give Australia a competitive advantage. Indeed, the government's own simulations indicated a small negative impact. However, it is worth noting that, historically, over 90% of UK beef imports come from the EU, with only 1% being supplied by Australia, and around 80% of UK domestic final consumption of beef is from domestic production. Finally, Australia has rarely filled its existing beef and sheep quotas. With long phase-in periods, these concerns appear overstated, though worries remain over animal welfare standards. Criticism also centred on weak parliamentary scrutiny and consultation with stakeholders, the business community and the Devolved Administrations regarding what was negotiated.

Overall, the value of the UK-Australia and UK-New Zealand deals lies more in the policy tilt towards the Asia-Pacific region, and facilitating accession to the CPTPP, rather than their overall economic value (the scrutiny of FTAs is discussed in more detail in Chapter 3).[54]

4.2.5 The CPTPP

The CPTPP is a free trade agreement between Japan, Malaysia, Vietnam, Australia, Singapore, Brunei, New Zealand, Canada, Mexico, Peru and Chile. It is one of the biggest trading blocs in the world, worth 15% of global GDP.[55] Originally conceived as the Trans-Pacific Partnership (TPP), US participation under President Obama would have made it the world's biggest FTA, but President Trump withdrew on his first day in office during his first term.[56] The remaining parties subsequently signed the agreement after rebranding it CPTPP in March 2018.

The CPTPP incorporates the 30 original chapters of the TPP text, including its dispute settlement mechanism. However, the CPTPP indefinitely suspended some of the TPP commitments that were all US priorities. These include enhanced protections for intellectual property, specific rules on government procurement and US-proposed labour plans with specific countries.[57] The CPTPP also established new administrative procedures, such as those governing accession, that replaced those established under the TPP. In addition, side letters to the agreement clarify the application of specific commitments to certain parties, such as, for example, a five-year exemption from dispute settlement for data flow commitments and a three-year exemption regarding certain labour obligations applying to Vietnam.[58]

The CPTPP mandates unanimous consent among existing members to begin market access negotiations for countries wishing to join.[59] If discussions progress, the existing CPTPP parties determine whether the new applicant is qualified to join based on market access offers, such as tariff reductions, and the applicant's ability to adhere to CPTPP rules. Notably, the UK is the only applicant to have completed these requirements to date.[60]

The UK submitted its formal request to join the CPTPP in February 2021[61] and signed an accession protocol on 16 July 2023.[62] Following the conclusion of the CPTPP's ratification process, the agreement entered into force for the UK on 15 December 2024.[63]

The UK is the first European country to join the agreement, aiming to deepen its access to one of the world's largest and most dynamic free trade areas, ensure the maintenance of high standards and robust protections for UK consumers and businesses and safeguard the interests of the NHS.[64]

Concerns about food safety, farming and environmental standards—particularly conflicts between the UK's precautionary approach and CPTPP's science-based SPS measures —were dismissed by the UK Food Standards Agency and Food Standards Scotland, the Trade and Agriculture Commission, and independent analyses, all affirming that UK protections remain intact.[65, 66]

The key question is the benefit to the UK. The UK already had trade agreements with 9 out of the 11 CPTPP economies, except Malaysia and Brunei. The UK Government's impact assessment estimated accession to the CPTPP could enhance long-term GDP by £2 billion (approximately 0.08%), with the potential for this figure to increase should more nations, such as South Korea, join the bloc.[67] This assessment highlights the uncertainty around such estimates of potential benefits.

While the economic gains are modest and uncertain, CPTPP holds strategic value for the UK's post-Brexit pivot to the Indo-Pacific region. The House of Lords International Agreements Committee acknowledged the geopolitical and strategic importance of the region and recognises that CPTPP, alongside other strategic agreements such as the Australia-UK-US defence partnership (AUKUS), strengthen the UK's position in shaping future developments in the Indo-Pacific.[68] Looking ahead, the UK would benefit from advocating CPTPP expansion to maximise both its economic and strategic importance. Issues of economic security in regard to the UK's FTAs are detailed in Chapter 5.

4.3 Other preferential arrangements – mini deals

The category of mini deals covers a wide range of possible agreements. There is no clear or recognised definition of a mini deal. For this report, we take a broad interpretation and define a trade mini deal as any form of international trade agreement which is not a free trade agreement as defined by Article XXIV GATT and Article V GATS. It is important to note that mini deals can be sector-specific, are not necessarily legally binding, and may or may not be subject to dispute settlement. Mini deals are typically bilateral and specific, but the term could also cover plurilateral and/or broader deals. Mini deals may also comprise specific amendments to existing free trade agreements, which can be decided by FTA committees without requiring further treaty renegotiation.

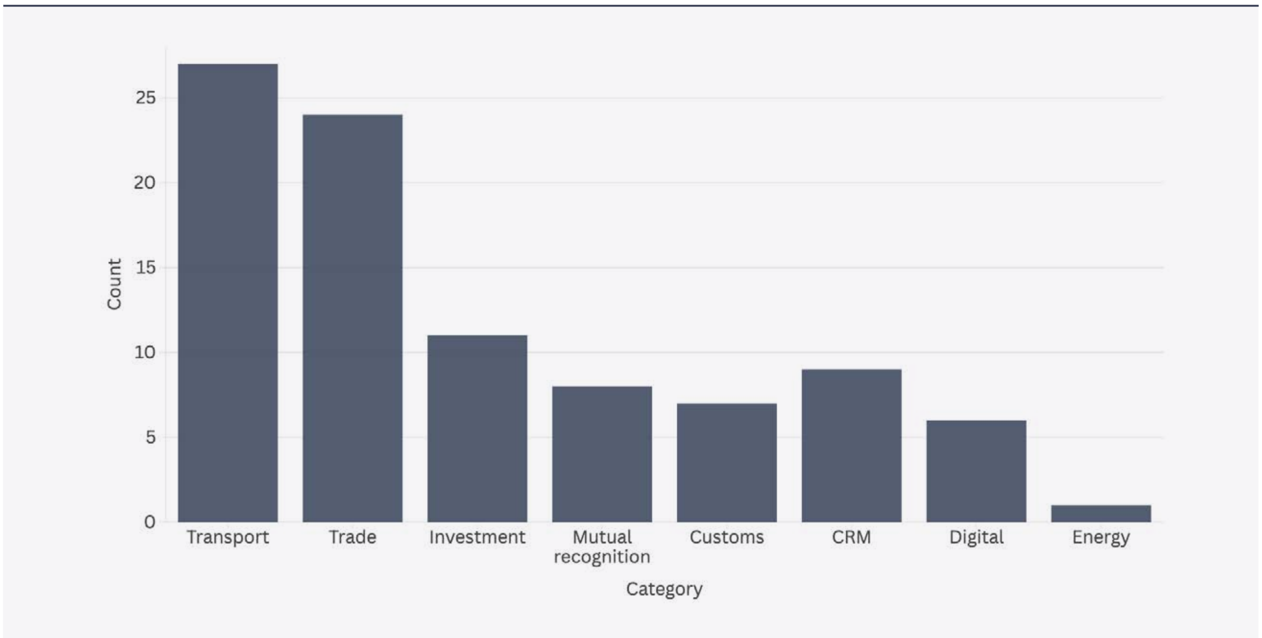
With the WTO facing challenges to its function and relevance, particularly in relation to issues like economic security, supply chain resilience, and the growth in digital trade, it seems highly probable that countries will increasingly use mini deals to address specific issues. Indeed, the UK's June 2025 Trade Strategy makes clear that negotiating mini deals will be a key element of its approach to navigating trade relationships with other countries going forward.

Given the diverse nature of mini deals, it is perhaps also not surprising that it is extremely difficult to obtain accurate information about such deals. In this report, we have drawn on a variety of governmental and non-governmental sources to compile as comprehensive a list as possible of all agreements signed by the UK since 2020 that might be considered a 'mini deal' (following the UK's formal exit from the EU). There are around 170 such mini deals, however, many of these are not trade-related and may be concerned with security, defence cooperation, foreign affairs or taxation.

Our analysis suggests that there are 62 mini deals that fall into the category of trade, and a further 27 that deal with transport (air, road, or rail) between countries and are thus likely to materially impact trade. The majority of the UK's mini deals regarding 'trade' are bilateral in nature. Only 16 of the mini deals appear to have any form of dispute resolution, and most of these agreements should largely be seen as 'best endeavour' agreements.

The range of scope of these mini deals can be seen in Figure 4.3. The first column gives the 27 transport-focused mini deals. The remaining columns provide more information on the trade mini deals. Many of these are generic trade and investment cooperation agreements. A number of these are the various MOUs which the previous Conservative Government signed with a range of US states, as well as the Economic Prosperity Deal (EPD) between the UK and the US.[69] For others, it is possible to identify more of a specific focus – be this investment, mutual recognition arrangements (ranging from mutual recognition of driving licences to authorised economic operators), critical raw materials, conformity assessment, and digital economy deals, or with regard to customs cooperation.

Figure 4.3: UK mini deals



Source: Own elaboration

4.3.1 UK-US Economic Prosperity Deal

Under the first Trump administration, and in the aftermath of the UK's exit from the EU, the UK and the US had set out to negotiate an ambitious FTA, building on their existing WTO commitments as a baseline. President Trump had forecast a "tremendous increase" in trade between the two countries.[70] The UK Government's modelling suggested an increase in UK exports to the US of 4.3% and of UK imports from the US of 4.1%.[71] In the event, no FTA was concluded despite five rounds of negotiations.

On 2 April 2025, the second Trump administration, elected on a protectionist platform, proclaimed a range of tariffs on trade partners with Executive Order 14257 (dubbed the "Reciprocal Tariffs order"). Under the order, a base rate tariff of 10% was applicable to imports from the UK to the US. Separately, the US announced tariffs of 25% on steel, aluminium, automotives and aerospace products, under section 232 of the Trade Expansion Act.

Part of the purpose of the Order was to push partners into negotiating with the US by entering into commitments on matters of interest to the US in return for some mitigation of the tariffs the US had levied. The UK and US thus concluded an Economic Prosperity Deal (EPD) on 8 May 2025.[72]

The EPD provided, notably, a tariff rate quota on motor vehicles (amounting to 100,000 UK-made cars), which would allow imports of cars to enter at a lower duty rate of 10%. This provision subsequently came into force on 30 June 2025, along with a removal of 10% tariffs that had applied to certain aerospace products such as engines.[73] The EPD also included a commitment that the US would construct a tariff-rate quota at MFN rates for its imports of UK steel and aluminium. This has yet to happen, with the 25% rate remaining. However, the UK's exports of these products have not been subject to a further increase of duties to 50% that have applied to other exporters. The EPD also includes a commitment to negotiate preferential access for UK exports of pharmaceuticals, once section 232 investigations on these products have been completed. In October 2025, the US informally announced a tariff of 100% on all pharmaceutical imports.

The UK committed to reform its tariff-rate quota for US beef imports by eliminating the in-quota rate of 20% and by creating an additional preferential duty-free quota of 13,000 metric tonnes of beef. Both countries also committed to tackling non-tariff measures, including in agriculture; to cooperate on economic security; and to pursue an "ambitious" set of digital trade provisions, which would include services within its scope.

The EPD differs from standard FTAs negotiated under GATT Article XXIV and GATS Article V, including the FTA the UK and the US had sought to negotiate between 2018 and 2020. For a start, the EPD does not involve, as required by these WTO provisions, the comprehensive elimination of duties or restrictions across products and sectors. Indeed, the opposite is true since the EPD allows the US to implement duties that exceed its previous MFN duties. The EPD is also selective in its sectoral coverage. Secondly, unlike FTAs, including previous US FTAs, the EPD contains no enforcement mechanism and can be terminated relatively easily. It can thus be considered a "handshake" rather than a contract.

Under the terms of the EPD, the market access measures granted by the US are conditional on the UK meeting *"US requirements on security of supply chains … and on the nature of ownership of relevant production facilities"*. The definition and scope of such requirements is entirely at the discretion of the US, which reduces the security of market access the EPD grants to the UK. The allusion to supply chain security is taken to be a thinly veiled reference to the extent to which China participates in value chains involving UK exports destined for the US.[74] As a consequence, this provision likely further removes the EPD from the scope of WTO rules (preferential agreements are required to not raise barriers to third parties). Moreover, it creates a specific challenge for the UK insofar as it is actively seeking deeper integration into the Asia-Pacific, a region in which China is particularly active (China is also seeking accession to the CPTPP).

The EPD thus represents a significant departure from "traditional" approaches to FTAs and mini deals: even though the latter have a selective sectoral focus, they are, by and large, focused on strengthening collaboration using MFN, or multilateral commitments and rules as a baseline. By contrast, the EPD reflects the US rejection of such principles.

The balance of benefits and costs for the UK is hard to discern at this stage. On the benefit side, it provides a degree of favourable access relative to some other exporters (such as the EU) in products such as steel and aluminium, and possibly pharmaceuticals. The EPD also provided a spur to the conclusion of the US-UK Technology Prosperity Deal in September 2025, which addresses collaboration in technological sectors and activities such as AI, quantum computing, civil nuclear energy, advanced telecommunications (6G) and critical national infrastructure. The Deal also featured investment pledges by various private sector technology companies.

On the cost side are the relatively open-ended commitments entered into by the UK to meet US security concerns, the lack of enforceability of the EPD, and the erosion of the UK's commitment to core MFN principles. The ramifications of this last effect could take several forms: it could expose the UK to action at the WTO, and it could increase trade frictions and costs with other partners, making the pursuit of the "Global Britain" agenda more complicated.

4.4 UK Trade Policy and developing countries

4.4.1 Trade and the Sustainable Development Goals

The UK Government's International Development Strategy (2023) explicitly frames trade as a key tool in its mission to help partner countries achieve the Sustainable Development Goals (SDGs). The strategy's primary objectives, as stated, have been to break down trade barriers, support exports, reinforce sustainable supply chains, and promote inclusive economic growth and job creation in developing nations. It emphasises using "transformative trade" to improve market access for low and middle-income countries, which sits at the centre of the UK's development agenda.

Parallel to this, the UK's Trade Strategy (2025) underscores ambitions for *"open, free and fair trade," and cites the UN Agenda for Sustainable Development in recognising "international trade as an engine for inclusive growth and poverty reduction, and an important means to achieve the Sustainable Development Goals"*. The strategy points to the role of UK Export Finance in 'unlocking' such benefits.

Parliamentary select committee reports also reinforce these objectives. The International Development Committee's report on "Extreme Poverty and the Sustainable Development Goals" (2023) emphasised that trade policy must be focused on creating inclusive, sustainable growth, supporting economic diversification, and should play a central role in helping countries that face food insecurity and/or the climate crisis. It also recommended that the UK's Overseas Development Assistance (ODA) should be targeted towards those low-income countries where there is a clear commitment to progress and with a measurable effect on reducing poverty.[75]

In written evidence relating to UK progress on the SDGs, civil society organisations have argued that government trade policy should explicitly adopt some of the trade-linked SDG targets (for example, SDG 17 on trade for developing countries, SDG 10 on inequality, SDG 8 on decent work). They also urged that the Department for International Trade place conversations about poverty eradication, sustainable development, and human rights at the front of any new trade deals or arrangements including with middle-income countries.[76]

Trade facilitation and aid for trade remain part of the government's strategy. Via multilateral fora and bilateral programmes, the UK has committed to enhancing customs capacity, reducing non-tariff barriers, simplifying origin documentation, improving port/transport logistics in partner countries, and funding technical assistance tied to trade schemes. While detailed budget figures for all such programmes are not always publicly disaggregated, parliamentary reviews and written evidence make clear that such support is seen as vital to making trade preferences effective and equitable.

Trade agreements are one of the principal vehicles through which the UK can convert SDG-relevant commitments into binding or semi-binding mechanisms. This is not only important to drive its own SDG agenda but to support SDG progress internationally. Indeed, trade is woven into the fabric of multiple SDGs. For example, SDG 17 (partnership for the goals) explicitly identifies international trade as a means of implementation, calling for an open, rules-based, predictable, non-discriminatory trading system. SDG 8 (decent work and economic growth) embeds targets on productive employment and decent work, many of which are influenced by the structure of trade-exposed industries and the nature of global value chains. SDG 5 (gender equality) has strong trade linkages, as women are disproportionately concentrated in service sectors, SMEs, and export-oriented industries that are sensitive to trade policy shifts. Similarly, SDG 10 (reduced inequalities) is impacted by the winners and losers from changes in trade and trade policy. SDG 9 (industry, innovation, and infrastructure) depends on the capacity of countries to foster innovation-driven industries that can compete internationally, while SDG 13 (climate action) creates inherent trade-offs in balancing economic openness with carbon mitigation and sustainability standards.

Many UK trade agreements include dedicated environment or sustainable trade chapters, with commitments to multilateral environmental agreements (MEAs), cooperation on environmental goods and services, sustainable forestry, marine protection, and commitments not to weaken environmental regulation to gain a trade advantage. For example, the UK-Australia FTA includes an environment chapter with obligations regarding climate change and biodiversity loss.

The UK's commitment to sustainable trade is further articulated through its support for the United Nations' 2030 Agenda and active participation in multilateral development frameworks. For example, the Department for International Development (now part of the Foreign, Commonwealth & Development Office – FCDO) has historically integrated trade-related capacity building into its development programs aimed at LDCs, focusing on enhancing trade facilitation, customs modernisation, and regulatory reforms to maximise the benefits of market access.[77]

Notably, the government's support extends beyond tariff preferences to include legal and technical assistance. The UK has made legal commitments to maintain development-friendly provisions in its trade agreements, including clauses on technical assistance, cooperation on trade standards, and flexibility in intellectual property rights (IPRs) in its FTAs with Australia and New Zealand. These provisions aim to empower partner countries to comply with international regulations without undermining public health or environmental priorities, directly linking trade policy to SDG 3 (Good Health and Well-being) and SDG 13 (Climate Action).

The main explicit trade tools in the UK's trade for development policy are the Developing Countries Trading Scheme (DCTS) and the Economic Partnership Agreements (EPA). These two instruments differ substantially: the DCTS is a unilateral policy offered to all developing countries satisfying a number of objective criteria, whereas the EPAs are bilateral development-oriented FTAs with selected countries. We describe both instruments in turn.

4.4.2 Developing Country Trading Scheme (DCTS)

The UK's Developing Countries Trading Scheme (DCTS) offers non-reciprocal trade tariff preferences, that is, access at duties lower than the UK Global Tariff.[78] Preferential access is subject to product-specific rules of origin (RoOs), and the utilisation of the preferential tariffs is far from complete. Using HMRC Imports data by preference, the UKTPO has estimated that in 2022, the preference utilisation rate of the GSP scheme was 72.4%.

The scheme applies to UK imports from low and lower-middle-income countries that do not have a trade agreement with the UK. The objective is to support the growth of poorer economies through improved access to the UK without the strains of import competition that generally accompany bilateral agreements. Most developed countries have similar schemes, and recent empirical studies have shown positive trade impacts.[79]

The DCTS was launched in June 2023 and replaces the UK Generalised System of Preferences (GSP). The DCTS features three sub-schemes with increasing levels of preferential market access. Standard Preferences (SP) offers partial or full removal of tariffs on about 90% of tariff lines. Enhanced Preferences (EP), offered to economically vulnerable developing countries, extends preferences to about 92% of the tariff lines and offers zero duties on virtually all of them. Comprehensive Preferences (CP) is the scheme dedicated to Least Developed Countries (LDC) and grants zero duties on all tariff lines except arms and ammunition.

The Developing Countries Trading Scheme (DCTS) was introduced to overcome many of GSP's limitations. Key features of the DCTS relevant to SDGs include:

- It covers **65 eligible developing countries**: least developed, low-income, and lower-middle income, as per UN/WB classifications.
- It offers **simpler, more generous preferential access**: Under DCTS, there are three preference tiers: Comprehensive, Enhanced, and Standard. LDCs (Comprehensive) get 0% tariffs on ~99.8% of product lines (except arms & ammunition). Enhanced preferences are ~92% tariff-free lines, and for standard tier countries, ~65% of lines are zero tariff, with further lines having reduced tariffs.[80]
- The government has introduced an Africa Regional Cumulation Group, allowing countries in that group to source inputs regionally without losing preference, and removing "double transformation" requirements for certain product lines (notably garments / textiles). For Enhanced Preference countries, certain apparel chapters (61 & 62) have eased cumulation and manufacturing process requirements.

Hence, relative to its predecessor, the DCTS introduces a series of novelties aimed at boosting trade and supply-chain engagement. The main interventions are: the number of tariff lines eligible for preferences for SP and EP countries has been increased from about 80% to 90%. The Rules of Origin (RoOs), i.e., the rules establishing whether a product originates in a DCTS country and is therefore eligible for DCTS preferences, have been simplified. This only affects LDCs to preserve their competitive advantage over other developing countries. Cumulation rules, i.e. the criteria establishing the degree to which foreign inputs can be incorporated into DCTS-produced goods for the latter to be considered as originating in DCTS countries, have been made more generous. Access to the more preferential EP sub-scheme as opposed to the Standard DCTS has been made substantially easier by eliminating the condition of ratification of a list of international conventions on human rights and sustainable development, and by simplifying the 'vulnerability' access criterion. Easier access to EP preferences will be of relevance for countries currently benefiting from Comprehensive Preferences, but who will lose their LDC status in the coming years (e.g. Bangladesh). Graduation rules, which remove preferences in specific sectors where SP DCTS members are considered sufficiently competitive, have been modified by amending the way competitiveness is calculated and narrowing the product groups over which graduations apply.

These interventions are likely to increase UK imports from DCTS members. They may also stimulate trade between DCTS countries, especially in intermediate products used to make final goods destined for the UK market. The latter point is a likely consequence of easier RoOs and more favourable cumulation. Enhanced trade flows and economic activity are expected to positively affect the livelihood of households in DCTS countries through better employment opportunities and higher incomes. These effects depend, however, on the awareness in DCTS countries of the working of the scheme and the opportunities therein.

In so doing, these features map quite directly to multiple SDGs: for example, SDG 1 (No Poverty), SDG 8 (Decent Work & Economic Growth), SDG 10 (Reduced Inequalities), and SDG 12 (Responsible Consumption & Production), via access to cheaper imports and supply chain adjustments. At the same time, a few caveats are worth mentioning.

- Graduation: countries or products may be "graduated" out of certain preferential tiers once they are judged competitive, potentially reducing benefits over time. With respect to the SDGs, there is a risk that such graduation occurs before local capacities or value chains have matured sufficiently, undermining longer-term development.
- Complexity of rules of origin and cumulation: while reforms are underway to simplify the RoOs (for example, for garments, or by allowing for expanded regional cumulation groups in Africa and Asia under the DCTS to allow more inputs from regional neighbours without losing preferences), these rules remain barriers for many smaller producers.

- Conditionality and human rights / environmental safeguards: the DCTS includes some power for the UK Government to suspend preferential treatment for countries with serious or systemic violations of human, labour, gender or environmental obligations. But the mechanisms, threshold, monitoring, and enforcement are less clear, and civil society sources suggest more robust independent review is needed.

- Preferential schemes, while beneficial, may foster dependency or distort trade patterns if partner countries do not simultaneously address structural constraints like infrastructure deficits or weak institutional capacity.[81] The UK Government has acknowledged these risks in its Integrated Review of Security, Defence, Development and Foreign Policy (2021), which calls for a "joined-up" approach combining trade preferences with targeted development aid and capacity-building initiatives to ensure sustainable impact. This integrated approach aligns with the recommendations from parliamentary committees advocating that trade policy should not be considered in isolation but as part of a broader sustainable development framework (House of Lords International Relations Committee, 2021).

4.4.3 Economic Partnership Agreements (EPAs)

Post-Brexit, the UK rolled over a large number of FTAs it was a member of as part of the EU. These are the so-called "continuity agreements", among which there are the EPAs that the EU had negotiated with groups of African, Caribbean and Pacific (ACP) countries. The UK EPAs currently in force are:

- UK-Cariforum EPA (Antigua & Barbuda; Barbados; Belize; Bahamas; Dominica; Dominican Republic; Grenada; Guyana; Jamaica; Saint Christopher & Nevis; Saint Lucia; St Vincent & the Grenadines; Suriname; Trinidad & Tobago)
- UK-SACUM EPA (Botswana, Eswatini, Lesotho, Namibia, South Africa, Mozambique)
- UK-Pacific EPA (Fiji; Papua New Guinea; Samoa; Solomon Islands)
- UK-ESA EPA (Madagascar, Mauritius, Seychelles, Zimbabwe. Also Comoros and Zambia have signed)
- UK-Cameroon EPA
- UK-Kenya EPA
- UK-Ghana EPA
- UK-Cote d'Ivoire EPA

While being designed to comply with WTO rules, EPAs, unlike standard FTAs, are development-oriented. They feature special asymmetries to facilitate trade in goods from developing countries, i.e. the UK liberalises access to its market immediately and more deeply (generally zero tariff and zero quotas) than the counterpart, while developing countries commit to a more gradual, phased, reduction of trade barriers, and maintain protection for sensitive industries, either through MFN tariffs or through safeguards (e.g. in agriculture). EPAs also tend to have lenient provisions on RoO and cumulation, to make it easier for products to qualify for preferential market access under the agreement.

EPAs also aim to contribute to regional integration between developing countries, with regional preferences clauses establishing that countries in the same region provide at least the same advantages to each other as they do to the UK.

Importantly, the UK provides development assistance to EPA partner countries to help them implement the agreements. This comes mostly in the form of technical assistance and capacity building to meet UK market standards, utilise trade preferences, and strengthen their trading institutions.

4.5 Conclusions and recommendations

The UK's engagement with other countries on international trade and investment ranges from its commitments and engagements multilaterally in the WTO, as well as in other international fora such as the G7 or the G20. The UK has also signed FTAs which encompass more than 100 countries (see Appendix to this chapter for a full list) and is increasingly engaged in negotiating and signing more focused mini deals. The UK has also long been at the forefront of policies and assistance in trade for developing economies.

This international engagement serves a range of overlapping functions. The imperative of economic growth is prominent in recognition of the importance of the relationship between trade and growth. There is also recognition that there are global issues, such as climate change and environmental sustainability, where the actions of one country have spillover effects on others and thus require multilateral solutions. At the same time, there are strong geopolitical imperatives for closer cooperation and economic integration between countries. In this complex world, the UK has long been an active advocate of the WTO and the rules-based trading system.

Recommendations

- The rules-based multilateral trading system is currently under considerable strain. The UK needs to balance pursuing its interests with regard to growth, economic security, sustainability and inclusiveness, while playing by the 'rules of the game'. This should involve adhering to the multilateral rules-based system.

- 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.

- With the current strains on the multilateral trading system posed by intensifying geopolitical rivalry and the increasing tendency of the US to sign trade agreements with restrictive third-party provisions, 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.

- Closely related, the economic advantages and disadvantages of the Economic Prosperity Deal between the UK and the US, and its compatibility with the multilateral rules based system, need to be closely evaluated. This applies both to the existing EPD and the ongoing negotiations about the next phase or phases.

- The UK should continue to pursue free trade agreements with partner countries, in part because this is a means for further trade liberalisation, and in part because it allows for the inclusion of issues which go beyond economic growth and market access but impact sustainability and inclusiveness. In so doing, the UK should also produce and publish more detailed impact assessments which cover the environment, health and inclusiveness.

- 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.

- Trade policymaking should recognise the importance of services trade and the linkages and synergies between services and goods trade. 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 or memoranda of understanding between regulators in specific service sectors, as well as addressing business mobility.

- More analysis should be undertaken to understand low FTA preference utilisation rates, and whether there are policy options for encouraging greater utilisation, which might range from less restrictive rules of origin, cumulation provisions, to simplifying procedures or information provision for firms.

- Collaboration on matters of regulation and broader policy objectives with partners that differ widely in their institutional arrangements presents complex challenges, which the UK will need to evaluate. It is important that national regulation does not create technical barriers to trade for UK businesses, which in turn entails consideration of the trade effects when introducing new regulations. 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.

- Ensure that UK imports comply with UK import standards, including animal welfare standards and food standards, and that customs procedures are adequately resolved to ensure compliance.

- Mini deals are a potentially promising avenue to explore. There may be benefit from more focused issue specific agreements; however it is important that these remain compatible with the rules of the multilateral trading system, and do not undermine that system.

- Where such mini deals are agreed with developing countries, it is important that the UK takes full account of the impact of such deals on the countries concerned and their development.

Annex 1: UK FTA Countries

The table below provides a list of all the countries with which the UK is trading under the terms of a free trade agreement.

EU-27 Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden
CARIFORUM Antigua & Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Kitts & Nevis, Saint Lucia, Saint Vincent & the Grenadines, Suriname, Trinidad & Tobago
Central America Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama
Andean Countries Colombia, Ecuador, Peru
ESA (Eastern and Southern Africa) Madagascar, Mauritius, Seychelles, Zimbabwe
EEA (European Economic Area) Iceland, Liechtenstein, Norway
SACU+M Botswana, Eswatini, Lesotho, Mozambique, Namibia, South Africa
Pacific States Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga
Switzerland & Liechtenstein Switzerland, Liechtenstein
UK Bilateral FTAs Albania, Australia, Cameroon, Canada, Chile, Côte d'Ivoire, Egypt, Georgia, Ghana, India, Israel, Japan, Jordan, Kenya, Korea (Republic of), Kosovo, Lebanon, Mexico, Moldova (Republic of), Morocco, New Zealand, North Macedonia, Palestine, Serbia, Singapore, Tunisia, Türkiye, Ukraine, Viet Nam
CPTPP Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Viet Nam

References

1 Respectively, schedules of concessions for goods, Schedules of commitments and MFN exemptions for services.

2 *R (on the application of Miller and another) v Secretary of State for Exiting the European Union* [2017] UKSC 5, [2018] AC 61.

3 This is in line with WTO jurisprudence, notably the findings of the Dispute Settlement Body in the case *European Union – Measures Affecting Tariff Concessions on Certain Poultry Meat Products*, WT/DS92/R, 28 March, 2017.

4 L Alan Winters, Michael Gasiorek and Julia Magntorn Garrett, 'What is in the UK's Global Tariff?' (UK Trade Policy Observatory, 20 May 2020) <https://blogs.sussex.ac.uk/uktpo/2020/05/20/new-tariff-on-the-block-what-is-in-the-uks-global-tariff/> accessed 31 October 2025.

5 Michael Gasiorek and Julia Magntorn Garrett, 'Reflections on the UK Global Tariff: good in principle, but perhaps not for relations with the EU' (UK Trade Policy Observatory, 21 May 2020) <https://blogs.sussex.ac.uk/uktpo/2020/05/21/reflections-on-the-uk-global-tariff-good-in-principle-but-perhaps-not-for-relations-with-the-eu/> accessed 31 October 2025.

6 UK Government, 'Government cuts price of everyday items and summer essentials' (13 April 2025) <https://www.gov.uk/government/news/government-cuts-price-of-everyday-items-and-summer-essentials> accessed 31 October 2025.

7 See for example, Department of Trade and Industry, *The Uruguay Round of Multilateral Trade Negotiations 1986–94* (Cm 2579, 1994) 1.

8 World Trade Organization, 'United Kingdom's support for Trade Facilitation' (INT/SUB/2586) <https://www.wto.org/english/tratop_e/tradfa_e/case_studies_e/ta_gbr_e.doc> accessed 31 October 2025.

9 Mark Webber, 'Offset or reset? Brexit and the UK's role in the world' (3 November 2023) <https://ukandeu.ac.uk/offset-or-reset-brexit-and-the-uks-role-in-the-world/> accessed 17 October 2025.

10 Foreign Secretary, 'An Invisible Chain: speech by the Foreign Secretary' (31 October 2018) <https://www.gov.uk/government/speeches/an-invisible-chain-speech-by-the-foreign-secretary> accessed 17 October 2025.

11 World Trade Organization, 'Joint Statement Initiative on E-commerce' <https://www.wto.org/english/tratop_e/ecom_e/joint_statement_e.htm> accessed 17 October 2025.

12 UK Government, 'WTO Joint Initiative on E-Commerce guidance' (GOV.UK) <https://www.gov.uk/government/publications/world-trade-organization-joint-initiative-on-e-commerce-guidance/wto-joint-initiative-on-e-commerce-guidance> accessed 31 October 2025.

13 UK Government, 'UK helps broker groundbreaking WTO agreement set to cut cost of global services trade by £113 billion' (GOV.UK, 2 December 2021) <https://www.gov.uk/government/news/uk-helps-broker-groundbreaking-wto-agreement-set-to-cut-cost-of-global-services-trade-by-113-billion> accessed 31 October 2025.

14 UK Government, 'What the UK is doing at the World Trade Organization (WTO)' <www.business.gov.uk/campaign/trade-gender-equality/uk-at-wto/> accessed 17 October 2025.

15 The 2021 UK G7 Presidency Report (DEP2021-1010, 2021) <https://data.parliament.uk/DepositedPapers/Files/DEP2021-1010/Deposit_The_2021_UK_G7_Presidency_Report.pdf> accessed 17 October 2025.

16 UK Government, 'UK's G7 Trade Track Opening Statement' (31 March 2021) <www.gov.uk/government/news/uks-g7-trade-track-opening-statement> accessed 17 October 2025.

17 Mark Webber, 'Offset or reset? Brexit and the UK's role in the world' (3 November 2023) <https://ukandeu.ac.uk/offset-or-reset-brexit-and-the-uks-role-in-the-world/> accessed 17 October 2025.

18 Department for Business and Trade, *The UK's Trade Strategy* (Cm 1339, 2025) 17.

19 ibid 32.

20 ibid 40.

21 For this report, we take a broad interpretation of the term and define a trade mini deal as any form of international trade agreement which is not a free trade agreement as defined by Article XXIV GATT and Article V GATS. See Section 4.3 for a more detailed discussion.

22 Department for Business and Trade, *The UK's Trade Strategy* (Cm 1339, 2025) 27.

23 'Global trade rules facing biggest disruption in 80 years, WTO chief says' (*Business Day*, 2 September 2025) <https://www.businessday.co.za/bd/world/2025-09-02-global-trade-rules-facing-biggest-disruption-in-80-years-wto-chief-says/> accessed 7 November 2025.

24 Note that some commentators argue that the agreements with Japan and the EEA-EFTA countries should be seen as continuity agreements as they mirror closely preceding arrangements the UK had as an EU member state.

25 Source: Office for National Statistics, UK Total Trade: All countries, seasonally adjusted. https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/uktotaltradeallcountriesseasonallyadjusted.

26 For this chart and the next we have taken all the countries in 2025 with whom the UK has a signed FTA, and calculated the share of UK trade with these countries over the entire time period.

27 Department for International Trade, *Impact assessment of the Free Trade Agreement between the United Kingdom of Great Britain and Northern Ireland and Australia* (2022) <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1073969/impact-assessment-of-the-free-trade-agreement-between-the-united-kingdom-of-great-britain-and-northern-ireland-and-australia.pdf> accessed 3 November 2025; Department for International Trade, *Impact assessment of the Free Trade Agreement between the United Kingdom of Great Britain and Northern Ireland and New Zealand (2022)* <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1057311/uk-new-zealand-free-trade-agreement-impact-assessment.pdf> accessed 3 November 2025; Department for Business and Trade, *Impact assessment of the accession of the United Kingdom of Great Britain and Northern Ireland to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership* (2024) <https://assets.publishing.service.gov.uk/media/667563a13f6733e8c91666ff/cptpp_impact_assessment.pdf> accessed 3 November 2025; Department for Business and Trade, *Impact assessment of the Free Trade Agreement between the United Kingdom of Great Britain and Northern Ireland and India* (2025) <https://assets.publishing.service.gov.uk/media/6880fd0a6a7ea0e1ce1d3597/impact-assessment-of-the-free-trade-agreement-between-the-uk-and-india_a.pdf> accessed 3 November 2025; Department for International Trade, Final *Impact Assessment of the Agreement between the United Kingdom of Great Britain and Northern Ireland and Japan for a Comprehensive Economic Partnership* (2020) <https://assets.publishing.service.gov.uk/media/6038ce03e90e07055167bb61/UK-Japan-impact-assessment-comprehensive-economic-parternship.pdf> accessed 3 November 2025.

28 The factors that are not (well) captured are gains that may arise from economies of scale, access to a wider variety or higher quality goods, impact on firm-level productivity, impacts from firm-level reallocation of production to more productive firms and longer run changes in investment flows that may arise from these FTAs.

29 Adriana Brenis, Michael Gasiorek and Manuel Tong Koecklin, 'How Much Free Trade in UK Free Trade Agreements?' (UK Trade Policy Observatory Briefing Paper no 83, July 2024) <https://www.uktpo.org/briefing-papers/how-much-free-trade-in-uk-free-trade-agreements/> accessed 7 November 2025.

30 Emily Lydgate et al, 'Taking Stock of the UK-EU Trade and Cooperation Agreement: Governance, State Subsidies and the Level Playing Field' (UK Trade Policy Observatory Briefing Paper no 54, January 2021) <https://blogs.sussex.ac.uk/uktpo/files/2021/01/BP_54.pdf> accessed 17 October 2025.

31 Evidence received from the RSPCA, though the exact basis for these figures is unclear, and whether they refer to the number of primary legislative acts, DEFRA guidelines, or distinct sets of regulatory obligations within these documents. It is also important to note that animal welfare is a devolved policy area within the UK, and therefore there are differences in standards across the nations. In England, the principal legislation governing farmed animal welfare is the Welfare of Farmed Animals (England) Regulations 2007, SI 2007/2078, which implement elements of the Animal Welfare Act 2006 and earlier EU directives. The devolved governments have equivalent instruments. For example, the The Welfare of Farmed Animals (Scotland) Regulations 2010, SSI 2010/388, The Welfare of Farmed Animals (Wales) Regulations 2007, SI 2007/3070 (W 264), and The Welfare of Animals (Permitted Procedures by Lay Persons) Regulations (Northern Ireland) 2012, SR 2012/153.

32 For an overview of what was agreed in the TCA Yohannes Ayele et al, 'Taking Stock of the UK-EU Trade and Cooperation Agreement: Trade in Goods' (UK Trade Policy Observatory Briefing Paper no 52, January 2021) <https://www.uktpo.org/reports/taking-stock-of-the-uk-eu-trade-and-cooperation-agreement-trade-in-goods/> accessed 20 October 2025 for a discussion of goods trade; Ingo Borchert and Minako Morita-Jaeger, 'Taking Stock of the UK-EU Trade and Cooperation Agreement: Trade in Services and Digital Trade' (UK Trade Policy Observatory Briefing Paper no 53, January 2021) <https://www.uktpo.org/reports/taking-stock-of-the-uk-eu-trade-and-cooperation-agreement-trade-in-services-and-digital-trade/> accessed 20 October 2025 for a discussion of services and digital trade; Emily Lydgate et al, 'Taking Stock of the UK-EU Trade and Cooperation Agreement: Governance, State Subsidies and the Level Playing Field' (UK Trade Policy Observatory Briefing Paper no 54, January 2021) <https://www.uktpo.org/2021/01/03/briefing-paper-54-taking-stock-of-the-uk-eu-trade-and-cooperation-agreement-governance-state-subsidies-and-the-level-playing-field/> accessed 20 October 2025 for a discussion of the governance arrangements and the contentious issues of subsidies and the level playing field.

33 European Commission, 'The EU-UK Trade and Cooperation Agreement' <https://commission.europa.eu/strategy-and-policy/relations-united-kingdom/eu-uk-trade-and-cooperation-agreement_en> accessed 20 October 2025.

34 Ilze Jozepa et al., 'The UK-EU Trade and Cooperation Agreement: Level Playing Field' (House of Commons Library Research Briefing) <https://commonslibrary.parliament.uk/research-briefings/cbp-9190/> accessed 20 October 2025.

35 CITP, 'The UK-EU reset: what can be done on trade?' (Roundtable discussion, 19 December 2024 <https://citp.ac.uk/publications/the-uk-eu-reset-trade> accessed 20 October 2025.

36 Ilaria Fusacchia and others, 'The consequences of the Trade and Cooperation Agreement' (2022) 38(1) Oxford Review of Economic Policy 27.

37 Cabinet Office, *The Border Target Operating Model* (Cm 935, 2023).

38 HM Government, *Fourth Civil Society Forum of the UK-EU Trade and Cooperation Agreement 24th June 2025: conclusions* <https://www.gov.uk/government/publications/uk-eu-trade-and-cooperation-agreement-civil-society-forum-2025/fourth-civil-society-forum-of-the-uk-eu-trade-and-cooperation-agreement-24-june-2025-conclusions> accessed 20 October 2025.

39 European Council, 'Northern Ireland Protocol and Windsor Framework explained' <https://www.consilium.europa.eu/en/policies/the-protocol-on-ireland-and-northern-ireland-explained/> accessed 20 October 2025.

40 'The EU-UK reset: What are the prospects for closer cooperation?' Euronews (26 August 2024) <https://www.euronews.com/my-europe/2024/08/26/the-eu-uk-reset-what-are-the-prospects-for-closer-cooperation> accessed 20 October 2025.

41 'Keir Starmer first UK PM to join EU meeting since Brexit' BBC News (3 February 2025) <https://www.bbc.co.uk/news/articles/c0e4rv2rw4eo> accessed 20 October 2025.

42 Emily Lydgate and Alex Carson-Taylor, 'An EU-UK SPS Agreement: The perils and possibilities of (re)alignment' (CITP Briefing Paper 17, 2024) <https://citp.ac.uk/publications/an-eu-uk-sps-agreement-the-perils-and-possibilities-of-realignment> accessed 20 October 2025.

43 Department for Business and Trade, *Business population estimates 2024* (2024) <https://www.gov.uk/government/statistics/business-population-estimates-2024> accessed 20 October 2025.

44 Fusacchia and others (n 37).

45 UK Government, 'Food statistics in your pocket' (GOV.UK) <https://www.gov.uk/government/statistics/food-statistics-pocketbook/food-statistics-in-your-pocket> accessed 31 October 2025.

46 Lydgate & Carson-Taylor (n 43).

47 The six sectors that will benefit from the exemption from EU CBAM charges are cement, aluminium, fertilisers, iron and steel, hydrogen and electricity. With an SME employment share of around 60% for non-metallic minerals, and over 80% for metal products, this is likely to have a positive impact on SMEs.

48 Donghze Zhang and others, 'The UK CBAM journey: Assessing the Government's response to its consultation of March 2024' (CITP, 13 December 2024) <https://citp.ac.uk/publications/the-uk-cbam-journey> accessed 20 October 2025.

49 Office for National Statistics.

50 Department for International Trade, 'Impact Assessment of the Free Trade Agreement between the United Kingdom of Great Britain and Northern Ireland and Australia' (May 2022) 5 <https://assets.publishing.service.gov.uk/media/6279355de90e074eeaa867e3/impact-assessment-of-the-free-trade-agreement-between-the-united-kingdom-of-great-britain-and-northern-ireland-and-australia.pdf> accessed 20 October 2025.

51 Agriculture Act 2020, s 42.

52 'UK joins Indo Pacific trade bloc, raising concerns about food, farming and environment standards' (Sustain) <https://www.sustainweb.org/news/mar23-uk-joins-indo-pacific-trade-bloc-cptpp/> accessed 20 October 2025.

53 Department for International Trade, *Trade and Agriculture Commission: Advice to the Secretary of State for International Trade on the UK–Australia Free Trade Agreement* (Cm 663, 2022) 18-20.

54 For example, House of Lords International Agreements Committee, *Scrutiny of International Agreements: UK-New Zealand Free Trade Agreement* (HL 2022–23, 86); House of Commons International Trade Committee, *UK Trade Negotiations: Scrutiny of Agreement with Australia* (HC 2022–23, 444); House of Lords International Agreements Committee, 'UK-India Free Trade Agreement Inquiry' <https://committees.parliament.uk/work/9341/ukindia-free-trade-agreement/publications> accessed 20 October 2025.

55 World Economic Forum, 'The United Kingdom is set to join the trans-Pacific free trade pact. Here's what you need to know' (World Economic Forum, April 2023) <https://www.weforum.org/stories/2023/04/cptpp-trade-tariff-brexit-uk/> accessed 20 October 2025.

56 Office of the United States Trade Representative, 'The United States Officially Withdraws from the Trans-Pacific Partnership' (Press Release, January 2017) <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2017/january/US-Withdraws-From-TPP> accessed 20 October 2025.

57 Congressional Research Service, 'CPTPP: Overview and Issues for Congress' (In Focus IF12078, 2023) <https://crsreports.congress.gov/product/pdf/IF/IF12078> accessed 20 October 2025.

58 ibid.

59 Comprehensive and Progressive Agreement for Trans-Pacific Partnership (2018) art 30.4.

60 Congressional Research Service (n 58).

61 CPTPP Commission, 'Decision by the Commission of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership regarding the United Kingdom's Formal Request to Commence the Accession Process' CPTPP/COM/2021/D001 <https://www.dfat.gov.au/trade/agreements/in-force/cptpp/commission-meetings/decision-commission-comprehensive-and-progressive-agreement-trans-pacific-partnership-regarding-united-kingdoms-formal-request-commence-accession-process> accessed 20 October 2025.

62 Secretary of State for Business and Trade, 'UK signs Accession Protocol to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership' (Written Statement, HCWS953, 17 July 2023) <https://questions-statements.parliament.uk/written-statements/detail/2023-07-17/hcws953> accessed 20 October 2025.

63 British High Commission Kuala Lumpur, 'UK counting down to CPTPP entry into force' (5 December 2024) <https://www.gov.uk/government/news/uk-counting-down-to-cptpp-entry-into-force> accessed 20 October 2025.

64 Edward Scott, 'UK accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership' (House of Lords Library, 12 March 2024) <https://lordslibrary.parliament.uk/uk-accession-to-the-comprehensive-and-progressive-agreement-for-trans-pacific-partnership/> accessed 20 October 2025.

65 Sustain, 'UK joins Indo-Pacific trade bloc, raising concerns about food, farming and environment standards' (Sustain, March 2023) <https://www.sustainweb.org/news/mar23-uk-joins-indo-pacific-trade-bloc-cptpp/> accessed 20 October 2025.

66 Emily Lydgate and Achyuth Anil, 'The CPTPP does not prevent the UK from aligning its agri-food regulations with the EU' (UKTPO, 17 December 2024) <https://www.uktpo.org/2024/12/17/cptpp-uk-aligning-agri-food-regulations-with-eu/> accessed 20 October 2025.

67 Department for Business and Trade, 'CPTPP: impact assessment' (17 July 2023) <https://www.gov.uk/government/publications/cptpp-impact-assessment> accessed 20 October 2025.

68 Department for Business and Trade, *The UK's Modern Industrial Strategy* (CP 1337, 2025).

69 UK Government Press Office, 'UK-US trade deal kicks into gear: immediate tariff cuts for UK auto and aerospace sectors' (30 June 2025) <https://www.gov.uk/government/news/uk-us-trade-deal-kicks-into-gear-immediate-tariff-cuts-for-uk-auto-and-aerospace-sectors> accessed 20 October 2025.

70 Michael Johnson, 'A Tremendous Increase in UK-US Trade after Brexit?' (Trade Knowledge Exchange, 2 February 2018) <https://www.trade-knowledge.net/commentary/tremendous-increase-uk-us-trade-brexit/> accessed 3 November 2025.

71 UK Export Finance, Annual Report and *Accounts 2024/25* (HC 924, 2025) 11.

72 United Kingdom and United States Governments, *General Terms for the United States of America and the United Kingdom of Great Britain and Northern Ireland Economic Prosperity Deal* (8 May 2025) <https://assets.publishing.service.gov.uk/media/681d327d43d6699b3c1d2a9d/US_UK_EPD_050825_FINAL_rev_v2.pdf> accessed 3 November 2025.

73 UK Government Press Office, 'UK-US trade deal kicks into gear' (n 70).

74 Achyuth Anil and others, 'Stroking a bear to get half a sandwich' (UKTPO Blog, 9 May 2025) <https://www.uktpo.org/2025/05/09/stroking-a-bear-uk-us-trade-deal/> accessed 3 November 2025.

75 International Development Committee, Extreme poverty and the *Sustainable Development Goals: Government response to the Committee's Fifth Report of Session 2022–23* (HC 2022–23, 1177).

76 The Fairtrade Foundation, 'Written submission to the International Development Committee Inquiry: UK Progress on Sustainable Development Goals' (1 February 2019) <https://committees.parliament.uk/writtenevidence/99289/html/> accessed 24 October 2025; Trade Justice Movement, 'Written evidence to the International Development Committee inquiry: UK progress on the Sustainable Development Goals' (January 2019) <https://committees.parliament.uk/writtenevidence/99217/html/> accessed 24 October 2025.

77 Simon Evenett and Richard Baldwin (eds), *Revitalising Multilateralism: Pragmatic Ideas for the New WTO* Director-General (CEPR Press 2020) <https://cepr.org/publications/books-and-reports/revitalising-multilateralism-pragmatic-ideas-new-wto-director> accessed 24 October 2025; UK Government, 'Global Trade Programme' (GOV.UK, 19 December 2019) <https://www.gov.uk/government/publications/global-trade-programme> accessed 24 October 2025.

78 The UK Global Tariff (UKGT) is the duty applicable on UK goods imports from any country which does not benefit from a preferential tariff arrangement with the UK (e.g., a Free Trade Agreement).

79 Martin Hvidt Thelle and others, *Assessment of Economic Benefits Generated by the EU Trade Regimes Towards Developing Countries* (European Commission, DG-DEVCO 2015); Ingo Borchert and Mattia Di Ubaldo, 'Go Ahead and Trade: The Effect of Uncertainty Removal in the EU's GSP Scheme' (EUI Working Paper RSCAS 2020/15, 2020; Ingo Borchert and Mattia Di Ubaldo, 'The Trade Impact of Surprise Graduations from the EU's GSP scheme' (University of Sussex Business School Working Paper 12-2024, 2024) <https://www.sussex.ac.uk/webteam/gateway/file.php?name=wps-12-2024.pdf&site=18> accessed 31 October 2025.

80 Preference Tiers under the Developing Countries Trading Scheme' (GOV.UK) <https://www.gov.uk/guidance/preference-tiers-under-the-developing-countries-trading-scheme> accessed 31 October 2025.

81 David Atkin and Amit Khandelwal, 'How Distortions Alter the Impacts of International Trade in Developing Countries' (NBER Working Paper w26230, 2019) <https://www.nber.org/system/files/working_papers/w26230/w26230.pdf> accessed 31 October 2025.

Chapter 5: Trade and Economic Security

Chapter overview

This chapter examines the different ways in which economic security has become an important focus of trade policy. It highlights the wide range of objectives that come under the umbrella of economic security, the possible trade-offs that exist between these objectives in and of themselves, and in relation to economic growth. It then examines how economic security is addressed in the UK through its policy positioning and legal frameworks, and how economic security questions are addressed in trade agreements.

Key points

- Economic security is a multifaceted and still-evolving concept. The wide-ranging concerns it captures include defence and national security, resilience to external shocks, and the management of geopolitical risks and economic interdependencies.
- Because trade and investment linkages are by definition sources of such interdependencies, economic security has become a key part of the trade policy landscape, globally and in the UK. It is a key concern of the UK's twin industrial and trade strategies
- Economic security concerns have underpinned a greater degree of policy activism in UK industrial policy, with spillovers in trade policy. It has also prompted a greater interest in the use of restrictive measures, such as trade remedies.
- Free Trade Agreements and other international arrangements are seen as supporting commercial opportunities, growth and economic security. However, there may be significant tensions and trade-offs between trade and growth objectives, on the one hand, and economic security objectives on the other. Moreover, there may be trade-offs between national security objectives promoted through preferential trading relationships, and resilience objectives that require diversification of trade linkages.
- The position taken by the US on national security and on trade more generally poses significant challenges to the UK in terms of both its pursuit of economic growth via trade, and economic security.

5.1 What is economic security and why is it a concern?

The UK's positioning on economic security

The UK Government has identified productivity and growth as its key economic priorities. But it recognises that the pursuit of these objectives needs to take into account other objectives and policy concerns. Featuring prominently amongst these is "economic security". The concept is addressed in both the Trade Strategy and the Industrial Strategy. The Trade Strategy has an entire chapter devoted to "secure and resilient trade". The Trade Strategy also announced the establishment of an Economic Security Advisory Service. The Industrial Strategy also refers to economic security in relation to resilience, while also having an important focus on national security and defence. The Industrial Strategy also announced the establishment of a Supply Chain Centre. Our textual analysis in Chapter 2 also found that references to economic security and resilience occurred relatively frequently in official documents prepared by different UK Governments in recent years.

The focus on economic security notwithstanding, successive UK Governments have not provided a specific definition of economic security, unlike some of its trade partners, such as the EU (see below). Parsing the UK Trade Strategy document yields some insights into a range of concerns that arise in connection with economic security. The Trade Strategy thus defines secure and resilient trade as the *"safe and reliable movement of goods, services and capital across borders which is able to be maintained through/withstand and respond to difficulties and disruptions"*.[1] The Trade Strategy also asserts that *"A robust economy underpins national security, with sustainable growth dependent on stability and resilience to global disruptions. The investments and innovation that will deliver growth must also safeguard the UK's national security."*[2] In a similar vein, the Trade Strategy also asserts that *"As a trade-reliant nation, the UK must balance economic openness with addressing risks and vulnerabilities. Our reliance on global supply chains, foreign investments, and overseas markets is crucial for growth but also exposes us to threats."*[3] Finally, the Strategy makes frequent references to critical sectors, technologies and products (examples include medicines, semiconductors, minerals, steel, energy, digital and cybersecurity) and how supply chain resilience in these areas relates to economic security. Specifically in relation to steel, the Trade Strategy identifies global overcapacity (i.e. production significantly in excess of demand), which threatens the viability of steel production in the UK. That concern echoes submissions from the steel sector, and findings reported by the OECD, which attribute the problem to distortive policies pursued globally, and especially in China.[4]

The direction taken by the Trade Strategy largely reflects and builds on the Critical Imports and Supply Chains Strategy published in January 2024 by the previous government.[5] That document also highlighted the balance that needed to be struck between integration into global value chains and the risks created through interdependencies. The risks were attributed to a combination of geopolitical trends and patterns of concentration in the production of goods and technologies that were important to the functioning of the UK economy and its pursuit of public policy goals. This continuity of policy discourse across governments serves to underscore the degree to which the notions of economic security, resilience and related concepts have become embedded in trade policy in the UK.

The Industrial Strategy, for its part, states that the Government will strengthen economic security through *"uplift in defence spending, international collaboration, strategic investments in critical supply chains, technologies, and energy security, and support to businesses in understanding and mitigating risks"*.[6] The focus on economic security explains in part the selection of specific sectors – steel, ceramics, cement, paper and glass – as foundation industries on the grounds that they supply critical inputs to other sectors.

While there are points of resonance with the Trade Strategy, the Industrial Strategy also places a significant emphasis on national security. This is seen especially through its focus on the defence sector, which is one of the priority sectors identified by the plan.

The Defence Industrial Strategy, developed by the Ministry of Defence, takes as one of its starting points the Government's commitment to increasing spending on defence to 3% of GDP by the next parliament, and 5% of GDP by 2035.[7] Having asserted that national security is a condition for economic growth, the plan also highlights a number of interdependencies between national security strategy, trade, and economic activity. First, that security objectives are reliant on resilient supply chains in strategic sectors, identified as steel, construction, energetic material, batteries, semiconductors and rare-earth elements.[8] Secondly, that increased investment in defence capability can help support current or potential sources of comparative advantage in technologies and subsectors that are specifically military in nature, or ones that have dual commercial and military use. Examples of the former include air combat, complex weapons, directed energy weapons and next-generation land and maritime capabilities. Examples of dual-use technologies and subsectors include quantum technologies, drones and autonomous systems, space, artificial intelligence, cyber security, engineering biology, and advanced connectivity technologies. Many of these are also covered by other sector plans under the Industrial Strategy.[9]

The approach taken in the Industrial Strategy is also echoed to some extent in the National Security Strategy. The latter highlights the importance of building the defence industrial base, and specifically emphasises the role of new technologies such as AI and quantum computing in building defence capability. In doing so, it cross-refers to plans set out for these technologies in the Industrial Strategy. The National Security Strategy also highlights the importance to the UK's national security of multilateral institutions, including the WTO.[10] Finally, the UK's National Protective Security Authority has published a list of 13 sectors that come under the heading of Critical National Infrastructure (CNI). Several of these come under, or are closely related to, the sectors prioritised by the Industrial Strategy (chemicals, energy, communications, defence, space and finance).[11] The purpose of the CNI classification is less to do with economic performance, and more to do with identifying sectors where vulnerabilities can have a detrimental social or economic impact by compromising essential services, national security or the functioning of the state.

In sum, what we observe in the UK context is that economic security is defined principally in relation to concepts of national security and resilience. National security is primarily a matter of addressing threats, which could take a variety of forms, including military threats, economic coercion, and malicious acts, including cyber attacks. But the posture is not solely defensive; the Industrial Strategy makes clear that national security can be bolstered by developing industrial capability in various activities where the UK may have a comparative advantage. National security is connected to resilience insofar as it can be jeopardised by disruptions to the supply of technologies and products required for national security.

"Resilience" is primarily about mitigating risks of disruptions to economic activity from external shocks and enhancing the UK's ability to withstand and respond to these shocks. The potential range of shocks is broad, ranging from geopolitics, war and coercion to climatic phenomena and diseases. Concerns about resilience are often expressed in relation to supply chains and cross-national linkages, particularly in relation to inputs and technologies deemed "critical", and in terms of effects on industrial organisation and economic activity, or the delivery of public goods, such as sustainable growth or public health (see next section below). Again, as with national security, the posture is not purely defensive or reactive. Resilience can be addressed by responding to existing interdependencies or, as highlighted in the Trade Strategy, by negotiating new partnerships and linkages with partners.

Pulling these different strands together suggests that, in the context of trade policy, economic security involves managing interdependencies. This is not new. The UK, like many industrialised economies, has a long-standing concern about technologies and products that potentially have dual uses: commercial as well as military/ strategic. These concerns have been reflected domestically in export control and investment screening frameworks. Internationally, WTO provisions also allow for the pursuit of national security objectives, and non-trade objectives that include ones that resonate with economic security concerns.

What is perhaps newer is the expansive set of concerns that come under the umbrella of economic security, including the sense that the UK needs to balance gains from trade linkages (whether in terms of market access or access to foreign products and capital) with the development of domestic capacity. We shall return to these matters in subsequent sections.

As already observed, although the UK does not have a definition of economic security, others do; and it is useful to consider these definitions to contextualise the UK's position. The European Union, for example, has an Economic Security Strategy that consists of three pillars: "promote", "protect", and "partner". The "promote pillar" is defined as focusing on *"enhancing the Union's competitiveness and industrial base, as well as investing in research and innovation for strategic and dual-use technologies"*. The "protect pillar" is one that *"requires a more assertive deployment of the tools we have to protect the EU's economic security interests, including by developing economic security standards for key supply chains"*. While the "partner pillar" has to do with *"strengthening dialogues and working together with partners across the world"*.[12] The definition of economic security should be read in conjunction with the EU's approach to critical technologies, i.e. ones deemed central to economic security, which defined a list of 10 technologies.[13]

Japan's approach to economic security is governed by a specific Act ("Act on the promotion of national security through integrated economic measures"), which, in a manner similar to the EU's approach, defines four pillars of economic security. These are: (i) supply chains for critical materials; (ii) critical infrastructure; (iii) promotion of critical technologies; and (iv) a system for patent secrecy (non-disclosure of patents for security reasons).[14]

In contrast to the EU and Japan, but like the UK, the US does not have a definition of economic security. References to economic security can be found in specific instruments, most recently and visibly, in the Executive Order on reciprocal tariffs. This Order states that persistent deficits are a threat to national security. The US has tended to rely more on notions of national security or emergencies, as these can be used to trigger specific trade measures under US legislation (notably section 232 of the Trade Expansion Act, or the International Emergency Economic Powers Act (IEEPA)).

The product focus of recent section 232 investigations (e.g. into pharmaceuticals, copper, medical equipment, semiconductors, and processed critical minerals) resonates with the product focus seen in discussions surrounding economic security in other countries. The US administration also highlighted dependencies in supply chains for defence, advanced computing, and secure communications.[15] The wide scope of section 232 investigations also highlights the expansive and expanding definition given to national security. The sense that the current US administration is willing to expand the concept of "national security" at will, can also be seen through its recourse to IEEPA. Traditionally applied to block transactions or to freeze assets of foreign adversaries, its proposed use to impose import tariffs was unprecedented.[16] By declaring a national emergency, the administration argued that the persistent US trade deficit constituted an "unusual and extraordinary threat" to national security and the economy,

While the UK resembles the US in not having a set definition of economic security, UK policy statements relating to economic security suggest that its approach is closer to that of the EU (and Japan) than it is to that of the US. This comes out in the range of issues covered, and also in the fact that the combination of domestic policy responses to strengthening international commercial partnerships resonates with the "pillar" approach followed by the EU, even if that language is not specifically adopted by the UK. Moreover, as pointed out in subsequent sections of this chapter, the approach taken by the UK, EU and Japan to promoting partnerships is still largely anchored in the framework of FTAs negotiated on a "WTO plus" basis. By contrast, the approach taken by the US rejects binding commitments and also involves an explicit reneging of past commitments (whether under the WTO or in FTAs).

What all positions on economic security seem to have in common, though, is that they reflect an increased perception by governments that, left to their own devices, the private sector and markets are not sufficiently able to manage trade and its interdependencies in a manner that responds to the range of policy concerns that come under the umbrella of economic security. In economic terms, market failures lead to an under-provision of a socially desirable good. It is that market failure that policy frameworks and interventions are intended to correct.

5.2 Interactions between economic security and trade are complex

The overview of policy statements and arrangements points to a complex web of interactions between economic security and trade. A clear concern to emerge is that international interdependencies that have arisen through global value chains — which have driven growth in trade and investment over the last three decades — can result in tension with economic security. This concern is usually expressed primarily in relation to specific products, sub-sectors or technologies, and has several strands.

One relates to the security and stability of access to products that are required to deliver public policy or economic growth objectives. The Covid-19 pandemic highlighted concerns about the availability of vaccines and protective equipment, and how the supply chains for these products were organised. Disruptions to production and value chains in manufactures, resulting from lockdowns, also highlighted how transient shocks could be propagated through value chains (while also highlighting the benefits of diversifying sources of supply).[17] Similar concerns about the effects of external shocks on supply chains are also observed in relation to transport linkages, most recently in relation to the Suez and Panama canals. The UK's Critical Minerals and Supply Chain strategy reported that 19.2% of UK imports, by value, passed through the Suez Canal.[18] Concerns have also been expressed in relation to the effects of war and climatic shocks on Taiwan's capacity to produce advanced semiconductors in sufficient volumes.[19]

A second, related, strand is the concern that interdependencies could leave a nation exposed to strategic/adversarial behaviour by others, based on current or future geopolitical rivalries. These concerns apply to a broad range of products and technologies that are critical inputs into modern economic activity, particularly those required to sustain digital and low-carbon transitions. For example, "rare earths" and other elements are required as inputs into low-emission technologies and into advanced technologies (from semiconductors and computing infrastructure that supports AI and quantum computing, to batteries and biotechnology). As seen in the UK's Defence Sector Strategy, the concerns are amplified by the fact that many of these are dual-use (commercial and military) technologies, or inputs into these. Concerns are not limited to risks of supply restriction, but also include the possibility that foreign providers may exercise control (e.g. because of reliance on maintenance and upgrades, or ownership of assets through FDI), threatening autonomy of action.

None of these concerns are new in and of themselves. The transmission of external shocks has been a subject of policy analysis for decades, as evidenced by episodes such as the oil price shocks of the 1970s or the global financial crisis of 2007 to 2009. Similarly, concerns about strategic exposure created by interdependencies explain long-standing policy instruments such as export restrictions and investment screening. What is new is the range of products and technologies that come under the scope of such concerns.

This is partly related to the fragmentation of supply chains as businesses have sought cost advantages. But it is also related to technological change, which has led to profound changes in the organisation of production. A clear example is found in the economies of scale and network effects that characterise a number of digital activities. These favour concentration and first-mover advantages.

Some of these effects are also visible in advanced manufacturing, which has a high embodied services content. Activities include low-emission technologies that are important to meet industrial transformation and decarbonisation objectives. These concentration and first mover advantage effects increase exposure risk – or perceptions thereof. These effects may also exacerbate the risks associated with the concentration of upstream inputs, notably control over raw materials (as witnessed in relation to concerns over critical minerals).

The range of products involved, and the multiple connections these involve across both sectors and a range of wider policy goals, undoubtedly reinforces the perception of market failures that motivate policy frameworks in relation to economic security. They also explain the broad range of policy measures contemplated in any one field. For example, the sole Defence Sector plan includes commitments – beyond defence spending and procurement – to support for innovation; the development of regional industrial ecosystems/ clusters; skills programmes; the development of international business partnerships; export finance; and collaboration with industry to assess risks and threats. Similarly, they also explain why the Trade Strategy identifies the role of trade provisions and collaborative arrangements as contributions to economic security.

These approaches also highlight how far thinking on the relationship between security, whether economic or national, and trade has changed from where it was even a decade ago. The traditional consensus had been that deepening trade and investment relationships could reduce geopolitical stresses by rewarding cooperative behaviour and increasing the costs associated with conflict. The new thinking is more predicated on the notion that geopolitical rivalry should be taken as a given, and hence that interdependencies can increase risk by increasing the leverage of geopolitical rivals. This does not mean that the trade linkages that create interdependencies should be rejected, rather, countries should seek the "right" linkages and interdependencies, where the criteria for what is "right" go beyond sole considerations of efficiencies.

This last point also suggests that, notwithstanding the framing of security concerns (whether economic or military) as being part of the growth agenda, there are likely trade-offs between growth objectives and economic security. These trade-offs reflect the gains from specialisation, and from the flow of knowledge and ideas that take place within linkages embodied in value chains, and from scale and network effects. The gains from specialisation include "Ricardian" gains, i.e. that come from specialisation in the activities in which a country is more productive; and "Smithian" gains, that is, cost efficiencies that come from economies of scale (and reflecting Adam Smith's finding that the extent of specialisation is limited by the size of the market). Reconfiguring or restructuring value chains on criteria other than pure economic efficiency can therefore come at a cost to productivity and growth, which in turn would need to be considered in policy design.

5.3 Patterns of interdependencies and implications for the UK

The interaction between trade and economic security is complex because of the number of channels of interaction and the many tiers of concerns that underpin the notion of economic security. Chapter 1 provided data on the structure of UK trade, providing some insights into patterns of specialisation and interdependencies. That initial overview can be expanded in various ways.

Table 5.1 is based on 2024 HS 6-digit imports by the UK. The countries selected are the top three EU countries supplying the UK, plus the top seven non-EU countries from which the UK imports. Between them, these countries account for nearly 58% of all UK imports (total under column 4). The table is based on identifying the number of products, and the shares of trade, for which the partner country accounts for more than 50% of UK imports: we call these 'high dependency imports'. Thus, for example, column 1 tells us that there are 562 product lines at the HS 6-digit level for which China accounts for more than 50% of UK imports. Column 2 tells us these collectively accounted for just over $40 billion. That total represented a little under 42% of imports from China (column 3), whereas China accounted for close to 13% of all UK imports.

Table 5.1: Patterns of UK import dependencies

	High dependency imports – numbers of product lines HS 6 digit	Imports $ Billion	Share of high dependency products in total UK imports from the country	Share of the country in the total UK total imports
Partner	**1**	**2**	**3**	**4**
China	562	40.67	41.61%	12.86%
USA	191	23.07	25.45%	11.92%
Canada	13	0.31	1.29%	9.81%
Germany	179	4.79	6.41%	5.01%
France	88	2.48	6.52%	4.16%
India	76	0.92	6.04%	3.81%
Italy	115	3.53	11.16%	3.15%
Norway	36	13.78	47.58%	2.52%
Switzerland	41	2.04	10.63%	2.42%
Turkey	70	1.56	8.47%	1.99%
Total	1371	93.13	n.a.	57.65%

Source: Calculations based on Comtrade data

In total, these high dependency imports amounted to around $93 billion, and around half of these were supplied by China. The US is also an important supplier of these high dependency imports. The shares of UK high dependency imports from both are also significantly higher than these countries' shares in total UK imports. That ratio is even higher for Switzerland, Italy and Turkey; Norway's position is largely explained by one product: fish.

Table 5.2 and 5.3 build on Table 1.2 (Chapter 1) and provide data on how value chain linkages work in the UK in comparison to the rest of the world. Table 5.2 reports data on backward linkages – how much foreign value added goes into exports from the UK and other partners, by sector. Table 5.3 reports forward linkages, i.e. the extent to which the UK and other partners contribute to the value added in exports of their partners.

Table 5.2: Share of foreign value added in gross exports, by exporting area and exporting sector

Exporting sector	UK	EU27	US	Other OECD	China	India	Rest of World
Total	15.7%	16.3%	7.8%	21.9%	16.1%	18.6%	20.9%
Total manufacturing	28.0%	18.7%	13.9%	30.7%	18.3%	29.2%	30.9%
Chemicals and pharmaceuticals	21.7%	20.6%	10.3%	27.9%	18.0%	20.7%	29.8%
Electronic equipment	21.3%	19.3%	6.7%	32.8%	24.0%	26.6%	41.2%
Transport equipment	33.1%	17.9%	16.0%	34.4%	16.3%	23.6%	39.0%
Business services	11.7%	14.0%	3.6%	12.2%	7.1%	8.1%	19.1%
Information and communication services	11.1%	19.2%	3.2%	13.3%	6.8%	6.7%	27.8%
Financial and insurance	11.0%	25.1%	2.7%	9.0%	1.5%	6.0%	15.0%
Professional services	10.2%	9.7%	3.1%	11.4%	11.7%	9.7%	14.9%
Administrative and support	12.2%	8.4%	3.6%	8.1%	1.9%	8.8%	14.1%

Source: analysis based on OECD 2025

Table 5.3: UK's share of foreign value added in gross exports, by exporting area and exporting sector

Exporting sector	UK	EU27	US	Other OECD	China	India	Rest of World
Total	11.3%	4.4%	2.2%	1.4%	1.7%	2.3%	11.3%
Total manufacturing	8.7%	3.2%	1.7%	1.3%	1.1%	1.6%	8.7%
Chemicals and pharmaceuticals	9.4%	4.5%	2.8%	1.7%	1.4%	1.9%	9.4%
Electronic equipment	6.8%	3.1%	1.3%	1.1%	2.1%	1.3%	6.8%
Transport equipment	9.3%	3.8%	1.8%	1.9%	2.0%	2.5%	9.3%
Business services	15.2%	7.7%	4.0%	2.0%	4.0%	3.5%	15.2%
Information and communication services	10.5%	6.7%	4.9%	1.9%	5.8%	3.1%	10.5%
Financial and insurance	26.9%	16.2%	9.0%	2.8%	4.4%	8.7%	26.9%
Professional services	18.0%	7.3%	5.2%	1.8%	4.3%	3.8%	18.0%
Administrative and support	16.9%	7.4%	4.0%	2.0%	3.6%	3.6%	16.9%

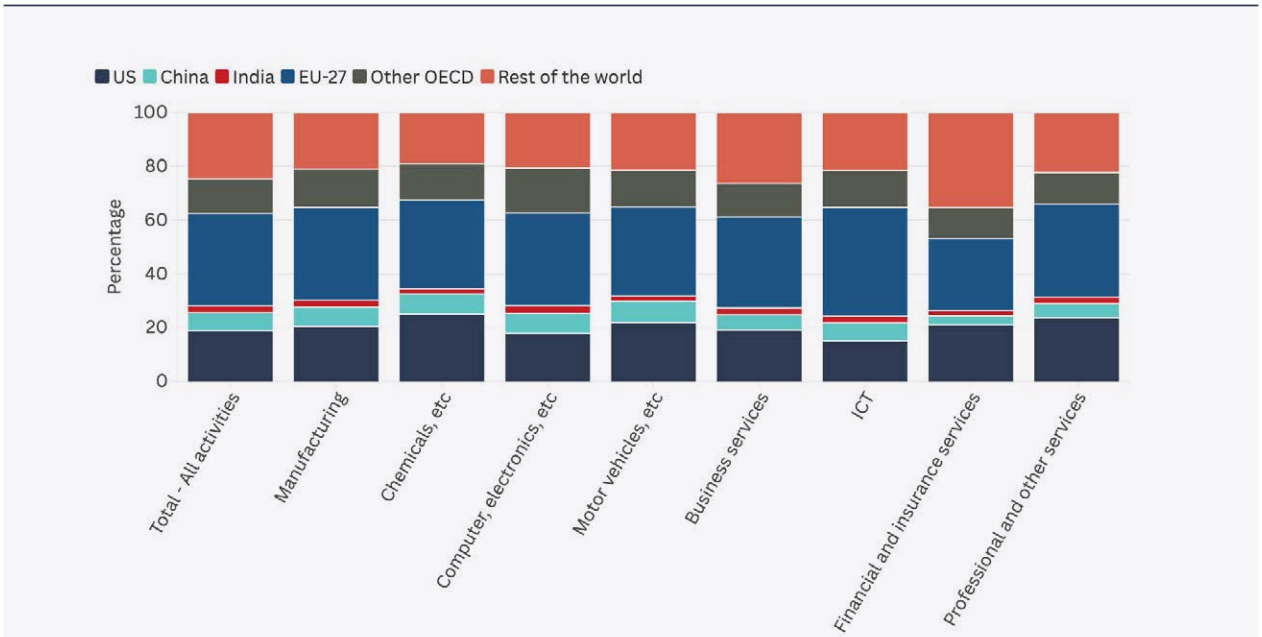
Source: analysis based on OECD 2025

Certain patterns seem to emerge. On the whole, the UK's backward linkages display more foreign involvement in manufacturing than in services. In manufacturing, foreign contributions to UK exports are higher than they are for the UK's two largest trade partners, the EU-27 and the US, and are highest in transport equipment (which includes motor vehicles, a sector in which the UK enjoys a comparative advantage). In regard to forward linkages, the UK plays a significantly stronger role in services, notably financial services and professional services, than it does in relation to manufacturing.

The patterns reflect the UK's comparative advantage, notably in services (see indices of revealed comparative advantage in Chapter 6 on digital trade). This underscores the observation about how these interdependencies contribute to comparative advantage. The question they raise is the extent to which they also give rise to vulnerabilities?

Since geopolitical risk is currently the main motivating factor underpinning discourse around economic security, one approach would be to consider the importance of different partners in the UK's linkages. Figure 5.1 reports the breakdown of foreign value added in UK exports by region of origin.

Figure 5.1: Sources of foreign value added in UK exports



Source: Analysis based on OECD 2025

The EU accounts for the largest share, usually followed by the US. On this basis, the main vulnerability to the UK is exposure to increased trade costs with the EU, which in turn are largely a reflection of decisions by both parties on how closely (or not) they choose to pursue economic integration following the UK's withdrawal from the EU. The next main source of vulnerability is adverse policy decisions in the US. China, which has been the main focus of attention in relation to geopolitical risk, accounts for a relatively small share of value added in exports.

The "rest of the world" component is also relatively significant, at close to 25% across all activities. This group, within the OECD's statistical nomenclature, includes partners such as Singapore, the ASEAN region, and the Gulf States. The share of these regions underscores the potential role played by FTAs that the UK is negotiating, or has concluded, with countries in these regions.

Aggregate figures may obscure risks in particular sectors or activities, which are considered important or critical because of their role in the economy and/or dual-use functions. Moreover, particular products can exhibit pronounced patterns of concentration.

Semiconductors offer one particular example that has acquired a high profile because of their criticality to modern economic functions and strategic activities, and because of the exposure of supply to both idiosyncratic shocks and geopolitical risk. Analyses of the semiconductor value chain highlight the role of China in manufacturing and assembly. Around 41% of semiconductor imports into the UK originated in China in 2024.[20]

Overall, the various data points presented above point to mixed patterns emerging in relation to the UK's interdependencies. In particular, they highlight that the UK will need to navigate between the triad made up of the US, EU and China, and the way in which the diverging economic security concerns of these three spill over into trade. Negotiations between the UK and the US in relation to exemptions from tariffs are an example of this phenomenon. The Economic Prosperity Deal agreed between the UK and the US requires that the UK address dependencies on China that may pose a security threat to the US. In practice, the dependencies of concern are likely to be in technological sectors, in which we have seen that China has an important role to play vis-à-vis the UK and others, such as steel.

5.4 Summing up – the evolving challenge of economic security

The concept of economic security has emerged as a key part of trade policy discussions in the UK and globally. Recent policy positions, and notably the Trade Strategy, underscore this. As an economy that is both open to trade and integrated into a web of interdependencies via value chains, economic security poses various challenges to the UK. These challenges reflect the varied layers of concerns that underpin the concept of economic security. They also reflect the tensions and trade-offs that exist between economic security and the overarching goal of promoting economic growth. And finally, they reflect that in an interdependent world, the UK needs to manage the spillover effects of economic security concerns of its trade partners, whose characteristics and priorities may differ from those of the UK.

The challenges faced by the UK are amplified by the fact that the system of trade rules underpinning the WTO has steadily eroded over the last decade. Even prior to the reciprocal tariffs imposed by the US and its decisive rejection of principles of non-discrimination in trade, international rules have been weakened by the non-operational nature of the WTO dispute settlement system, following the non-appointment of judges to the Appellate Body. Admittedly, the development of alternative procedures for dispute settlement under the MPIA and the UK's decision to join it (see Chapter 4) may offer some mechanisms to bring disputes created by concerns of economic security to orderly resolution. But the fact that the US has refused to be party to the MPIA potentially raises complications for the UK (see further below).

5.5 Domestic instruments and arrangements for managing economic security and trade policy interactions

As observed in the preceding section, economic security is a multifaceted concept. Perhaps for that reason, there is no single instrument that addresses the range of concerns that come under the umbrella of economic security. No instrument in the UK is, for example, the direct equivalent of the Section 232 of the US Trade Expansion Act (which confers powers to the US president to restrict imports deemed to be a threat to national security). Nor does the UK have the equivalent of the EU's anti-coercion instrument, which enables it to take action against coercive actions by third parties.

In considering which instruments to focus on in this section, we have taken into account that a common thread running through policy discussions on economic security is the need to manage interdependencies and the risks associated with them, while pursuing overarching growth objectives.

5.5.1 Subsidies

Subsidies encompass a wide range of public support, including grants, tax concessions, loans, guarantees, equity investments, debt waivers, below-market purchases of goods or services, and provision of publicly owned facilities at below-market prices. A number of these instruments are identified in the Industrial Strategy and related sector plans as means through which priority sectors will be supported. This brings the implementation of the Industrial Strategy, and its objectives relating to growth and economic security, within the scope of the UK's framework (and through that, global rules) on subsidies.

Chapter 3 of this report details the functioning of the UK Subsidy Control Act 2022, and the changes this brought to the UK's subsidy regime, compared to when subsidies in the UK came under the scope of EU rules. The fundamental difference between the old and new regimes is the switch from the EU's ex ante notification regime to one based on self-assessment. Under this approach, subsidies are assumed to be lawful so long as the awarding authority has conformed to the requirements of the Subsidy Control Act. The intention is to give the UK greater flexibility in the use of subsidy instruments. While the initial impetus for this lay in the 2017 Industrial Strategy and its focus on place-based growth, the scope for greater flexibility is also consistent with the economic security objectives sought by the new Industrial Strategy.

As discussed in other chapters of this report, the overall thrust of domestic policy interventions based on subsidies is to correct market failures, principally in areas in which the UK has a comparative advantage. The main sources of market failures identified in strategy documents relate to innovation: research and development, scale-up and commercialisation. Such an approach to the use of subsidies is in line with optimal policy design and could stimulate growth while also addressing economic security concerns. But they will also have international spillovers, which are likely to raise the concerns of trade partners.

5.5.2 Trade remedies

Chapter 3 provided a detailed description of the UK's framework for trade remedies and observed that they are protective measures designed to counteract international trade practices perceived to be "unfair" and provide relief to domestic industries suffering injury. While there is no explicit reference to economic security in the legislative framework for trade remedies, the Trade Strategy explicitly highlights the role that trade remedies play in the UK's approach to economic security. The Strategy thus cites as an example the case of the steel industry, described as "essential for a modern and secure economy" and highlights the role recent measures, including 15 anti-dumping and two anti-subsidy measures on steel imports, plus a global safeguard measure[21], have played in protecting it from what it described as "unfair" competition.

The Economic Interest Test applied as part of the current framework provides one route through which economic security matters may be taken into account. The call for a greater level of ministerial discretion that resulted from the review of the functioning of the Trade Remedies Authority (see Chapter 3) also suggests scope to impose measures on economic security grounds. That would be consistent with past experience: the one case to date in which the government overrode the TRA's determination, by continuing safeguards on steel, is in a sector identified by the government as one that raises economic security issues. At the same time, the wider scope for discretion adds to unpredictability in the way trade remedies are administered, which creates costs to businesses.

The Trade Strategy also expresses the view that the existing approach to trade remedies is to be adapted to the current global trade environment and what it describes as "the new geopolitical reality". It therefore commits to seeking new legislation to enable the authorities to adopt more assertive responses to unfair practices by partners, and reduce the costs to businesses of accessing and using the trade remedies framework.[22] The reference to geopolitics underscores the extent to which economic security concerns are being internalised within the trade remedies framework.

Compared to subsidies, trade remedies are a higher-cost way of pursuing economic security objectives. The steel sector has been a dominant for focus trade remedies in the UK, partly as a reflection of the issues of overcapacity alluded to earlier in this report. Globally, the other sectors identified as foundational sectors in the Industrial Strategy (cement, glass, ceramics, paper) have also featured prominently in trade remedy cases. While distortive policies may be a factor, the UK's lack of comparative advantage also explains the competitive challenges of these sectors. To the extent that UK-based production in these sectors is deemed central to economic security, the deadweight economic costs associated with trade remedies thus need to be set against the putative economic security gains, and compared to alternative means of attaining these.

5.5.3 Investment screening and national security

Investment screening refers to government review of foreign direct investment transactions to assess their impact on national security, public order, or other strategic interests. Unlike trade remedies and other restrictive trade interventions, investment screening focuses specifically on national security implications rather than general industrial policy or employment considerations.[23] Moreover, unlike trade remedies, the screening regime (formally at least) does not differentiate between foreign and domestic entities.

The UK's National Security and Investment Act 2021 (NSI Act) establishes comprehensive powers to scrutinise and potentially block or impose conditions on investments that could harm national security.[24] The regime aims to balance maintaining the UK's position as an attractive investment destination while protecting against acquisitions that could compromise critical capabilities, sensitive technologies, or strategic assets. The NSI Act was intended as an overhaul of the UK's approach to investment screening. Its enactment was in keeping with broader trends towards more investment screening measures across countries.[25] In 2025, the

UK Government announced various measures to streamline the operation of the NSI Act in order to alleviate burdens on investors, particularly with a view to ensuring that measures taken to uphold national security were proportionate relative to economic growth impacts.

Legal Framework and Scope
The NSI Act creates a dual-track system combining mandatory and voluntary notification pathways.[26] Mandatory notification applies to acquisitions of control (25%, 50%, or 75% thresholds) in entities operating within 17 sensitive sectors:[27]

- Advanced materials, artificial intelligence, civil nuclear, communications
- Computing hardware, critical suppliers to government, cryptographic authentication
- Data infrastructure, defence, energy, military and dual-use technologies
- Quantum technologies, satellite and space technologies, suppliers to emergency services
- Synthetic biology, transport

Voluntary notification allows parties to seek clearance for transactions outside the mandatory scope, but potentially raising national security concerns. The regime applies to both domestic and foreign investors, making it formally "country agnostic," though practical application may vary.[28]

The Act extends to entities that "carry on activities in the UK or supply goods or services to persons in the UK," creating effects-based jurisdiction that can capture transactions with limited UK nexus.[29] This broad approach reflects the interconnected nature of modern economies and supply chains.

Review process and criteria
The Investment Security Unit within the Cabinet Office administers reviews through a two-stage process that involves an initial assessment over 30 working days and, if unconditional clearance is not granted, a more detailed investigation over 45 working days. The outcome of the latter could be clearance, possibly with conditions, or blocking.[30] The review process takes into account various factors, including the characteristics of the investment "target", investor profile, and implications of the investor's control over the asset.

However, the regime faces challenges in balancing security with investment attraction. Industry analysis suggests that the broad mandatory notification scope captures many transactions with minimal national security implications.[31] Recent government consultation on reforms aims to improve proportionality in the sense of balancing economic growth with national security objectives (see below).[32]

Investment screening serves potentially several economic security functions:

- Technology protection: The regime prevents acquisition of UK companies developing critical technologies, including artificial intelligence, quantum computing, and advanced materials that could enhance foreign military or surveillance capabilities.[33] This addresses concerns about technology transfer through investment routes.
- Critical infrastructure security: Investment screening protects control over essential infrastructure in energy, communications, transport, and civil nuclear sectors. This ensures the continued operation of systems vital for economic functioning and national resilience.[34]
- Supply chain integrity: By reviewing acquisitions in critical supplier sectors, the regime addresses risks of supply chain manipulation or disruption that could compromise UK economic security or defence capabilities.
- Data and information security: The regime covers entities handling sensitive government data or operating critical data infrastructure, preventing potential intelligence gathering or cyber vulnerabilities through investment channels.[35]
- Deterrent effect: The existence of comprehensive screening powers may deter potentially problematic investments while providing assurance to allies about the UK's commitment to protecting sensitive capabilities.

Implementation: recent trends and policy developments
Annual reports published by the authorities provide data on the implementation of the NSI Act. The most recent (July 2025) reports that in the financial year 2024-25, some 1,143 notifications were received, representing an increase of 25% over the previous financial year. Of the notifications reviewed, 4.5% were "called in" for further review, roughly the same proportion as in the previous financial year. Of the 56 cases called in, 36% were described as "defence", 29% as "military and dual use" and 27% as "advanced materials". Of these 56 cases, the 48% involved acquirers associated with the UK, 32% with China, and 20% with the US. A total of 16 cases were allowed to proceed subject to conditions, and one was blocked.[36]

The government has emphasised the need to review and streamline the implementation of the NSI Act in order to ensure that it strikes a correct balance between safeguarding security concerns, on one hand, and promoting economic growth on the other. This comes in the wider context of a drop in landed FDI projects of around 11% between financial years 2023-24 and 24-25.[37] The main reforms announced by the government were: loosening the scope of the Act in regard to certain transactions that are deemed unlikely to create security risks (e.g. certain parts of AI and energy activities); reflect areas where there were new risks, specifically in relation to critical suppliers to government and suppliers to emergency services; and improving clarity by creating specific schedules for critical minerals and semiconductors.[38]

5.5.4 Dual-use goods and export controls

Dual-use goods are items that have both civilian and military applications and could contribute to weapons of mass destruction development, conventional weapons programs, or other security threats.[39] Export controls regulate the transfer of dual-use goods, along with military equipment, and related technology to ensure they do not reach undesirable end-users or contribute to activities contrary to UK security interests.

The regime operates under the Export Control Act 2002 and Export Control Order 2008, supplemented by retained EU legislation and ongoing EU provisions applicable in Northern Ireland under the Windsor Framework.[40] The Export Control Joint Unit housed in DBT manages licensing through the SPIRE system, processing applications for dual-use, military, and other controlled goods.[41]

UK Strategic Export Control Lists define controlled items, derived from international regimes. These include the Wassenaar Agreement (dual-use goods and technologies); the Australia Group (chemical and biological weapons-related items); the Nuclear Suppliers Group; and the Missile Technology Control Regime (missile-related technologies).[42]

The export control regime performs multiple strategic, public policy and commercial objectives that are often intertwined. In particular, they seek to stop technologies strengthening the military capabilities of potential adversaries and/ or their potential to suppress human rights. They also seek to maintain global stability by preventing the proliferation of weapons of mass destruction. And finally, they seek to preserve supply chains from disruption, either by mitigating the scope for malicious activity or through the loss of control over sensitive technologies.

Challenges to export control regimes include adaptation to rapidly evolving technologies, which increase the scope for potential threats and their unpredictability. Moreover, the regime must balance security on one hand, with trade facilitation and sectoral development on the other. In particular, export controls impose trade costs (by definition), which in turn can impede the scale of up of industries that produce them. This is of particular relevance to the UK, which sees defence-related technologies as sources of export growth and industrial development.

5.6 International agreements and arrangements

5.6.1 Multilateral and other international arrangements

5.6.1.1 The WTO and security provisions

Various provisions under WTO agreements are relevant to the broad sweep of concerns that come under the heading of economic security. In particular, GATT Article XX provides for general exceptions for measures aimed to achieve specific public policy objectives, including those *"necessary to protect human, animal or plant life or health"*, subject to the condition that measures are *"not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade"*. The analogous provision for trade in services is found in GATS Article XIV. National security, more specifically, comes under the scope of GATT Article XXI and GATS Article XIV bis. Both provide scope for Members to take *"any action which it considers necessary for the protection of its essential security interest"* in relation to specific sets of concerns identified in the articles, as well as (e.g sanctions) in pursuance of its obligations under the UN Charter.[43]

The UK's Trade Strategy emphasises both the value of the WTO but also its limitations; and that these limitations would prompt the UK to pursue approaches that secured its interests, including on matters of economic security, outside the WTO's framework via a variety of approaches (see below). Some of these could conflict with core WTO provisions, in which case the cover provided by the exceptions described above may be relevant.

In relation to national security exceptions, the jurisprudence emerging from recent disputes (themselves reflecting a more aggressive appeal to national security as a basis for restrictive trade measures) may be relevant. For much of the WTO era, members exercised restraint in invoking Article XXI, and panels very rarely had to confront its scope, and consequently, the provision's practical boundaries remained ambiguous and contested in legal literature and practice.[44] However, a 2019 WTO panel ruling found that even if a Member appealed to national security as cover for a measure, this did not put the measure in question beyond scrutiny, and a Panel may objectively assess whether the factual circumstances fall within the scope of the listed exceptions.[45] The same ruling also articulated a working definition of "emergency in international relations" as covering armed conflict, latent armed conflict, heightened tension or crisis, and general instability surrounding a State, a formulation that anchors the term to defence, military, or public-order concerns rather than ordinary political or economic disputes.[46]

This jurisprudence has several potential implications for the UK. One is that any appeal to security concerns as cover from deviating from core WTO principles, such as MFN or national treatment, would need to be justified on grounds that would survive scrutiny as to whether, in fact, the measure was necessary to meet the national security objectives required. A second is how the UK deals with partners that have taken an aggressive stance on matters of national security, in particular the US. The US has long held to a position that WTO panels cannot assess responses to national security,[47] notwithstanding the fact that panel rulings have found that certain US measures violate or potentially violate Article XXI.[48] Moreover, as already observed, recent tariff measures taken by the US have been heavily grounded in an appeal to security interests.

The challenges these implications create for the UK lie in how it responds to the US' positioning, both in terms of dealing with the effects of the measures taken by the US, but also in acceding to US demands that the UK take measures that are potentially discriminatory, and that align with the US' security concerns, as a condition of market access (see below). The non-operational state of the WTO's Dispute Settlement Mechanism might insulate the US from cases undertaken by members. On the other hand, the UK's participation in the MPIA, which it sees as a signal of its support for rules-based trade, affords other members an opportunity to challenge actions taken by the UK.[49]

5.6.1.2 The Wassenaar Arrangement and UK export control policy

The Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies serves as the cornerstone of UK export control policy. Established in 1996 in Wassenaar, Netherlands, this multilateral regime succeeded the Cold War-era 'COCOM' and now includes 42 participating states, with the UK a key member. The Arrangement aims to *"contribute to regional and international security and stability by promoting transparency and greater responsibility in transfers of conventional arms and dual-use goods and technologies"*.[51]

The UK's participation in Wassenaar directly shapes its Strategic Export Control Lists, which are *"routinely updated in line with changes to the control lists administered by the multilateral export control regimes"*.[52] However, recent developments demonstrate growing limitations in the multilateral system. Russia's membership has created "growing disfunction" in consensus-based regimes, as *"Russia has consistently vetoed additions to the control list at the multilateral level"* since 2022.[53] This dysfunction has prompted the UK to pursue unilateral controls alongside like-minded partners.

The Export Control (Amendment) Regulations 2024 introduced controls on emerging technologies, including quantum computing, semiconductors, and cryogenic technologies.[54] These measures reflect the UK's commitment to *"strengthen the national controls and address weaknesses in the multilateral system"*.[55] The UK's approach increasingly involves "Wassenaar Minus One" coordination, where partners develop *"harmonized controls that previously would have been agreed under the Wassenaar Arrangement"*.[56]

The UK Export Control Joint Unit has explicitly stated that these unilateral measures aim to bring UK controls in line with 'like-minded countries',[57] demonstrating how bilateral and other cooperation now supplements multilateral frameworks. A principal contemporary challenge for the Wassenaar Arrangement is to calibrate export controls and classification criteria and decision-making procedures so they meaningfully encompass fast-moving, inherently dual-use technologies, including advanced AI, high-performance computing and quantum systems, while preserving the Arrangement's consensus-driven legitimacy and institutional integrity in the face of Member States' recourse to faster, unilateral or coalition measures amid intensifying strategic competition.

5.6.1.3 UK economic security and G7 coordination

The UK's economic security policy operates increasingly through G7 coordination and bilateral partnerships, particularly as traditional multilateral frameworks face constraints. The UK's alignment with G7 economic security priorities became evident in coordinated responses to Russia's invasion of Ukraine, where "the UK, US and other partner countries" implemented "harmonized controls" outside traditional multilateral frameworks.[58] These provide an example of coalition-based approaches that enable rapid policy responses without consensus requirements from all multilateral regime members.

The UK has developed strengthened coordination mechanisms with like-minded partners on economic security. The Export Control (Amendment) Regulations 2024 introduced controls *"which the UK, along with a number of like-minded countries, has committed to implement"*.[59] Similar measures were adopted by Japan, Spain, the Netherlands, and France, with the US implementing parallel controls through interim final rules.[60] This coordination reflects what sources describe as growing cooperation among allies implementing "equivalent controls".[61]

The UK's approach reflects broader trends toward what can be described as *"national export controls, either by unilateral and national action or in other multilateral formats"*,[62] demonstrating how economic security governance is evolving beyond traditional treaty-based frameworks toward more flexible, partnership-based approaches that enable rapid responses to emerging technological and security challenges.

5.6.2 Free Trade Agreements and other arrangements

5.6.2.1 Free Trade Agreements as economic security instruments

Historically, FTAs have built on the legal framework provided by WTO rules, usually with a view to increasing the depth and security of market access commitments, and the coverage of rules relative to the WTO baseline (an outcome sometimes referred to as "WTO plus"). Provisions relating to security and non-trade objectives have usually borrowed, or at least adapted, the language of GATT and GATS exemptions. This has been the case for both cross-cutting provisions, as well as provision relating to specific provisions. For example, provisions aimed at securing the free cross-border flow of data have sought to balance that liberalising objective with concerns regarding the security of personal data.

The primary motivation for concluding FTAs, particularly on a WTO-plus basis, has therefore been the deepening of commercial relations, notably because of the lack of progress in WTO negotiations. In the case of the UK, the need to diversify trade relations in response to the higher trade costs in UK-EU trade, resulting from Brexit, provided an added, specific motivation.

Having said that, FTAs have also historically blended economic and geopolitical concerns. Part of the original impetus for the Trans Pacific Partnership – now the CPTPP – was the US's objective of increasing its leverage in the Asia-Pacific vis à vis China, through the process of developing trade rules and institutional cooperation around these. For smaller countries such as the UK, FTAs can meet some of the concerns that come under the umbrella of economic security through mechanisms that are closely related to those delivering commercial benefits that come from the "WTO plus" nature of FTA commitments.

For example, in describing the recently concluded FTA with India, the Trade Strategy states that in addition to the usual benefits ascribed to FTAs (security of market access, cooperation on regulation), the FTA *"create frameworks for discussing sensitive issues"* and that they can be a *"stabilising factor in a mercurial geopolitical environment"*.[63] In a similar vein, when explaining its approach to its proposed FTA with the Gulf Cooperation Council, the government stated that, *"An FTA with the GCC supports the prosperity pillar of HMG's Regional Strategy as part of the 2021 Integrated Review (IR) (…) Improving trade and investment with the GCC will advance our commercial linkages with strategic partners and support the diversification of UK supply chains, furthering the UK's IR objectives on economic resilience."*[64]

In relation to the UK's accession to the CPTPP, the government highlighted the various commercial gains related to market diversification and market access, and access to cheaper imports. It then highlighted the expected benefits of the agreement in terms of different dimensions of economic security. Specifically, it stated that *"The CPTPP offers new opportunities to diversify supply chains, which could support greater economic resilience by deepening our trading links across the Asia-Pacific and Americas"*. It also noted that *"The UK will help shape [the CPTPP's] development to fight unfair and coercive trading practices that threaten the future of international trade. British businesses will benefit from enhanced access to more markets while trading under fair rules that allow them to compete and thrive on the global stage."*[65]

Economic security matters are also addressed through non-binding forms of cooperation that supplement FTAs. Two examples of this are the digital partnerships that the UK concluded with, respectively, Japan and Korea, pursuant to the FTA the UK has in place with these countries. Both address resilience and economic security issues via a focus on specific issues or technologies, including data flows, cybersecurity, semiconductor value chains, and telecoms.

These statements and arrangements underline the view that preferential trade agreements can "de-risk" economic linkages, through a realignment of value chains between partners that can be trusted by virtue of their commitment to share rules, and a common approach to geopolitical challenges. The dividends in terms of economic security that are ascribed to these agreements are therefore primarily ones relating to resilience, in the sense of reducing exposure to external shocks and to adversarial behaviour. This, in turn, underscores the points made earlier in this discussion, that countries are trying to manage risks created by interdependencies by developing new or deeper linkages with the "right" partner.

Other aspects of economic security, linked to national security, conflict and protection against malicious acts are addressed to a more limited extent. One exception is the UK-EU TCA, which contains a range of provisions relating to energy security, cooperation on cybersecurity and counter-terrorism, criminal justice and policy, and cooperation on global health. Building on this, a separate Security and Defence Partnership was agreed between the EU and the UK in 2025. The partnership is wide-ranging, and it includes provisions relating to cooperation on emerging disruptive technologies, resilience of critical infrastructure, and external aspects of economic security. Arguably, the TCA is an outlier since, unlike every other FTA in the world, it did not evolve from a WTO/ MFN baseline but rather from a close, pre-existing preferential economic and political relationship.

Cybersecurity matters are an example of an issue that lies at the intersection of both national security and supply chain resilience (see also Chapter 6 of this report on digital trade). The CPTPP contains a limited set of provisions on cybersecurity. Provisions on cybersecurity are more expansive in the UK's bilateral agreements. The UK-Singapore Digital Economy Agreement (UKSDEA), in particular, contains an extensive set of provisions on cybersecurity cooperation, which extend to the principles both parties will follow in responding to threats: they *"recognise that risk-based approaches may be more effective than prescriptive, compliance-based approaches in addressing [cybersecurity] threats"*. The language is significant since, even though the agreement is bilateral in nature, regulatory principles will by necessity apply across the board. That leaves open the question as to how the UK would reconcile this approach with the approach taken by other partners, such as the EU, which may be different (see also Chapter 6 on digital trade).

This last point highlights an overarching issue left unresolved in the strategy of using preferential arrangements to pursue economic security interests. Namely, how does the UK manage cases where the interests of various partners do not align, potentially leaving the UK with difficult choices. The most vivid example of this may be the UK-US Economic Prosperity Deal. This is not an FTA, as explained below, and is predicated on the UK meeting US security concerns regarding supply chains. At the same time, the UK's accession to the CPTPP increases its integration with countries that are themselves closely integrated (through separate FTAs), to China, which is the prime source of US security concerns. China has also applied to accede to the CPTPP. The reality of FTAs with partially overlapping memberships gave rise to concerns about a "spaghetti bowl" of tangled commercial relations, and the risk is that this effect could replicate itself in regard to security issues.[66]

Finally, it is worth dwelling on public perceptions of the government's pursuit of FTAs for both market access and economic security objectives. As observed in Chapter 2, survey responses suggest that the public is much less in favour of the UK signing FTAs with GCC countries than it is with, for example, the US or India. This suggests that there may be some tensions between what the government may think is important in terms of economic resilience and public perceptions.

5.6.2.2 Other types of agreement

Digital trade agreements

In addition to digital chapters in trade agreements (see Chapter 6 on digital trade), the UK has concluded bespoke Digital trade agreements with Singapore and Ukraine. Digital trade provisions seek to promote commercial interests through "WTO plus" arrangements, and also have important interactions with economic security. Some of these interactions are about managing trade-offs, most notably in the area of data flows, where the objective is to balance freedom of cross-border data flows (which reduce trade costs) with concerns about privacy and national security. Others are to do with enhancing cooperation on critical technologies, such as AI, to bolster both commercial and economic advantages. Provisions on cooperation in the area of cybersecurity, as seen in the UK's agreement with Singapore, can also help to mitigate vulnerabilities in relation to digitally intensive value chains.

Critical minerals partnerships

Critical minerals partnerships seek to address vulnerabilities in supply chains for materials essential to the clean energy transition, digital infrastructure, and defence applications. Critical minerals such as lithium, cobalt, nickel, and rare earth elements are increasingly central to modern economies.[67] They underpin the production of clean energy technologies, digital infrastructure, and advanced manufacturing. Yet, their supply chains are highly vulnerable, often concentrated in a small number of countries, exposed to geopolitical tensions, and prone to price volatility.[68] Moreover, processing capability is also highly concentrated, notably in China or through Chinese-controlled operations. Against this backdrop, critical minerals partnerships, typically structured through non-binding MoUs, action plans, or compacts, have emerged as vital instruments to safeguard economic security.[69] Although unenforceable in the strict legal sense, these arrangements provide a flexible framework for cooperation that extends beyond the constraints of multilateral trade institutions, particularly the WTO.[70]

The UK has partnership arrangements with South Africa, Saudi Arabia, Canada, Australia, Kazakhstan, Zambia, Japan, Mongolia and Indonesia. The ultimate objective of the partnership is security of supply to the UK through the diversification of supply chains to reduce exposure to geopolitical risks and exogenous shocks. How this objective is achieved depends on the partner, as does the nature of mutual benefits that are sought.

With "resource-rich" developing countries, the quid pro quo usually lies in enhancing the access of these countries to investment and technology to develop their supply chains, and in particular to increase their processing facilities.[71] This could represent a win-win in the sense that it increases value capture for the developing countries concerned, while increasing the range of options for "resource-hungry" countries like the UK. Agreements with resource-rich advanced economies (such as Australia or Canada) provide opportunities for the latter to diversify export markets and commit them and the UK to joint investments in supply chain development. The UK's agreement with Japan commits both sides to cooperate on research and innovation, as well as supporting critical mineral projects and infrastructure in developing countries. How far these partnerships reduce China's control over processing in practice is unclear since, as a major investor in resource processing, its likely response would be to invest further.

Critical minerals partnerships can also be used to support other objectives, such as compliance with Environmental, Social and Governance standards and the decarbonisation of supply chains. This may have further spillover benefits in terms of security of access if it helps meet standards set by importing markets or reduces exposure to mechanisms like CBAM.[72]

Other trade agreements outside the scope of standard FTAs

Chapter 4 highlighted agreements that do not come under the scope of WTO rules governing preferential trade agreements, notably GATT Article XXIV and GATS Article V, which both require comprehensiveness of coverage. The Trade Strategy has highlighted the UK's intent to pursue such arrangements as part of its toolkit. Critical minerals partnerships could be considered an example of such arrangements.

The US-UK Economic Prosperity Deal is another example of an arrangement that differs significantly from FTAs in that its basis does not lie in the framework provided by WTO rules; the commitments in the EPD are "WTO-minus" rather than "WTO-plus". Indeed, the EPD's genesis lies in efforts to mitigate the effects of the US deliberately departing from the framework of WTO rules, partly on the basis of broad-ranging appeals to national security. Moreover, the EPD is not a legally binding agreement, but more of a "handshake".

Given the role played by the US in the UK's trade structure, the unconventional nature of the EPD creates particular challenges. In addition, while the EPD provides a degree of insulation from US tariffs, this is entirely predicated on the UK meeting the US's assessments of the effects of trade on national security. For example, paragraph 1(c) states that *"The United States intends to provide certain key UK imports with modified reciprocal tariff treatment, based on our balanced trading relationship and shared national security priorities. Any such modifications will be consistent with those shared national security priorities, <u>including priorities identified in future U.S. Section 232 investigations</u>"* (emphasis added). Moreover Paragraph 1 (c) (iv) addressing approaches to tariff reductions in products subject future US section 232 investigations (i.e. ones relating to national security), states that *"Any such approach is contingent on the United Kingdom <u>ensuring the security of supply chains, using appropriate measures, of products intended for export to the United States</u> and on the findings of related U.S. investigations of, or other tariff measures related to, such sectors"* (emphasis added).

The EPD also contains – largely aspirational – statements on economic security through, inter alia: (i) coordination to address the non-market policies of third countries; (ii) investment security measures, export controls, and ICT vendor security (iv) the implementation of government procurement processes and (iv) measures to combat the circumvention and evasion of duties levied on traded goods.

The risk for the UK is that any insulation against tariffs may be reversible depending on expanding US perceptions of national security,[73] and also on how the UK manages its value chain linkages with the rest of the world. This can complicate the UK's pursuit of both commercial and economic security objectives set out in the Trade Strategy; specifically, there will be a trade-off between security of access to US markets and the UK's objectives of diversifying its trade relationships with a view to increasing resilience. Furthermore, while the economic security benefits ascribed to arrangements such as the CPTPP or the TCA reflect a shared commitment to a specific set of rules enshrined in treaty arrangements, the EPD has no such anchoring. Indeed, the approach taken by the US is entirely based on the premise that its "deals" are non-binding and involve no commitment to anything as constraining as rules.

Given the links to cooperation on matters of security, the operation of the EPD can also be understood in relation to the "AUKUS" agreement concluded by Australia, the US, and the UK. This is primarily a military cooperation agreement, but one that has implications for trade and defence-related supply chains (a priority Industrial Strategy sector for the UK).[74] The trade implications of AUKUS are most apparent in export control arrangements, where specialised licensing frameworks enable technology sharing while maintaining export control safeguards against diversion to unauthorised end-users. Through AUKUS, the UK secured a landmark exemption from the International Traffic in Arms Regulations (ITAR) of the US. The US exemption covers the majority of ITAR-controlled technologies, which previously required licensing, providing for significant facilitation of technology while also reducing cost and compliance procedures.[75] The exemptions could help stimulate UK defence sector growth and exports, with payoffs in terms of industrial and defensive capability, and economic growth. At the same time, the UK would need to manage its dependence on US defensive technologies.

5.7 Conclusions and recommendations

"Economic security" has become a significant part of policy discourse in international trade and global economic governance more broadly. The concept is multi-faceted and evolving. It includes concerns relating to defence and national security; the resilience of value chains to external shocks and geopolitical risks; and the management of economic interdependencies that characterise trade and investment linkages. These interdependencies are a source of economic growth – but are also exposed to actions taken by geopolitical rivals.

Some jurisdictions, such as the European Union and Japan, have set out explicit policy positions and definitions of how they understand economic security. The UK has not done so, but economic security nevertheless features prominently in recent policy documents, notably the Industrial Strategy, the Trade Strategy and the National Security Strategy. These documents highlight a more activist industrial policy stance, notably through support interventions in sectors deemed to be of strategic importance to the UK. Many of these sectors are ones in which the UK has a comparative advantage. Hence, support measures can be construed as supporting both security objectives and growth objectives that come from exploiting sources of comparative advantage.

Similarly, in relation to the Trade Strategy, economic security concerns have prompted a reconsideration of instruments such as trade remedies, with a view to making their use easier for the purposes of defending strategic sectors. Economic security is also seen as a key driver for trade arrangements.

In regard to trade arrangements, FTAs are seen to promote both commercial interests through their WTO-plus characteristics, and by the same token, are seen to promote economic security because they create new and/or deeper linkages with partners that are "trusted" because they commit to a set of shared rules and aspirations. FTAs typically have fewer limited provisions dealing with aspects of economic security relating to national security, conflict and malicious activity. The UK-EU TCA is a possible exception, along with specific provisions relating to cybersecurity matters.

The UK has also concluded a variety of agreements outside the scope of standard FTAs, notably in the area of critical minerals. The US-UK Economic Prosperity Deal is also a unique arrangement, notably for its "WTO-minus" characteristics and its explicit linking of security of market access to the US to the UK's ability to meet US perceptions of national security, including those that arise as a result of the UK's value chain linkages.

The Industrial and Trade strategies take the view that economic security and growth are mutually supportive. The emphasis on domestic interventions that correct market failures in areas of comparative advantage is consistent with this. Setting aside the issue of trade remedies, the UK has, by and large, rejected the more restrictive forms of intervention chosen by the US that impose high domestic deadweight costs. The tensions between economic security and growth for the UK may lie more in relation to how its policy stance translates into its positioning internationally. For a start, domestic interventions, even optimal ones, can have trade spillovers that raise partner concerns. Beyond that, what may create trade-offs between economic security and growth is the focus on greater selectivity and discrimination with respect to trade partners, in order to manage interdependencies. Most of our recommendations centre around these various trade-offs and the questions they raise.

Recommendations:

- Produce a policy position explaining its approach to economic security. This could be a follow-on to the National Security Strategy, and could explain overlaps and differences between the two concepts.
- Part of such a policy paper could address the question of trade defence, including whether the UK needs instruments similar to the EU's Foreign Subsidies Regulation or the Anti-Coercion Instrument. In doing this, the Government should consult stakeholders on the costs and benefits of trade defence mechanisms, including the extent to which ministerial discretion can add to uncertainty.
- Assess the extent to which preferential trade arrangements (such as FTAs and mini deals) compare to established WTO rules that allow countries to selectively deviate from non-discrimination. The UK has reaffirmed its commitment to multilateral rules while reserving the right to deviate from these. The Government should clearly state how it will reconcile these statements and assess the balance of risks and benefits.
- Assess whether addressing economic security through preferential trade arrangements has the potential to worsen trade-offs between economic security and growth. A body of economic evidence now underscores how geopolitical fragmentation and the emergence of rival blocs can reduce growth significantly. This is because selectivity in trade relations may also create frictions to trade and, therefore, reduce the productivity that comes from gains from specialisation and scale.
- Assess the impacts of measures taken in response to economic security on the trade prospects of developing countries.
- Assess whether a more selective approach to linkages and interdependencies on national security grounds worsens resilience by reducing diversification and increasing exposure to external shocks.
- Arguably, business is more vulnerable to the actions of state-backed actors, transnational crime, natural disasters, and geopolitical tensions than was previously the case and are increasingly subject to supply chain regulatory requirements. This is likely to lead to 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 regulatory compliance, managing risk and understanding underwriting risk.
- Trade policy instruments, such as subsidies and border taxes, can be used effectively to address domestic policy goals such as economic security, However, the Government should recognise that these measures should conform to WTO rules and that using trade policy instruments in this way can increase costs to business, which in turn may adversely impact economic growth, as well as on other public policy objectives.
- For the UK, many of these different trade-offs are crystallised in its dealings with the US, specifically the extent to which the US has made access to its markets subject to meeting its security concerns. The US may run counter to the objectives sought by the UK through closer integration with the Asia-Pacific region (notably via the CPTPP). The UK may also face pressure from partners who may deem such selectivity contrary to WTO rules. The Government must manage these different pressures.
- The ex-post evaluation of policies should include an explicit focus on the issue of economic security, and the effectiveness of policies in this regard. As also recommended elsewhere in this report, the Government should publish an annual report on UK trade policy which also addresses the issue of economic security.

References

1 Department for Business and Trade, *The UK's Trade Strategy* (Cm 1339, 2025) 75.

2 ibid.

3 ibid 78.

4 OECD, OECD *Steel Outlook 2025* (OECD Publishing 2025) 17 <https://doi.org/10.1787/28b61a5e-en> accessed 7 November 2025.

5 Department for Business and Trade, 'Critical imports and supply chains strategy' (January 2024) <https://www.gov.uk/government/publications/uk-critical-imports-and-supply-chains-strategy/critical-imports-and-supply-chains-strategy-html-version> accessed 3 November 2025.

6 Department for Business and Trade, *The UK's Modern Industrial Strategy* (CP 1337, 2025) 12.

7 Ministry of Defence, *Defence Industrial Strategy: Making Defence an Engine for Growth* (CP 1388, 2025) 8.

8 ibid 11.

9 ibid 25.

10 Cabinet Office, *National Security Strategy 2025: Security for the British people in a dangerous world* (Cm 1338, 2025).

11 See National Protective Security Authority, 'Critical National Infrastructure' (NPSA website) <https://www.npsa.gov.uk/about-npsa/critical-national-infrastructure> accessed on 6 November 2025. The 13 sectors are: Chemicals; Civil Nuclear; Communications; Defence; Emergency Services; Energy; Finance; Food; Government; Health; Space; Transport and Water.

12 See for example, European Commission, 'Decision of the President of the European Commission on the establishment of a Commissioners' Project Group on Economic Security' (P(2025) 1, 7 January 2025) <https://commission.europa.eu/document/download/e3b92b79-fe14-4ad6-9def-daa8ce3af36c_en?filename=Decision%20on%20the%20establishment%20of%20a%20Commissioners%27%20Project%20Group%20on%20Economic%20Security.pdf> accessed 3 November 2025.

13 European Commission, 'Commission Recommendation of 3.10.2023 on critical technology areas for the EU's economic security for further risk assessment with Member States' C(2023) 6689 final <https://defence-industry-space.ec.europa.eu/document/download/31c246f2-f0ab-4cdf-a338-b00dc16abd36_en?filename=C_2023_6689_1_EN_ACT_part1_v8.pdf> accessed 3 November 2025.

14 *Act on the Promotion of Ensuring National Security through Integrated Implementation of Economic Measures* (Act No 43 of 2022) (Japan).

15 Fact Sheet: President Donald J. Trump Ensures National Security and Economic Resilience Through Section 232 Actions on Processed Critical Minerals and Derivative Products' (The White House, 15 April 2025) <https://www.whitehouse.gov/fact-sheets/2025/04/fact-sheet-president-donald-j-trump-ensures-national-security-and-economic-resilience-through-section-232-actions-on-processed-critical-minerals-and-derivative-products/> accessed 21 October 2025.

16 Congressional Research Service, *Legal Authority for the President to Impose Tariffs Under the International Emergency Economic Powers Act (IEEPA)* (Report LSB11281, 7 April 2025) <https://www.everycrsreport.com/reports/LSB11281.html> accessed 21 October 2025.

17 Laura Lebastard, Marco Matani and Roberta Serafini, 'GVC exporter performance during the COVID-19 pandemic: the role of supply bottlenecks' (ECB Working Paper Series No 2766, 2023) <https://www.ecb.europa.eu/pub/pdf/scpwps/ecb.wp2766~112996fbde.en.pdf> accessed 3 November 2025.

18 Department for Business and Trade (n 5) 17.

19 Parliamentary Office of Science and Technology, *Supply of semiconductor chips* (POSTnote 721, 2 May 2024) 10.

20 The Observatory for Economic Complexity, 'Semiconductor Devices in the United Kingdom' <https://oec.world/en/profile/bilateral-product/semiconductor-devices/reporter/gbr> accessed 3 November 2025.

21 *The UK's Trade Strategy* (n 1).

22 *The UK's Trade Strategy* (n 18) 27.

23 The TaPP Network, 'TaPP Insights: Investment Screening' <https://tappnetwork.org/resource/tapp-insights-investment-screening/> accessed 3 November 2025.

24 Shaotang Wang, Lingyi Yang and Guozhen Li, 'The UK's Foreign Investment Security Review Mechanism: Characteristics, Origins, and Responses' (2025) 14 Laws 24

25 OECD, *Investment policy developments in 62 economies between 16 February 2024 and 15 March 2025* (OECD 2025) 6-8 <https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/06/investment-policy-developments-in-62-economies-between-16-february-2024-and-15-march-2025_d267d5eb/1fd98ccf-en.pdf> accessed 3 November 2025.

26 The TaPP Network (n 23).

27 Cabinet Office, 'National Security and Investment Act: details of the 17 Types of Notifiable Acquisitions' Cabinet Office, 'National Security and Investment Act: details of the 17 types of notifiable acquisitions' (6 February 2024) <https://www.gov.uk/government/publications/national-security-and-investment-act-guidance-on-notifiable-acquisitions/national-security-and-investment-act-guidance-on-notifiable-acquisitions> accessed 3 November 2025.

28 TheCityUK and Freshfields, 'Foreign Direct Investment and National Security Regimes: A Path to Best Practice in the UK' (April 2025) <https://www.thecityuk.com/media/1judtwuz/foreign-direct-investment-and-national-security-regimes-a-path-to-best-practice-in-the-uk.pdf> accessed 3 November 2025.

29 ibid.

30 Wang, Yang and Li (n 24).

31 TheCityUK (n 28).

32 Linklaters, 'UK's National Security & Investment Screening Regime: Important changes to reduce the burden on businesses' (Linklaters, July 2025) <https://www.linklaters.com/en/insights/blogs/foreigninvestmentlinks/2025/july/fourth-annual-report,-uk-fi-regime> accessed 3 November 2025.

33 Wang, Yang and Li (n 24).

34 Cabinet Office (n 10).

35 ibid.

36 Cabinet Office, National Security and Investment Act 2021: Annual Report 2024-25 (2025) <https://www.gov.uk/government/publications/national-security-and-investment-act-2021-annual-report-2024-25/national-security-and-investment-act-2021-annual-report-2024-25-html#section-two-call-in-notices> accessed 3 November 2025.

37 Department for Business and Trade, 'DBT inward investment results 2024 to 2025' (2025) <https://www.gov.uk/government/statistics/dbt-inward-investment-results-2024-to-2025/dbt-inward-investment-results-2024-to-2025-html-version> accessed 3 November 2025.

38 Cabinet Office, *National Security and Investment Act (Notifiable Acquisition) (Specification of Qualifying Entities) Regulations 2021* (Consultation Paper, CP 1369, 2025).

39 *United Kingdom Strategic Export Controls Annual Report 2024* (HC 1251, 2025).

40 Raminta Dereskeviciute, Ludovica Rabitti and Michal Chajdukowski, 'How the United Kingdom approaches export controls' in *The Guide to Sanctions* (6th edn, Global Investigations Review) (Global Investigations Review) <https://globalinvestigationsreview.com/guide/the-guide-sanctions/sixth-edition/article/how-the-united-kingdom-approaches-export-controls> accessed 3 November 2025.

41 *Strategic Export Controls Report 2024* (n 39).

42 S*trategic Export Controls Report 2024* (n 39).

43 GATT Article XXI and GATS Article XIV bis. The three areas differ between the two articles. Under GATT XXI, the exceptions apply to security interests relating to relating to: (i) fissionable materials or the materials from which they are derived; (ii) relating to the traffic in arms, ammunition and implements of war and to such traffic in other goods and materials as is carried on directly or indirectly for the purpose of supplying a military establishment; (iii) taken in time of war or other emergency in international relations. While GATS Article XIV bis applies to actions relating to points (i) and (iii), as well as the supply of services as carried out directly or indirectly for the purpose of provisioning a military establishment.

44 Cui Fan, Catherine Hoeffler, and Stephanie C. Hofmann, 'National security and other non-trade objectives under WTO law', in Bernard Hoekman, Xinquan Tu and Dong Wang (eds), *Rebooting Multilateral Trade Cooperation: Perspectives from China and Europe* (2021), CEPR Press, London.

45 *Russia – Measures Concerning Traffic in Transit*, WTO Panel Report WT/DS512/R (5 April 2019).

46 ibid.

47 Statements by the United States at the Meeting of the WTO Dispute Settlement Body (2023), Office of the United States Trade Representative, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2023/january/statements-united-states-meeting-wto-dispute-settlement-body#_ftn9> accessed 9 October 2025.

48 See generally, *United States – Certain Measures on Steel and Aluminum Products from China*, WTO Panel Report WT/DS544/R (9 December 2022); Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits, Executive Order, The White House, <https://www.whitehouse.gov/presidential-actions/2025/04/regulating-imports-with-a-reciprocal-tariff-to-rectify-trade-practices-that-contribute-to-large-and-persistent-annual-united-states-goods-trade-deficits/> accessed 9 October 2025.

49 There have been no cases to date before the MPIA involving issues of security.

50 The Wassenaar Arrangement, 'About us' <https://www.wassenaar.org/about-us/> accessed 3 November 2025.

51 ibid.

52 Tristan Grimmer and Ben Smith, 'Export Controls in the United Kingdom' in *The Guide to Sanctions* (3rd edn, Global Investigations Review) <https://globalinvestigationsreview.com/guide/the-guide-sanctions-archived/third-edition/article/export-controls-in-the-united-kingdom> accessed 3 November 2025.

53 ibid.

54 Jasper Helder and others, 'International Unilateral Export Controls—An Increased Focus on Advanced Technologies' (Akin Gump, 5 April 2024) <https://www.akingump.com/en/insights/alerts/international-unilateral-export-controls-an-increased-focus-on-advanced-technologies> accessed 3 November 2025.

55 Grimmer and Smith (n 52).

56 Grimmer and Smith (n 52).

57 Grimmer and Smith (n 52).

58 Grimmer and Smith (n 52).

59 Helder (n 54).

60 Helder (n 54).

61 Grimmer and Smith (n 52).

62 Jasper Helder and others, 'The UK Continues to Expand Its Controls on Emerging Technologies' (Akin Gump, 24 March 2025) <https://www.akingump.com/en/insights/alerts/the-uk-continues-to-expand-its-controls-on-emerging-technologies> accessed 3 November 2025.

63 *The UK's Trade Strategy* (n 1) 49.

64 Department for International Trade, 'UK-Gulf Cooperation Council Free Trade Agreement: The UK's Strategic Approach' (June 2022) <https://assets.publishing.service.gov.uk/media/62b2d8408fa8f5356eecc4c0/uk-gcc-fta-the-uks-strategic-approach.pdf> accessed 3 November 2025.

65 Department for Business and Trade, 'CPTPP: 10 benefits for the UK' (17 July 2023) <https://www.gov.uk/government/publications/cptpp-benefits-for-the-uk/cptpp-10-benefits-for-the-uk> accessed 3 November 2025.

66 The term was coined by Jagdish Bhagwati in the 1990s. Jagdish Bhagwati, 'US trade policy: The infatuation with FTAs' (1995) Columbia University Discussion Paper Series 726.

67 International Energy Agency, 'Can government partnerships support responsible and reliable critical mineral supply chains?' (IEA, 2024) <https://www.iea.org/commentaries/can-government-partnerships-support-responsible-and-reliable-critical-mineral-supply-chains> accessed 3 November 2025.

68 Sunayana Sasmal, 'A Stacked Deck that Keeps Getting Higher: The Relationship between Critical Raw Materials, the WTO and "Strategic" Partnerships' (UK Trade Policy Observatory Briefing Paper 79, April 2024) <https://www.uktpo.org/briefing-papers/critical-raw-materials-the-wto-and-strategic-partnerships/> accessed 3 November 2025.

69 White & Case LLP, 'Critical Minerals Supply Chains: The Minerals Security Partnership and Trade-Related Challenges' (7 October 2024) <https://www.whitecase.com/insight-our-thinking/critical-minerals-supply-chains-minerals-security-partnership-and-trade> accessed 3 November 2025.

70 Sasmal (n 68).

71 International Energy Agency (n 67).

72 White & Case LLP (n 69).

73 Since the time of signing the agreement, the US' the list of products that have national security concerns has widened to include, inter alia, sofas, bathrooms and kitchen sinks.

74 *National Security Strategy 2025* (n 10).

75 Ministry of Defence, 'Written Evidence Submitted by the Ministry of Defence' (AUKUS0031, 3 November 2025) <https://committees.parliament.uk/writtenevidence/142530/html/> accessed 3 November 2025.

Chapter 6: Trade and the digital transformation

Chapter overview

This chapter explores the complex relationship between the digital transformation and international trade. We focus both on how trade has influenced digitalisation, and on how digitalisation, by reshaping trade and economic activity, can contribute to productivity and economic growth. We explore the domestic policy challenges that arise from the specific characteristics of digital technologies, and how these interact with trade policy.

We first scope out the various dimensions of digital and trade interaction and provide a background to the UK's digital trade trends and comparative advantage. In section 6.4 and 6.5 we explore the policy and regulatory settings that impact digital trade in the UK. In 6.6, we consider trade policy measures and arrangements internationally, including Free Trade Agreements, digital agreements and other forms of cooperation as well as through the WTO. We end with some conclusions, ultimately underscoring digital trade's potential to transform productivity while requiring coherent, well-sequenced policy design domestically and internationally.

Key points

- Digital trade includes digitally ordered but physically delivered trade in goods and services and digitally-delivered trade. Moreover, a number of sectors (primarily services) are digital in the sense that they rely heavily on information and communication technology (ICT) inputs, and also form the bulk of UK exports.
- ICT sectors themselves are heavily engaged in trade. Emerging technologies such as AI and quantum computing simultaneously represent trade and commercial opportunities, while also transforming the organisation of production and stimulating productivity.
- The UK has a revealed comparative advantage across digital services sectors. Digital trade in the UK has been growing faster than trade as a whole, and the "take-off" of digital trade happened earlier in the UK compared to the rest of the world. For these reasons, digital sectors and trade are a central part of both the UK's 2025 Industrial Strategy and Trade Strategy.
- Industrial policy interventions in relation to digital sectors and technologies largely focus on addressing barriers – whether related to market failures or past policy failures – to exploit sources of comparative advantage. These include commitments on specific subsidies to R&D and supporting infrastructure, regulatory reform, and skills. This reflects a preference for using domestic policy, rather than trade policy instruments. At the same time, the selected instruments are likely to have trade policy spillovers.
- UK trade policy priorities include negotiating provisions on digital sectors that cover, notably, data localisation and the free flow of data; the avoidance of duties on electronic transmission; trade facilitation; and regulatory cooperation. The UK has negotiated relatively deep commitments on digital trade through its accession to the CPTPP and through bilateral arrangements, notably its Digital Economy Agreement with Singapore.
- Deep provisions on digital trade have the potential to yield substantial development payoffs, but also involve navigating complex trade-offs between trade policy objectives and other policy goals. Digital trade provisions may be negotiated bilaterally, but in many cases, by necessity, they can be applied on an across-the-board basis.
- Various aspects of digital policy, notably in relation to emerging technologies such as AI, have been the subject of trade commitments prior to the publication of domestic policy positions. This raises issues of sequencing and also parliamentary scrutiny.
- The UK has followed a pragmatic approach both in terms of digital regulation and in negotiations with partners. On regulation, it has largely attempted to steer a middle course between the US and the EU. On trade, it has adapted its approach to the specificities of partners.

6.1 Introduction

The concepts of "digital" and the "digital economy" are key elements in policy discourse globally. In the UK, the Government's Modern Industrial Strategy identified "digital and technologies" as one of its eight priority ("frontier") sectors.[1] Under this heading, it includes technologies such as artificial intelligence, and products such as semiconductors. Most of the other seven priority sectors, such as financial services, professional business services, creative industries, life sciences and advanced manufacturing, are "digitalised," in that they rely heavily on information and communication technologies, as well as data, for inputs and/or delivering products and conducting commercial transactions. Building on the Industrial Strategy, the UK's Trade Strategy also highlights the importance of these sectors to the UK's trade and economic prospects and emphasises the role that digitalisation can play in reducing the costs of international trade.[2]

The primary reason for this heightened focus on digital sectors and activities is their potential to drive productivity and, through that, economic growth. For example, the International Monetary Fund (IMF) has estimated that artificial intelligence (AI) adoption could boost productivity by 1.5 percentage points per year over a ten years,[3] a result cited by the Trade Strategy as evidence of what it calls the "transformative" effects of emerging technology.[4] Note that the effects relate to AI adoption. They do not take into account any additional effect that may arise from the UK securing a position in the development of these technologies, i.e. via the value added captured from the UK's participation in the AI value chain. As observed later in this chapter, securing the UK's positioning in the AI value chain is a major focus of policy. This highlights a broader point: interest in digital stems from the possibility that the development of these technologies can be both sources of growth in and of themselves, and also by virtue of the fact that they can stimulate technical change, and productivity increases across sectors in the economy.

While the UK's focus on digital is primarily driven by the effects on productivity, this is not the only aspect of policy interest. The framing of both the Industrial Strategy and the Trade Strategy also highlights the interactions between the digital economy and broader policy objectives, such as decarbonisation, economic security and inclusiveness. Because these two issues are treated in specific chapters of this report, the primary focus of this chapter is the nexus between digital, trade and productivity and growth.

The interactions between digital and trade are therefore multiple and complex, not least because of the range of activities and issues that come under their heading. In this chapter, we first establish the scope of these interactions, and related UK trends. We then consider key policy issues, and the way these interact with UK trade policy and positioning in relation to global trade policy.

6.2 Scoping digital and trade interactions

The OECD proposes that digital trade consists of *"digitally ordered but physically delivered trade in goods and services (e.g. the purchase of a book through an on-line marketplace or booking a stay in an apartment through a matching application) and digitally delivered trade (e.g. movie or music streaming services or receiving architectural designs from foreign providers)"*.[5] These may be considered "digitally-enabled trade", and includes e-commerce and the streaming of digital content.

But policy discourse in relation to digital trade extends beyond the definition of digital trade as presented above. For one, digital technologies, such as AI, and their inputs (such as computer hardware and components) are produced through value chains that operate on a cross-border basis. Therefore, as demonstrated in both the UK's Industrial and Trade Strategies, an important focus of contemporary policy discussions is on enhancing the role of the UK in these value chains in order to capture more of the value added that they generate. Secondly, as observed above, in relation to AI-related productivity gains, the interest in digital technologies also lies in their transformative potential, notably in sectors that are intensive in their use of digital technologies. These sectors include financial, professional and technical services, and advanced manufacturing. They are also organised in the form of global value chains and play an important role in the structure of the UK's trade. Technologies such as AI can reshape trade in these sectors, at the same time, these sectors can be seen as "off-takers" for AI developers and hence shape the development of AI.[6]

It is, therefore, appropriate, especially in the context of the UK, to build on the initial definition of digital trade provided above to include also the activities and sectors that fall under the heading of ICT goods and services. In addition, we also consider the activities of sectors that are intensive in their use of ICT goods and services as inputs i.e. sectors such as finance, insurance, professional and business services, other technical services, and audio-visual services. This approach is consistent with the definitions used in work published by the OECD, which uses as a criterion of digital intensity the extent of linkages with ICT sectors.[7] The advantage of that approach is that it steers clear of binary definitions of what is digital or not, which is appropriate given the degree to which ICT technologies are transforming economic activity and the way in which it is organised.

Beyond specific sector activities, the interaction between digital and trade includes how digitalisation has reshaped the way trade "works". Digitalisation can reduce trade costs, i.e. the additional costs borne by suppliers when they seek to sell across borders rather than to domestic markets. This can happen through a number of mechanisms. Digital technologies can increase the speed of customs and administrative processes by substituting manual completion and verification processes with online ones. An important part of the UK's policy agenda has been to support the use of digital technologies to reduce administrative and compliance costs on trading businesses, and to encourage the use of these technologies to facilitate market entry. Digital technologies can also reduce the cost of entry into markets, whether on a business to consumer (B2C) or business to business (B2B) basis, through better access to market information, by facilitating customer search and acquisition (e.g. via platforms) or reducing language barriers.

Underlying the different types of digital/trade interactions are data flows, which are central to online transactions and the cross-border provision of services. Restrictions on cross-border data flows can add to trade costs; they are notably treated as elements of trade costs in the OECD's Services Trade Restrictiveness Index (STRI). Various research using such indices of restrictiveness have found significant effects on international trade and growth.[8]

For these reasons, the question of data flows has become an important part of UK trade policy, and the UK's positioning on trade policy at a global level (see below). At the same time, data is a key policy issue in its own right. This is partly because, beyond trade, it has a central role in economic activity, and notably the growth of new technologies such as AI, and is, therefore, seen as a driver of productivity and growth. But it is also because data – and specifically personal data – raises broader policy concerns relating to privacy, security, and the extent to which citizens and businesses that generate data, or are the subject of data, have rights over the use of data. These broader issues, in turn, have complex interactions with the role of data in trade.

Finally, as already observed, the present structure of digital activities owes much to international trade, with many activities organised in the form of international value chains. In particular, the growth of activities like AI and sectors like high-end semiconductor manufacturing owes much to the liberalisation of trade and investment flows. Hence, reducing trade costs can stimulate trade in these sectors and their contribution to growth. For the same reason, policy fragmentation can constrain these sectors and negatively affect their contribution to growth.

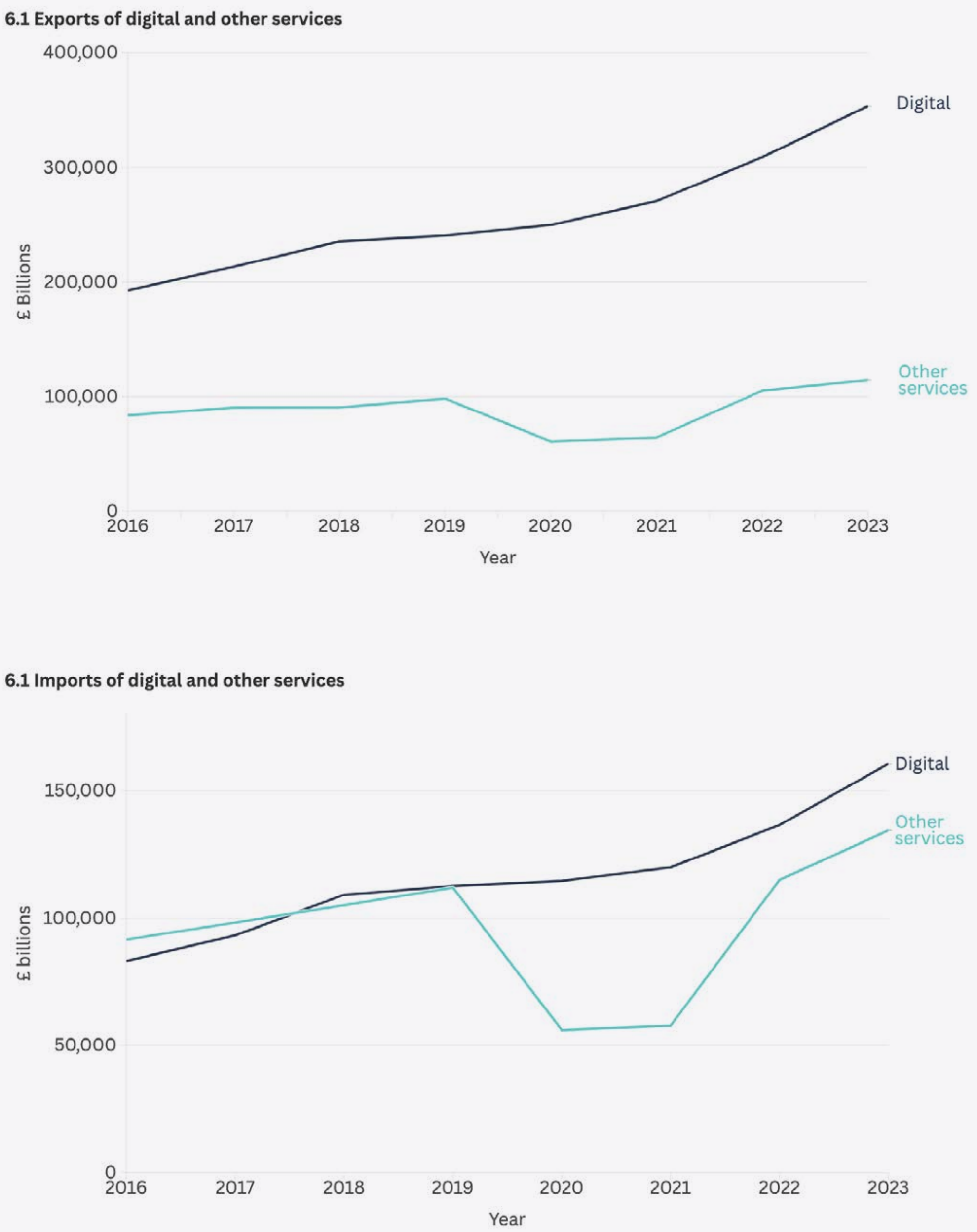
6.3 UK background

6.3.1 Digital trade trends in the UK

There are various challenges associated with the measurement of digital trade and quantifying digital trade interactions described above. If we define digital trade here as the trade of digitalised sectors (as defined in Section 6.2 of this chapter,) we observe that digital trade is dominated by services. Chapter 1 reported trends in digitally-delivered services trade. It showed, in particular, that the share of total UK services trade that is digitally delivered was, at around 70%, one of the highest in the world. The results reported are consistent with those reported by the OECD in a study of digital trade, using a slightly different definition of digital that includes ICT inputs embodied in non-digital sectors. That research found that acceleration of digital trade growth, relative to other trade, began around the start of the millennium in the UK, whereas in the rest of the world, the acceleration of digital relative to other trade happened around a decade later.[9]

The growth of digitally-delivered services trade seems to be closely correlated to the growth of services that are intensive in their use of digital technologies. Data on both exports and imports underscores the rapid growth of trade in digital services sectors, which, in turn, is increasing the "digitalisation" of UK trade. Between 2016 and 2023, digital services exports grew at an annualised rate of 9.1% (compared to 4.6% for other services and 4% for all goods). While digital services imports grew at an annualised rate of around 10%, (compared to 6% for other services and 4% for all goods).

Figure 6.1: Trends in UK digital services trade



Source: ONS pink book

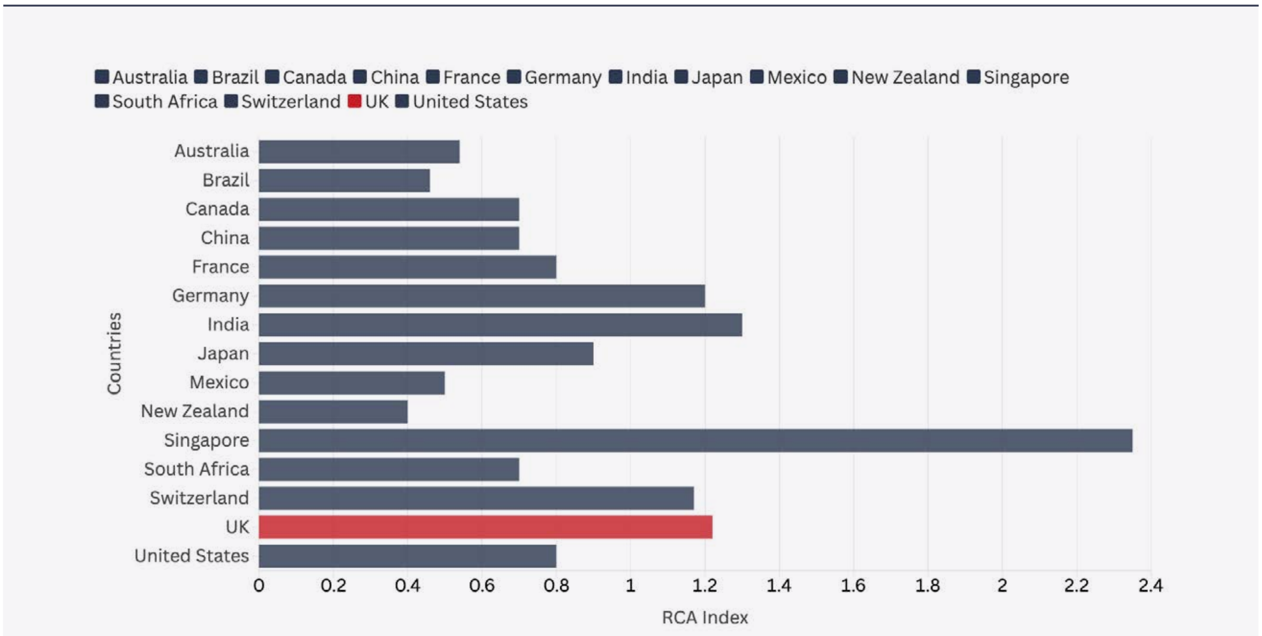
Chapter 1 of this report also showed that financial services and professional services account for the bulk of digitally-delivered services.

In terms of employment, a study published by the OECD found that in 2019, around 3.2 million jobs in digital services sectors were embodied in exports.[10] That number is likely to have risen given trends in digital services export growth relative to other sectors.

6.3.2 Comparative advantage

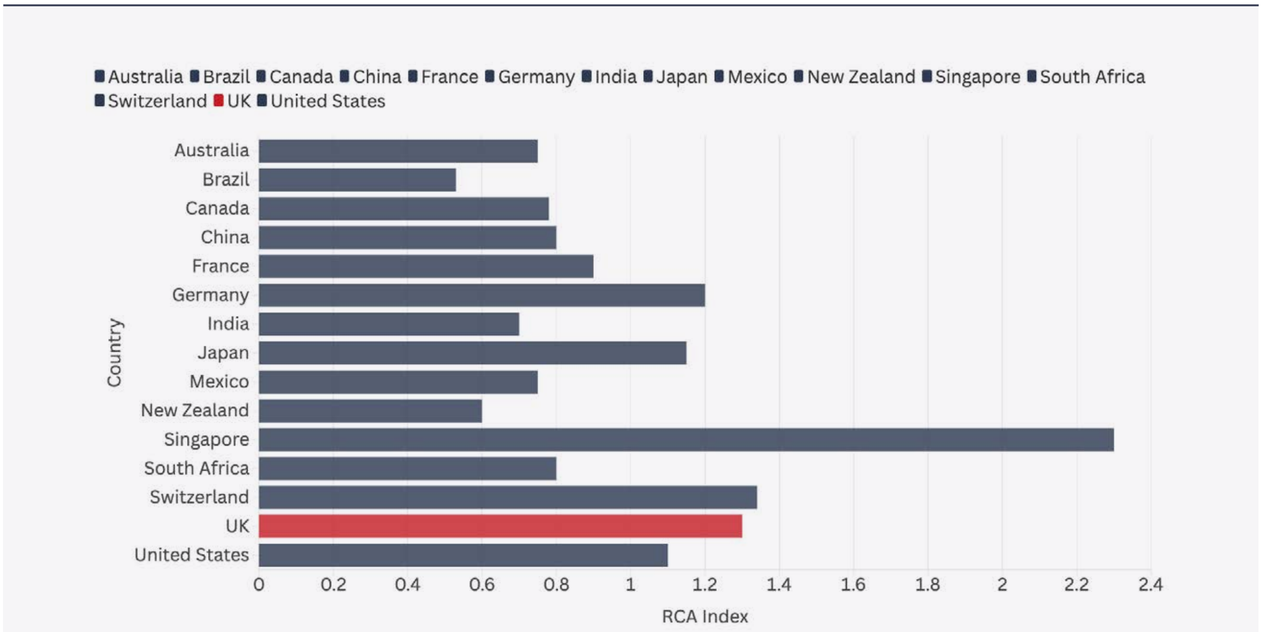
In addition to trends in trade flows, one way of assessing the UK's relative position in digitally intensive sectors is through measures of comparative advantage. Indices of Revealed Comparative Advantage (RCAs) are a traditional method for doing this. The UK Government has published various estimates of RCA and, by and large, these confirm that the UK has a comparative advantage in digitally-intensive sectors.[11] There are various drawbacks to the traditional RCA index, however, which particularly reduce its suitability for cross-country comparisons. We therefore compute an alternative index, which represents an improvement over traditional measures of revealed comparative advantage.[12] We report a range of results for the UK and some of its principal trading partners.

Figure 6.2: RCAs for IT and other information services



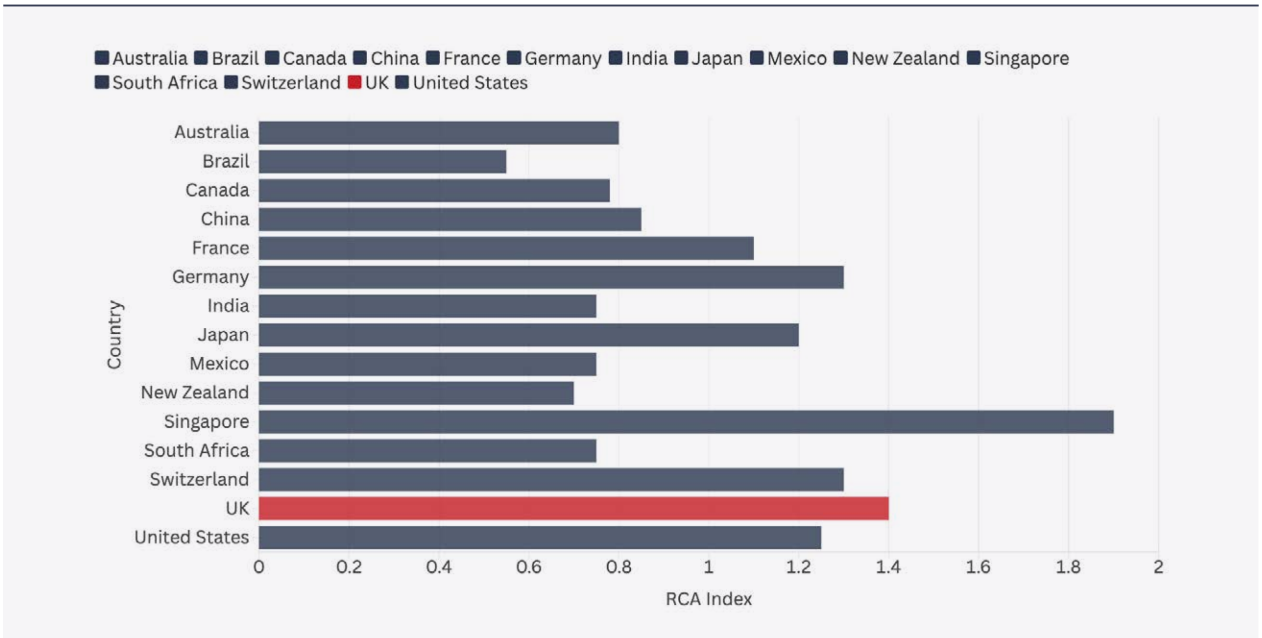
Source: Analysis based on OECD 2022 data

Figure 6.3: RCAs Financial and insurance services



Source: Analysis based on 2022 data

Figure 6.4: RCAs for other business sector services



Source: Analysis based on 2022 data

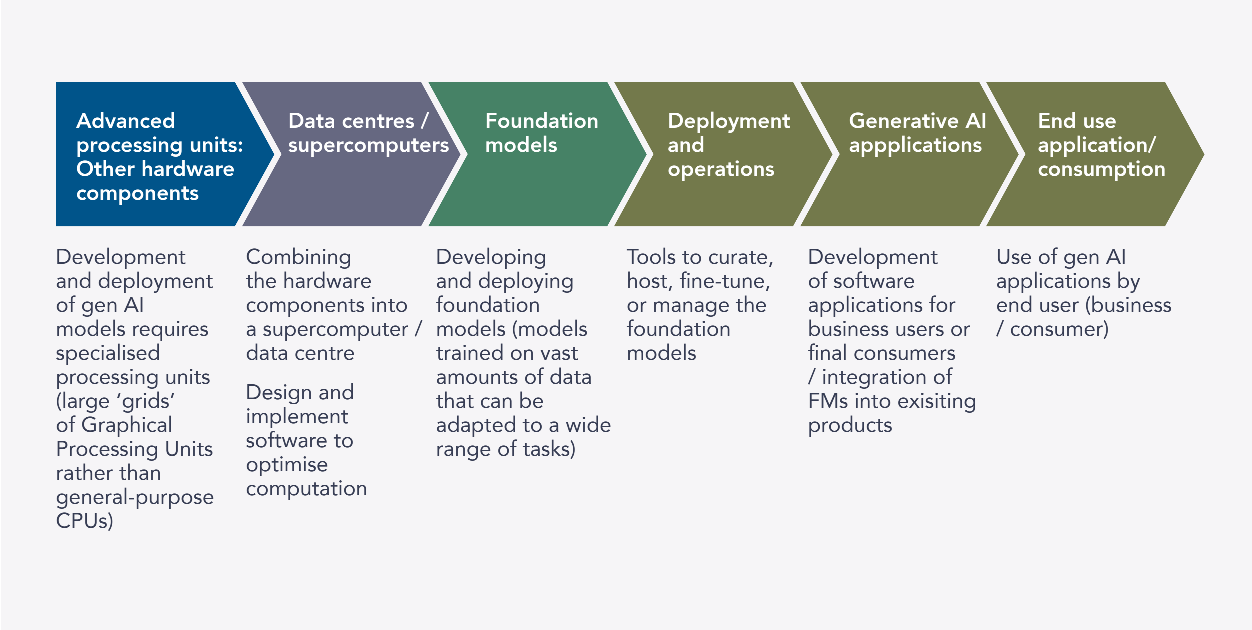
The results underscore the strength of the UK in both ICT services sectors specifically, and in its two largest downstream "digitalised" sectors, financial services and business services. This has particular policy implications given the complementarities that exist between ICT sectors and the downstream sectors (with the former being an input in the latter). Specifically, the complementarities highlight that breakthroughs in ICTs will have a direct effect on those sectors and stimulate the performance of downstream sectors. Similarly, innovation and expansion in the downstream sectors can increase demand for the outputs of ICT sectors and spur innovation there.

What overall measures – such as indices of comparative advantage – do not always capture are the relative strengths of the UK and other countries, in particular, activities that are organised in the form of cross-border value chains. For example, computing services include a myriad of different activities and technologies. A more granular mapping of value chains can help to identify particular areas of strength.

Consider AI, for instance (Figure 6.5). The UK has relatively advanced strengths in the "application end" of the value chain, thanks to a combination of its strong science base and corresponding skills set, ability to raise venture capital, and the strength of its services sectors (finance, professional services, computing) that are major users of AI application and sources of innovation. The UK has more limited strengths in the foundation segment and manufacturing hardware, but is a rapidly expanding location for data centres. The Government has also earmarked funds for investment in the *"compute" segment as part of its AI opportunities action plan.*[13]

As discussed in subsequent sections, positioning in value chains, amongst other things, requires a view on what barriers may impede the UK's ability to exploit sources of comparative advantage, and what types of measures are appropriate in response to these barriers. That also conditions the approach to trade agreements, and highlights possible tensions that may exist between domestic policy responses and spillover effects on trade.

Figure 6.5: AI value chain map



Source: Frontier Economics

6.4 Policy settings

6.4.1 Industrial Strategy

As observed in the introduction to this chapter, the UK's Modern Industrial Strategy identifies eight priority sectors, one of which is "Digital and Technologies". This heading includes the following technologies or products: artificial intelligence; engineering biology; advanced connectivity technologies; quantum technologies; semiconductors; and cybersecurity. As already observed, the other sectors are digitally intensive in that they rely heavily on ICT inputs. The Strategy thus focuses both on the development of specific technologies in the UK as well as sectors that stand to benefit from the adoption of these technologies.

Each of the eight priority sectors also benefits from specific sector plans or strategies. While a detailed analysis of the Industrial Strategy and supporting materials is outside the scope of this chapter, the following trade policy interactions can be highlighted.

First, the sectoral prioritisation builds on previous analysis by the Government that sought to identify the UK's sectors of comparative advantage.[14] There is also a degree of overlap between the sectoral prioritisation set out in the Industrial Strategy and our analysis of comparative advantage. This is consistent with the Government's productivity and growth strategy, given the connection between comparative advantage and productivity. Consequently, we can see the interventions in the strategy as following a logic of addressing market failures and related barriers that might impede the extent to which the UK can exploit actual or, in the case of emerging activities, potential sources of comparative advantage. On those instances in which sector prioritisation in the Industrial Strategy departs from what would be predicted by a pure analysis of comparative advantage, the main explanation for such a deviation seems to be the pursuit of other goals. These include economic security, an issue we address in Chapter 5 of this report.

Secondly, in terms of interventions, a primary objective is to secure the UK's position in digital technologies by enhancing its ability to achieve technological breakthroughs and then ensuring scalability and commercialisation. Public funding is one of the main policy instruments, though it is not the only one. The main focus of public funds is spending on Research and Development (R&D): the Digital and Technology Plan notes that annual R&D spending is to reach £22.6 billion by 2029/2030. The ambition is that such spending will stimulate private R&D spending to the tune of £3 for every £1 of public investment. Technology-specific commitments include notably £1 billion earmarked to scale up the UK's AI Research Resource.

Besides funding R&D, other elements in the Industrial Strategy aimed at stimulating the development of new technologies include investment in "hardware" (e.g., computing power), enhancing access to data, attracting skills, and supporting the adoption of new technologies. In relation to data, the Industrial Strategy identifies data as a "resource" that underpins innovation and productivity growth, notably through the role that data plays in the development of AI. In this context, an important intervention is therefore the creation of a National Data Library. In relation to computing infrastructure, as already observed, the UK historically has not specialised in this end of digital (and specifically AI) value chains. The attention given to this may reflect concerns about economic security and also a sense that economies of scope may, in the future, mean that the development of emerging technologies will take place in locations in which physical infrastructure is sufficiently established.

Plans for sectors other than digital also reflect, by and large, the tenor of the overall Industrial Strategy. Thus, the sector plan for professional and business services includes a commitment to spend £150 million to facilitate technology adoption for these sectors, and £2.8 billion for R&D in advanced manufacturing. There are also trade-related elements in the sector plan, which include a commitment to negotiate Mutual Recognition Agreements (MRAs). For financial services, the Government intends to make the process for accrediting managers more flexible, which should reduce barriers to entry to foreign service providers. The sector plan for advanced manufacturing announces a targeted export support programme directed at the sales of high growth potential technologies in key markets.

The interventions identified under the Industrial Strategy and sector-specific annexes follow on from efforts undertaken by previous governments (see also the discussion in Chapter 2, which lists the previous policies / stragies and their sectoral focus). These include the 2017 Industrial Strategy, which included "sector deals" in relation to specific digital activities or sectors such as AI and creative industries. Subsequently, there have also been national strategies or plans on, respectively, AI, quantum computing, semiconductors and advanced manufacturing.

While the details of interventions (e.g. funding, institutional arrangements, time horizons) have varied across documents produced by various UK governments, there appears to be a large measure of continuity in industrial strategy in relation to digital sectors, at least as far as trade-related aspects are concerned. As a whole, interventions largely focus on correcting market failures and delivering public goods, and in turn, to deliver productivity and growth benefits that come from exploiting sources of comparative advantage. The chosen interventions, such as the use of public funds for R&D, regulatory reform, skills development, the provision of infrastructure and public goods, are generally ones that would be considered less likely to generate distortions to trade than, for example, local content requirements or tariffs. While there are trade spillovers from these interventions, the general thrust of the strategy is consistent with theories of policy frameworks that favour interventions that address distortions at source.[15]

6.4.2 Trade Strategy

The Trade Strategy published in 2025 echoes parts of the Industrial Strategy in relation to digital, by highlighting the growth of digital sectors and trade globally, and their importance to the UK. The Trade Strategy focuses on the reduction of trade costs relating to these sectors, and also on the use of digital technologies to reduce trade costs for all sectors. The Strategy highlights the role of trade agreements, and notably bespoke agreements on digital trade, as instruments that can address sources of trade costs affecting digital activities, such as regulatory fragmentation and data localisation. The Strategy also emphasises the role of mutual recognition agreements in reducing trade costs affecting specific digital sectors, such as professional and financial services.

The Trade Strategy places particular emphasis on the role digital technologies can play in reducing trade costs generally, and especially for SMEs. This includes easier access to trade-related information and trade support (including export finance) through trade tools (though submissions made by industry to this report pointed to the need to strengthen export promotion directed specifically at digital sectors). The Strategy also highlights the potential gains from digitalising administrative processes related to trade, including through the transmission of supply chain information to authorities. These aims are in line with the motivations behind the Electronic Trade Document Act of 2023 which passed under a previous government.

Indeed, by and large, the 2025 Trade Strategy aligns with the positions taken by previous governments on digital trade. The 2021 Digital Trade Strategy, for example, set out the following priorities: (i) open digital markets: (ii) data flows; (iii) consumer and business safeguards; (iv) digital trading systems: (v) international cooperation and global governance.

6.5 Regulatory and public policy settings

As noted Chapters 3 and 4 of this report, a variety of policy frameworks and measures are not specifically focused on trade, but may have trade spillovers. In the case of digital sectors and issues, spillovers arise primarily from regulation and related policy settings geared to addressing market failures associated with digital activities. These are wide-ranging and include issues related to competition in markets and issues of market dominance; privacy and individual rights, notably in relation to data; economic security; and ethical issues, including equity, raised by new and emerging technologies such as AI. While these broad themes are not necessarily specific to digital sectors, they raise particular challenges in relation to digital, reflecting the characteristics of digital activities. Notably, these include the presence of economies of scale and network effects, the role played by personal data in enabling digital technologies, and the rapid and unpredictable nature of their development and extent of their use. Policy and regulatory responses generate non-tariff measures that then have effects (not uniformly negative) on trade.

It is beyond the scope of this chapter to provide a full analysis of broader regulatory and policy settings relating to digital in the UK economy. We, therefore, focus on selected aspects that have particular relevance for trade policy. In considering these aspects, it is also important to bear in mind that the UK has been negotiating with trade partners on specific regulatory matters through digital trade chapters either in parallel to the enactment of domestic legislation, and sometimes in advance of it (notably on some matters related to pro-competitive regulation, and to AI). We return to this issue in section 6.6.2 when we consider trade agreements in more detail.

6.5.1 Digital Markets, Competition and Consumers (DMCC) Act 2024

The purpose of the DMCC Act is to address market power issues that may arise in connection with large digital platforms. The Act empowers the Competition and Markets Authority (CMA) to designate firms that have a Strategic Market Status (SMS). The designation is based on whether the firm in question has activities with a link to the UK, turnover in excess of designated thresholds, substantial and entrenched market power, and a position of "strategic significance".[16] For any designated SMS, the DMCC enables the CMA to develop bespoke codes of conduct to prevent anti-competitive practices, and to implement broader measures to address structural market problems that may impede competition.

The DMCC reflects the view that digital markets have characteristics that require a bespoke approach to competition policy and enforcement that goes beyond existing competition law. In particular, it mandates ex-ante interventions to prevent anti-competitive conduct and outcomes, rather than purely via ex-post remedies. The Act also aligns consumer protection with competition policy enforcement, notably by enabling the CMA to directly impose fines and mandate compensation for breaches of consumer protection laws.

The DMCC is often compared to the EU's Digital Markets Act (DMA). Both reflect a concern that the specific nature of digital markets requires a bespoke approach. Differences include, notably, that the EU's DMA enables the designation of businesses providing a gatekeeper function[17] that are then subject to regulation contained in the DMA itself, whereas the Digital Markets Competition and Consumers Act allows the Competition and Markets Authority to develop bespoke codes of conduct for an entity with designated Strategic Market Status. This flexibility could, in principle, allow the CMA to weigh, on a case-by-case basis, the efficiencies linked to economies of scale and innovation, versus the potential for competitive detriment.

6.5.2 Data regulation and policy

As already observed, data is identified in both the Industrial Strategy and the Trade Strategy as an issue of central importance to the UK. The UK's approach to data reflects several priorities. In particular:

(i) Enabling the use of data to facilitate economic activity and technological progress. This reflects the importance to the UK of sectors that rely on the utilisation of data (whether core ICT sectors or ICT-dependent sectors). It also reflects the role played by data in enabling breakthrough technologies such as AI.

(ii) Facilitating cross-border flows of data. This partly reflects the fact that restrictions on cross-border data impose trade costs, i.e. they are a form of non-tariff barrier to trade. It also reflects the fact that, as an economy with a comparative advantage in data-intensive activities, the UK benefits from access to data at scale. Scale is a constraint for a medium-sized economy and removing barriers to cross-border trade can help to alleviate this constraint.

(iii) Creating trust in the data regime. "Trust" is related to perceptions of security and privacy. Trust can be considered a public good in the technical sense of the word in that it is difficult to provide it to one user without providing it to all, and a particular user benefiting from it does not detract from the benefits enjoyed by others. Trust is valued as an end in and of itself, but also has wider benefits in that it can, to some extent, facilitate data sharing, which in turn has further benefits reflecting the use of data at scale (see above).[18]

There are, therefore, multiple objectives that policymakers need to manage, and trade-offs that go with these. The "trust" – "free flow of data" issue is one example. As with all regulations that deal with market failures, measures to improve trust can improve economic outcomes. In particular, supporting economic value creation by increasing the scope for data sharing, including across borders. At the same time, regulatory measures in relation to data can introduce trade costs, particularly if they differ across jurisdictions, and impose a degree of restriction that is not proportionate to the expected benefits.

In practice, the evolution of UK data policy reveals attempts to navigate these different trade-offs. The UK General Data Protection Regulation (UK GDPR) and Data Act of 2018 sought, in broad terms, to create a high level of trust while mitigating the possibility of impediment to cross-border flows, particularly with respect to the EU. The 2024 Data (Use and Access) Bill sought to introduce some changes to facilitate the use of data relative to the GDPR baseline. In particular, it broadens the degree of consent that can be obtained for research purposes and also modifies approaches to international transfers by, notably, giving the Secretary of State powers to consider the "desirability" of making transfers to third countries.

6.5.3 Approach to AI and AI regulation

In contrast to the EU, the UK did not (at the time of writing) have a bespoke Act regulating AI. The Government had foreshadowed, in both 2024 and early 2025, the introduction of bespoke legislation. However, partly in response to changes to approaches to AI regulation in the US following the 2024 Presidential Election, the development of new legislation was put on hold.

At present, the framework for AI derives to a large extent from the AI White Paper of 2023. This sets out a "principles-based" approach, i.e. it requires regulators to uphold the following five principles: safety, security and robustness; appropriate transparency and explainability; fairness; accountability and governance; and contestability and redress. The aim is to enable regulators to develop bespoke approaches to AI that respond to sector specificities and impose requirements that are proportionate to the benefits pursued. The intention is that a principles-based approach will balance the need to preserve incentives for innovation with remedies for market failure, and in so doing ensure the UK's global position in the development of AI.

In parallel to the principles-based approach, the UK Government has also emphasised the role of the AI assurance market (which it expects to grow to over £1 trillion by 2035) in increasing the trustworthiness and reliability of AI.[19] The Government sees its role in relation to AI assurance as providing an enabling framework, the intention being to stimulate a particular industry (AI assurance) in which the UK is seen to have strengths, and in so doing promote broader policy objectives (e.g. trust). The approach is consistent with a light-touch approach to AI regulation, which is seen as important for stimulating investment in these activities.

Consistent with this philosophy, the AI Opportunities Action Plan (presented in 2025) underscored the role of a principles-based approach to AI regulation and identified three central pillars for the development of AI in the UK. These are: **infrastructure and investment**, notably via an investment in "compute capacity" and through the establishment of AI growth zones; **data access**, notably via the creation of a National Data Library to make public sector data more accessible for AI innovation and support ethical data usage; and the attraction of **skills**, through scholarships, fellowships, upskilling the workforce, and reviewing immigration rules to attract global talent. All three planks have potential spillovers into trade policy. For example, investment in compute capacity involves the use of specific subsidies; the creation of a data library touches on issues of cross-border movements of data; and the skills mandate raises issues of mobility in relation, amongst other things, to services trade.

6.5.4 Digital Services Tax

The UK introduced a digital services tax in 2020, levied on operators of search engines, social media services and online platforms based on revenues generated through UK-based users. Businesses are liable to a Digital Services Tax (DST) when the group's worldwide revenues from these digital activities are more than £500 million and more than £25 million of these revenues are derived from UK users. The tax rate is set at 2% of revenue from UK users. Tax revenues in the first year of operation amounted to around £360 million and were reportedly around £800 million in 2024.

The DST reflects concerns about the extent to which digital operators are able to earn abnormal profits because of network effects and economies of scale. It also reflects broader concerns about the extent to which multinationals pay tax in the countries in which they operate. The tax was initially intended as a temporary measure pending the finalisation of a multilateral solution, under the auspices of the OECD, on the taxation of multinationals, including digital sector businesses. However, such a multilateral solution did not eventuate.

The US has argued that the tax falls disproportionately on US businesses, and that it is therefore de facto discriminatory and in violation of GATT Article III. The US has threatened retaliation if the tax is not rescinded.[20]

6.6 Trade policy measures and arrangements

6.6.1 UK trade policy measures affecting digital sectors

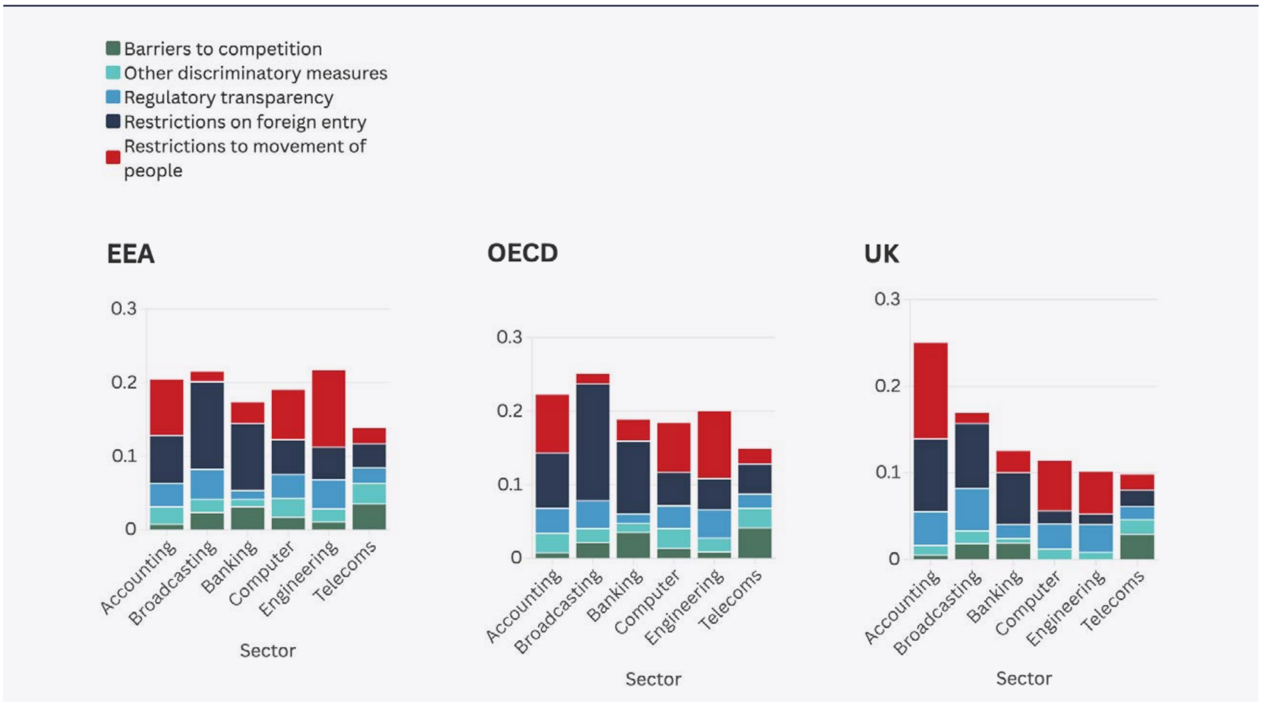
As measured by the OECD's Services Trade Restrictiveness Index (STRI), the UK has, on the whole, more liberal regimes in digitally-intensive sectors compared to other industrialised (OECD) countries and the EEA. This is particularly visible for core ICT sectors (computing and telecommunications), and the principal exception is accounting.

Restrictions on foreign entry (notably local presence requirements) are one significant source of restrictiveness (in banking and broadcasting) in the UK. While restrictions on the movement of people are visible in core ICT sectors and on engineering. This is particularly true in computer services. Given the emphasis placed by both the industrial and trade strategies on access to skills in the development of technologies such as AI, liberalising these restrictions may stimulate growth of these sectors in the UK.

Recognition of the benefits of such liberalisation may explain why recent trends in the UK seem to point to a reduction in restrictions, in contrast to other comparable partner countries.

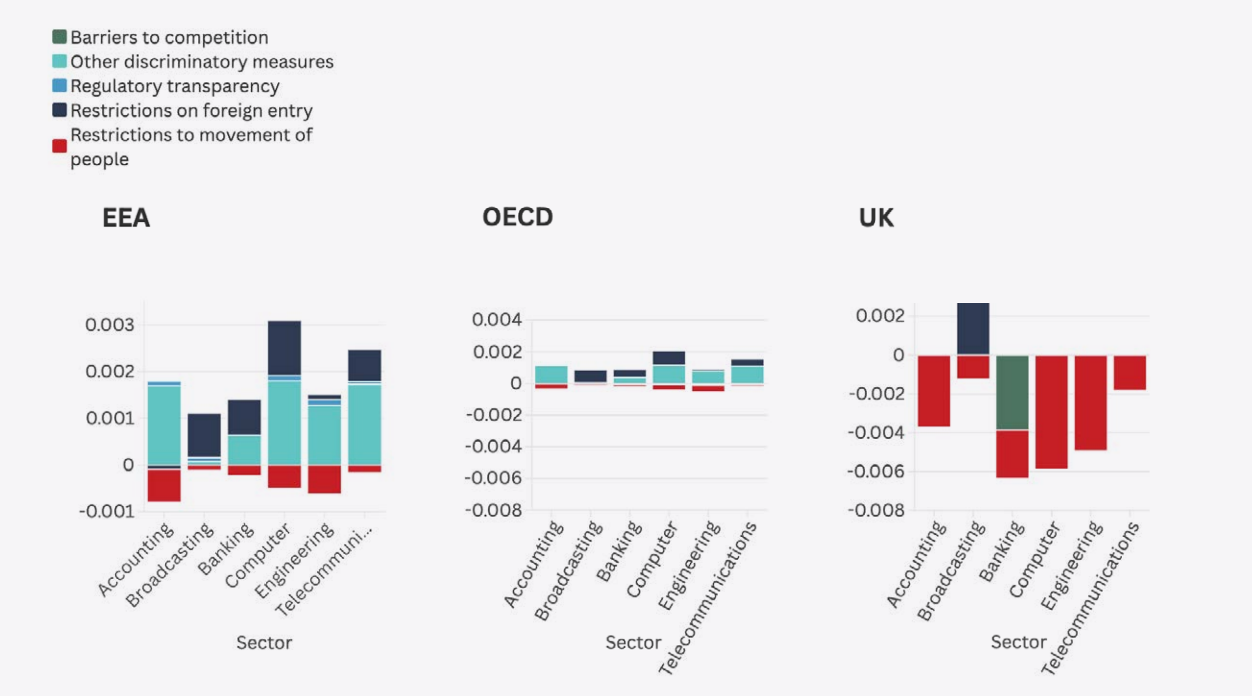
The OECD's digital trade restrictiveness index also suggests that on specific digital policy issues affecting trade, the UK is more liberal than OECD and EEA counterparts. The main outstanding element of restrictiveness relates to barriers that may affect the framework for electronic transactions. According to the OECD's methodology, this is because the UK is not party to the United Nations Convention on the Use of Electronic Communications in International Contracts prepared by the United Nations Commission on International Trade Law.

Figure 6.6: Restrictiveness in selected digital sectors in 2024, UK compared to EEA and OECD



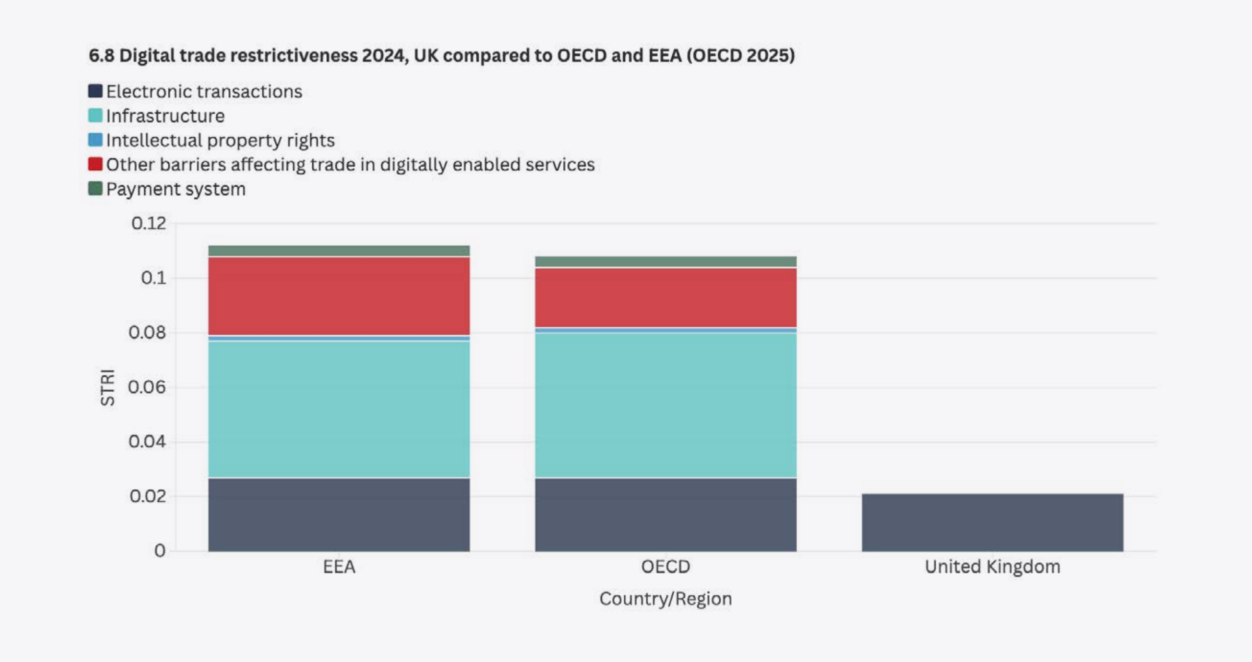
Source: OECD 2025

Figure 6.7: Changes to restrictiveness, UK compared to OECD and EEA, 2020-2024



Source: OECD 2025

Figure 6.8: Digital trade restrictiveness 2024, UK compared to OECD and EEA (OECD 2025)



Source: OECD 2025

6.6.2 International positioning

The Trade Strategy, having noted the UK's strengths in digital sectors and trade, highlights the importance of negotiating trade disciplines to reduce trade costs affecting these sectors. The UK has sought to pursue this agenda through FTAs, bespoke digital agreements, and through WTO processes.

6.6.3 FTAs and digital agreements

6.6.3.1 Comparisons of different agreements

FTA chapters on digital trade and bespoke agreements on digital trade focused in the first instance on the narrower definition of digital trade, i.e. trade that is digitally ordered but physically delivered or digitally delivered. More recently, FTA digital chapters and digital trade agreements have addressed a broader range of policy and regulatory questions, particularly in relation to emerging technologies. The trade of digitally-intensive sectors is left to commitments on specific sectors (e.g. computer services and telecommunications, and financial services).

The table overleaf (Table 6.1) provides an overview of the main categories of provisions in selected agreements negotiated by the UK. The categories draw on a classification developed by the UK Board of Trade.[21] The agreements are: the UK-Singapore DEA , the UK-Australia FTA, the UK-Japan Comprehensive Economic Partnership Agreement (CEPA), the CPTPP and the digital chapter of TCA. By way of comparison, we also provide information on the Australia, New Zealand, Chile, and Korea Digital Economy Partnership Agreement (DEPA), accession to which the UK is reportedly exploring.[22] The UK has also signed a digital trade agreement with Ukraine, largely along the model of the DEA, supplementing the UK-Ukraine FTA.

The table allows some comparisons to be drawn across agreements, with the caveat that information for the UK-EU TCA needs to be interpreted in the broader context of UK-EU relations. Notably the fact that certain matters are addressed by EU legislation that had been transposed into UK legislation before the UK left the EU and were retained after departure. This includes, for example, the eIDAS regulation, which established a framework for electronic identification and trust services.

All agreements listed include commitments to free movement of cross-border data flows and prohibitions of data localisation requirements, while allowing scope for parties to take measures necessary for legitimate public policy objectives. The UK's FTAs with Japan and Australia, respectively, and the UK-Singapore DEA can be read in conjunction with the CPTPP, since Australia, Japan, Singapore and the UK are also parties to the CPTPP. The UK's accession to the CPTPP became effective after the entry into force of the bilateral arrangements. The UK-Australia and UK-Singapore DEA go beyond CPTPP commitments; while in the case of Japan, the CPTPP covers issues not addressed in the bilateral UK-Japan FTA. Bilateral dealings with Japan, Korea and Singapore are also covered by further frameworks for digital partnerships (see below).

The UK-Singapore DEA was negotiated pursuant to the UK-Singapore FTA, which itself was a "roll-over" of the EU-Singapore FTA the UK had been party to prior to exiting the EU. The DEA reflects a desire by both parties to deepen collaboration on digital matters. The DEA is substantially deeper in breadth and depth of coverage than the other preferential digital trade provisions to which the UK is party, and this is especially visible in relation to category five, which goes beyond digital trade matters per se to address deeper digital economy issues.

The treatment of category five issues in the DEA is more comprehensive than that found in the four-country DEPA, which had been the initial benchmark for digital cooperation set by countries that wish to expand on existing commitments. For example, the DEA explicitly covers a wider range of emerging technologies and digital sectors, and also deals with broader issues such as decent work conditions. Moreover, the scope of provisions is deeper and more specific in the DEA than DEPA. This is notably the case on matters of cybersecurity and on governance and policy frameworks regarding AI and other emerging technologies.

As highlighted in section 6.3.2, both the UK and Singapore score highly on indices of revealed comparative advantage in digital sectors. This could explain the depth of the DEA. The traditional view of trade agreements is that the benefits of trade and mutual liberalisation are stronger when economies are *dissimilar* i.e have different sources of comparative advantage. However, the specific aspects of digital economies, such as economies of scale related to data access, specialisation in value chains, and network effects relating to platforms, could explain why economies with similar patterns of comparative advantage may find it beneficial to closely integrate. Both parties also see themselves as digital hubs in their respective regions. Given that context, and the baseline provided by the CPTPP, the conditions were therefore in place for the UK and Singapore to negotiate extensive commitments.

Table 6.1: Comparison of digital trade provisions – selected digital agreements and FTAs

	DEPA	DEA	UK-Australia	CEPA	CPTPP	EU-UK TCA
Category One: provisions for open digital markets						
Non-imposition of customs duties on electronic transmissions and digital products	Art3.2	Art 8.59	Art14.3	Art 8.72	Art 14.3	Art 203
Non-discriminatory treatment of digital products	Art 3.3				Art 14.4	
Core principles for Information and communication technology products that use cryptography	Art 3.4	Art 8.61-J	Art 19	Art 8.86		
Generally applicable domestic regulation affecting e-commerce				Art 8.73		
Category Two: Provisions that promote digital trade facilitation						
Domestic electronic transactions framework	Art 2.3	Art 8.60	Art 14.4		Art 14.5	
Electronic invoicing	Art 2.5	Art 8.61-A	Art 14.9			
Electronic authentication and electronic signatures		Art 8.61	Art 14.5	8.77	Art 14.6	Art 206
Paperless trading	Art 2.2	Art 8.61-B	Art 14.8		Art 14.9	
Electronic payments	Art 2.7	Art 8.54-A	Art 14.8			
Efficient cross-border logistics	Art 2.4	Art 8.61-C				
Express shipments	Art 2.6					
Category Three: Provisions that promote cross-border						
Free cross-border data flow	Art 4.3	Art 8.61-F	Art 14.10	Art 8.84	Art 14.1	Art 201
Personal data protection	Art 4.2	Art 8.61-E	Art 14.12	Art 8.80	Art 14.8	Art 202
Ban on data localisation requirements	Art 4.4	Art 8.61-G	Art 14.11	Art 8.85	Art 14.3	Art 201
Category Four: Provisions for safeguarding consumer and business						
Ban on disclosure of source code		Art 8.61-K	Art 14.18	Art 8.73	Art 14.7	Art 207
Online Safety and Security	Art 5.2	Art 8.61-O				
Online consumer protection	Art 6.3	Art 8.61-M	Art 14.16	Art 8.79	Art 14.7	Art 208
Unsolicited commercial electronic messages	Art 6.2	Art 8.61-M	Art 14.17	Art 8.81	Art 14.4	Art 209
Cybersecurity cooperation	Art 5.1	Art 8.61-L	Art 14.20		Art 14.16	Art 703-707

	DEPA	DEA	UK-Australia	CEPA	CPTPP	EU-UK TCA
Category Five: Cooperation and provisions that aim to promote inclusion in digital trade and regulatory cooperation of emerging technologies and innovation						
Digital Identities	Art 7.1	Art 8.61-S	Art 14.7			
Cooperation on specific tech sectors (fintech, law tech etc)	Art 8.1 (fintech)	Art 8.61-T (lawtech)				
Art 8.53 (fintech and Regtech)						
Artificial Intelligence **- General provisions and recognition of importance of ethical, trusted, safe and responsible development** **- Specific provisions on cooperation and reference to principles underpinning common frameworks**	Art 8.2	Art 8.61-R Art 8.61-R (2), (3)				
Other emerging technologies (IoT, Digital twins, distributed ledger, immersive tech)		8.61-R				
Data Innovation	Art 9.4	Art 8.61-I	Art 14.14			
Open Government Data	Art 9.5	Art 8.61-H	Art 14.13			Art 210
Open Internet Access			Art 14.15			
SMEs	Art 10.1-4	Art 8.61-Q	Art 14.21		Art 14.15	
Standards and conformity assessment for digital trade		Art 8.61-D				
Submarine telecommunications cable systems		Art 8.38				
Stakeholder engagement		Art 8.61-V				
Digital inclusion and decent work conditions		Art 8.61-P				

Source: Own elaboration from texts of the agreements

A point of contrast with the extensive commitments under the DEA with Singapore is the more recent FTA concluded between the UK and India, which also includes a digital chapter. The analysis in section 6.3.2 highlighted that, like Singapore, India had a comparative advantage in core digital sectors. However, whilst the commitments under the chapter are the most extensive undertaken by India, they are relatively limited compared to the provisions of other FTAs. In particular, there is no binding commitment in favour of freedom of cross-border data flows or avoiding data localisation, nor refraining from imposing duties on electronic transmissions. This reflects long-standing "red lines" for India that the UK was willing to accept in return for having a chapter on digital trade that includes, notably, a commitment not to require source code disclosure.

A further point of contrast lies in the difference in density between, on one hand, commitments between the UK and the EU under the TCA, and on the other, commitments between the UK and its partners in the Asia-Pacific region (even with the caveats mentioned above in relation to the TCA).

This contrast is even starker given the context of the previously high level of integration between the UK and the EU, and the importance of bilateral UK-EU trade to the UK's overall trade structure (see Chapter 1). The specific characteristics of the digital activities, and the challenges associated with digital regulation all point to the potential for gains from deeper UK-EU integration. Perhaps in recognition of this, there have been calls for a UK-EU Digital Dialogue, building on the existing bilateral dialogues on Cybersecurity that have taken place under the TCA.[23]

6.6.3.2 Other forms of cooperation

The UK has supplemented its treaty commitments under FTAs and the DEA with other arrangements for bilateral cooperation that are not legally binding. The UK has thus concluded separate digital partnerships with, respectively, Korea and Japan. Both follow a similar structure, in that they are each based on four "pillars" that each cover a specific thematic area of collaboration. Collaboration covers a wide range of matters, including products such as semi-conductors, technologies (notably AI and quantum) and policy matters such as data, cybersecurity, and standards. Both agreements also contain references to linkages between geopolitical concerns and specific digital economy issues (see also chapter 5).[24] There are also differences in emphasis: the UK-Japan agreement has a greater emphasis on certain broader issues such as the digital transformation and regulatory cooperation, while the UK-Korea agreement has an entire pillar related to cybersecurity.

The DEA between the UK and Singapore is supplemented by two MoUs on, respectively, Emerging Technologies, and on Data Cooperation; and a separate Memorandum of Cooperation (MoC) on AI Safety Collaboration.[25] The MoUs provide additional detail on matters identified in the DEA. The one on emerging technologies focuses specifically on AI and the promotion of business opportunities and collaboration on regulation and policy matters (including specifically the role of AI in health systems). The MoU on Data commits parties, inter alia, to various knowledge sharing activities and on *"working to a new set of standards on publishing anonymised government datasets to improve global cooperation"*. The MoC focuses on collaboration between the institutions responsible for AI safety in both countries.[26] It reflects in part the commercial interest that the UK has in the AI assurance market (see discussion in section 5.4.2 in relation to AI).

Finally, pursuant to the Economic Prosperity Deal (EPD) concluded between the UK and the US, and announcements of large-scale US investments in technology in the UK (the "UK-US Technology Prosperity Deal") both parties announced in September 2025 a MoU addressing various aspects of technology. The areas covered include AI, Quantum and what the MoU describes as the "Foundations of Frontier Innovation". The MoU says both parties "intend to collaborate" on these different issues, including through cooperation between government agencies, the development of "pro-innovation" regulatory and policy frameworks, and through the mutual development of exports.

6.6.3.3 Potential benefits and interaction with domestic policies

With the enthusiasm for digital trade provisions, an obvious question concerns the effectiveness of these different provisions in stimulating trade. Given the recent entry into force of these arrangements, assessments need to draw on policy simulation. Studies that have modelled the effects of FTAs suggest that "deep FTAs" are able to boost bilateral trade significantly. Deep FTAs are typically ones that include provisions on regulatory and institutional cooperation, are comprehensive in their coverage (notably through a "negative list" approach) and have standstill or ratchet clauses.[27] The CPTPP, plus the UK's agreements with Australia and Japan, would qualify as deep agreements; and likewise, the provisions of the DEA and DEPA are "deep in relation to digital". The TCA is also deeper than conventional FTAs, but also represents a much lower standard of integration compared to membership of the EU, or participation in the single market. Recent analysis published by the OECD suggests that digital provisions concluded by the UK are indeed deeper than those signed by other OECD countries.[28] The range of estimated effects of deep agreements is uncertain — put at between 15-65% increase to bilateral trade — but tends to underscore the merits of entering into these agreements.

Granted that FTAs with deeper provisions are trade-enhancing, they nevertheless raise further questions as to how the intersection between trade and broader issues of digital governance is managed. The issue arises because of a conjunction of factors: the role that provisions relating to institutional cooperation play in "deepening" trade agreements; the fact that good institutional and regulatory design is highly context-specific (reflecting, for example, different social attitudes to risk); and, largely as a consequence of context-specificity, significant global divergences in approaches to the governance of digital matters.

This is seen perhaps most clearly in relation to data flows and AI. In relation to data, as already observed, the Trade Strategy articulates the notion of data as a resource and sees policy towards data as a key plank of trade policy. The partners with which the UK has entered into trade agreements differ considerably in their approach to data governance. There is a general recognition of a tripolar world in relation to data governance, centred around, respectively, the US, the EU and China.[29] There are various nuances across other countries.

In relation to AI, the UK's approach favours sector-specific regulation based on five core principles, rather than the horizontal approach favoured by the EU. The latter is influenced by the rights-based approach to regulation. The asserted rationale for the UK's approach is that it is deemed to be pro-innovation, partly because it is seen as a "lighter" touch than the EU's horizontal approach. At the same time, the UK's approach is less laissez-faire than the approach adopted by the US, following the 2025 Executive Order entitled "Removing Barriers to American Leadership in Artificial Intelligence," and provisions of the One Big Beautiful Bill (May 2025), which leaves AI regulations to states and localities.

In practice, the UK's approach to provisions on digital trade has demonstrated a degree of flexibility in relation to broader issues of digital governance. For example, the TCA between the UK and the EU contains specific provisions that balance trade liberalisation objectives with broader policy objectives, particularly via a reference upholding the "right to regulate" for legitimate public policy objectives. Agreements with Australia, Japan and Singapore do not refer to the right to regulate but do include references to creating trust and consumer confidence or a secure digital environment.[30]

More broadly, as can be inferred from the discussion of various aspects of digital regulation, the UK's approach seems to steer a middle course between the EU and the US. This approach, coupled with case-by-case approaches to negotiations, may be considered pragmatic. However, a question that arises is how far this approach may be replicable on a larger scale, given global divergences in approaches to digital governance issues, and thus the extent to which commitments undertaken in relation to a subset of parties can be reconciled with commitments to another subset? For example, the recent UK-US "Economic Prosperity Deal" commits both parties to negotiate *"an ambitious set of digital trade provisions that will include within its scope services"*. As observed above, the MoU between the US and UK on technology also addresses regulatory and policy frameworks. How far these bilateral arrangements, and the practices that follow, can be reconciled with, for instance, commitments undertaken in relation to the EU remains uncertain (especially in light of US hostility towards EU approaches to digital regulation). Signs that the UK's regulatory philosophy may be more inclined towards that of the US may be seen in the UK's decision to join the US in refraining from signing an international declaration on AI safety at a summit in Paris in February 2025 on the grounds that doing so could constrain both AI growth and national security. Moreover, a desire to avoid US tariffs could push the UK into a more laissez-faire approach to digital regulation and taxation.

A final observation is that the UK's negotiation of digital provisions under FTAs has often run in parallel to, and sometimes in advance of, the development of its domestic policy framework, For example, DEA Article 8.61-R 2(b) commits the UK and Singapore to *"utilising risk-based approaches to regulation [of AI and other emerging technologies] that are based on industry-led standards and risk management best practices"*. This is a substantive commitment on the nature of regulation, applicable as of June 2022 when the DEA came into force. The UK's White Paper on AI regulation was presented to Parliament in March 2023. While the DEA is a bilateral agreement, provisions that deal with overarching regulatory principles, by their nature, will tend to apply across the board and therefore shape the general direction of regulation. Similar observations may apply to other matters, notably provisions relating to source code disclosure.

The issue here is not to debate the merits of a particular approach to regulation or to assess the consistency of the White Paper with DEA provisions. Rather, it is to highlight a broader point about the processes underpinning policy development, including the sequencing between domestic policy development and international commitments. This has implications for the effectiveness of parliamentary input into key areas of policy, given that the extent of parliamentary scrutiny of the UK's trade deals has been limited.[31] Various written submissions to Parliament have also observed that digital trade provisions may not reflect the concerns of non-business stakeholders adequately, notwithstanding commitments in digital trade agreements on effective stakeholder engagement.[32]

6.6.4 The WTO and related processes

The UK has been an active proponent of the WTO Joint Statement Initiative on e-commerce. Negotiations on the latter achieved a stabilised text in June 2024. The contents of that text reflect many of the provisions the UK has included in the digital chapters of its FTAs. Notable exceptions include provisions on cross-border data flows and on source code, which were excluded from the text following the withdrawal of support for such provisions by the US. Separately, the UK has also supported the continuation of the WTO moratorium on duties applicable to electronic transmissions, which is now due to lapse at the latest by 31 March 2026. The prospect of the moratorium ending may further stimulate the negotiation of such provisions in preferential agreements, though, as observed with the UK-India FTA, countries that are not supportive of the moratorium at the WTO are unlikely to enter into preferential arrangements regarding its continuation.

6.6.5 Concerns over fragmentation and its costs.

By “fragmentation”, we mean policy and regulatory interventions that raise trade costs. While the pursuit of legitimate policy and regulatory objectives is recognised by trade law and agreements, the intent has been to ensure these do not introduce unnecessary costs, in particular, by ensuring cooperation. Recently, the phenomenon of fragmentation has been driven explicitly by a desire to reduce interdependencies between countries, notably in relation to sectors that we have described in this section as being “digital”.

Fragmentation comes at a cost. The IMF estimates these as ranging from 0.2% to 7% of global GDP.[33] A recent joint report by the WTO and OECD points to significant costs from data localisation alone – these could amount to GDP losses of close to 4.5% globally.[34] The estimates are in line with those calculated for the UK, which estimated GDP losses of between 1.2% and 2.3% from data localisation scenarios.[35] These costs may well be underestimates since the underlying modelling strategies do not account for lost opportunities for breakthroughs in technologies, such as AI, that are heavily dependent on cross-border flows of data.

The drivers of fragmentation include the pursuit of broader public policy objectives, such as personal data security and economic security. Hence, research revealing the costs of fragmentation serves to highlight the need to assess the trade-offs between these costs and the value attached to some of these broader objectives. How far the UK’s pursuit of ambitious digital trade provisions helps to manage these trade-offs for the UK, and how far they can foster collaborative approaches to managing these trade-offs, remains to be seen.

6.7 Conclusions and recommendations

Digital sectors are central to the UK’s trade and economic performance, and the UK also plays an important role in the development of these sectors globally. UK policy towards these sectors is largely geared to enhancing the contribution these sectors make to productivity and growth. Policy interventions can be characterised as those that seek to address market failures that may impede the UK’s ability to exploit its comparative advantage in these sectors. The instruments chosen for these interventions are largely consistent with principles of good policy design in that they seek to tackle market failures at source. These instruments will, at the same time, have trade spillovers.

The UK has also sought to foster digital sectors through the conclusion of trade provisions, notably through chapters of FTAs and bespoke agreements in digital trade. By and large, these provisions are consistent with those found in “deep trade agreements” that are observed to have a significant effect on stimulating trade between participating countries. The provisions of the DEA with Singapore are among the most extensive negotiated to date globally in the digital area. The pursuit of deep provisions on digital issues is consistent with patterns of comparative advantage for the UK, and indeed, for a number of its trade partners.

Because many of these “deep” provisions include matters of institutional and regulatory cooperation, the UK faces the challenge of navigating a world characterised by significant divergences in approaches to regulation and digital governance. By and large, the UK has attempted to steer a middle course between jurisdictions that follow a more prescriptive approach, such as the EU and ones that are more laissez-faire, such as the US. The intention is to ensure that regulation does not constrain investment and innovation in digital sectors, while ensuring that there is sufficient trust and stability in these sectors to meet societal expectations regarding personal data protection and cybersecurity, and also economic security concerns arising from control and dependencies related to data flows. Increased fragmentation in the global economy and the strain imposed on multilateral institutions by unilateral actions are likely to increase the difficulties faced by the UK in charting this “middle course”. The negotiation of deep trade commitments on digital matters has usually happened in parallel to, and often in advance of, domestic policy, raising issues of policy design and sequencing, and of parliamentary scrutiny.

Recommendations:

- Further data collection by UK authorities and international institutions is needed on digital trade issues, including data flows and firm-level participation in digital trade.
- Further data collection by UK authorities and international institutions is needed on how value chains in emerging technologies work, such as AI and quantum.
- The UK should establish evaluation frameworks to understand how far interventions under the Industrial Strategy have helped the UK exploit sources of comparative advantage in digital sectors.

- In collaboration with trade partners and international institutions , the UK should evaluate the effects of digital trade provisions on businesses, notably small and medium enterprises, and society generally, to enhance an understanding of which types of provisions matter.
- The UK should evaluate how digital trade provisions interact with domestic policy formulation.
- The UK should evaluate how specific matters of digital policy (such as cybersecurity, data flows, market concentration in technologies and service providers) interact with economic security.
- The UK should evaluate public preferences and value attached to matters such as AI safety and trust, and the protection of personal data, to enable policymakers to value trade-offs between trade policy objectives and broader objectives.
- Improve parliamentary scrutiny and opportunities for effective engagement of stakeholders beyond business in the formulation of policies and commitments.

References

1 Department for Business and Trade, *The UK's Modern Industrial Strategy* (CP 1337, 2025).

2 Department for Business and Trade, *The UK's Trade Strategy* (CP 1339, 2025).

3 International Monetary Fund, *World Economic Outlook: Steady but Slow: Resilience amid Divergence* (April 2024) 82.

4 Department for Business and Trade (n 2) 21.

5 Organisation for Economic Co-operation and Development (OEDC) and others, *Handbook on Measuring Digital Trade* (2nd edn, OECD Publishing 2023) 5.

6 For a general discussion of AI and trade policy interactions, please see World Trade Organization, *Trading with Intelligence: How AI Shapes and is Shaped by International Trade* (WTO 2024).

7 See notably Flavio Calvino and others, 'A taxonomy of digital intensive sectors' (OECD Science, Technology and Industry Working Papers 2018/14, 2018) <https://www.oecd.org/content/dam/oecd/en/publications/reports/2018/06/a-taxonomy-of-digital-intensive-sectors_3a1f0ed9/f404736a-en.pdf> accessed 23 October 2025; OECD, OECD *Handbook on Compiling Digital Supply and Use Tables* (OECD Publishing 2023) <https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/11/oecd-handbook-on-compiling-digital-supply-and-use-tables_b127cb7a/11a0db02-en.pdf> accessed 23 October 2025.

8 See notably Frontier Economics, 'The Extent and Impacts of Data Localisation' (Report Commissioned for the Department of Digital, Culture, Media and Sports, 2023); Chiara Del Giovane, Janos Ferencz and Javier López-González, 'The Nature, Evolution and Potential Implications of Data Localisation Measures' (OECD Trade Policy Paper No 278, 2023) <https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/11/the-nature-evolution-and-potential-implications-of-data-localisation-measures_249df37e/179f718a-en.pdf> accessed 23 October 2025.

9 Javier López González, Silvia Sorescu and Chiara Del Giovane, 'Making the most out of digital trade in the United Kingdom' (OECD Trade Policy Paper No 285, 2024) <https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/09/making-the-most-out-of-digital-trade-in-the-united-kingdom_114dfb30/8f31d80b-en.pdf> accessed 23 October 2025.

10 Sebastian Benz, Alexander Jaax and Elisabeth van Lieshout, 'Digital trade and labour markets in the United Kingdom' (OECD Trade Policy Paper No 284, 2024) <https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/09/digital-trade-and-labour-markets-in-the-united-kingdom_915e64ff/f3de4400-en.pdf> accessed 23 October 2025.

11 See for example UK Government, Invest 2035: The UK's Modern Industrial Strategy (Green Paper, 2024).

12 The main drawback of the original RCA index, which was based on shares of actual exports, is that it does not discriminate between the range of factors that affect trade flows, from country-specific factors that are the source of comparative advantage. A rigorous improvement on RCA is found in Arnaud Costinot, Dave Donaldson and Ivana Komunjer, 'What Goods Do Countries Trade? A Quantitative Exploration of Ricardo's Ideas' (2012) 79 Review of Economic Studies 581. Their approach develops a measure of comparative advantage that controls for the impact of trade costsand also for country specific fixed factors that reflect productivity. The rationale for this approach is that that parameter captures productivity in the exporter, which is the basis of comparative advantage in a Ricardian setting. This also enables a more informative comparison across countries.

13 See notably, UK Research and Innovation, *Transforming our world with AI* (UKRI 2021) <https://www.ukri.org/wp-content/uploads/2021/02/UKRI-120221-TransformingOurWorldWithAI.pdf> accessed 23 October 2025; Frontier Economics, *How Can AI policy support Economic Growth?* (A report prepared for Microsoft, 15 April 2024) <https://www.frontier-economics.com/media/jyzdb5l3/economic-analysis-of-ai-policy-in-the-uk-report.pdf> accessed 23 October 2025; Department for Science, Innovation and Technology, *AI Opportunities Action Plan* (CP 1241, 2025).

14 See *Invest 2035* (n 11).

15 See notably W Max Corden, 'The Theory of Domestic Divergences' in Trade Policy and Economic Welfare (2nd edn, OUP 1997).

16 Strategic significance is largely related to issues of market power and scale in that it is defined in terms of the ability of the entity to influence the conduct of users and the degree of dependence of users on the services provided by the entity.

17 Defined as a an entity that provides one of 10 core platform services, and has a "strong, entrenched, durable market position".

18 See notably Frontier Economics, 'The economic impact of trust in data ecosystems' (Open Data Institute) <https://theodi.org/insights/reports/the-economic-impact-of-trust-in-data-ecosystems-frontier-economics-for-the-odi-report/> accessed 23 October 2025.

19 AI assurance is concerned with the tools, processes, and services for assessing the trustworthiness of AI systems, ensuring they are safe, fair, and compliant with regulations and ethical standards.

20 The White House, 'Defending American Companies and Innovators From Overseas Extortion and Unfair Fines and Penalties' (Presidential Action, 21 February 2025) <https://www.whitehouse.gov/presidential-actions/2025/02/defending-american-companies-and-innovators-from-overseas-extortion-and-unfair-fines-and-penalties/> accessed 23 October 2025.

21 Board of Trade, *Digital Trade: A Board of Trade Report* (November 2021) <https://assets.publishing.service.gov.uk/media/619ce58de90e0704423dbf0a/digital-trade-a-board-of-trade-report.pdf> accessed 23 October 2025.

22 *Trade Strategy* (n 2) 42.

23 Peter Kyle, now Secretary of State for Business and Trade, and President of the Board of Trade, alluded to such a dialogue following discussions with European Commission officials.

24 For example, the section on semi-conductors in the UK-Japan partnership refers to their geopolitical position in the tech ecosystem; whereas the UK-Korea partnership refers to geopolitical concerns in explaining the context for the partnership.

25 Three other MoUs on respectively, cybersecurity, digital trade facilitation and digital identities were largely subsumed into the DEA.

26 The AI Safety Institute in the UK.

27 See Ingo Borchert and Mattia Di Ubaldo, 'Deep Services Trade Agreements and their Effect on Trade and Value Added' (Policy Research Working Paper Series 9608, The World Bank 2021).

28 See López González (n 9).

29 See notably Anu Bradford, *Digital Empires: The Global Battle to Regulate Technology* (OUP 2023).

30 See for example, Minako Morita-Jaeger and others, 'A data and digital trade policy for the UK - economic, societal and industrial policy aspects' (CITP Briefing Paper 22, 2025) <https://citp.ac.uk/publications/a-data-and-digital-trade-policy-for-the-uk-economic-societal-and-industrial-policy-aspects> accessed 23 October 2025.

31 See for example, L Alan Winters, 'How do we make trade policy in Britain? How should we?' (2024) 47 The World Economy 3650.

32 See for example Centre for Inclusive Trade Policy and UK Trade Policy Observatory, 'Written evidence' <https://committees.parliament.uk/writtenevidence/131055/pdf/> accessed 23 October 2025; Emily Jones and others, 'Written evidence (SNG 0005)' <https://committees.parliament.uk/writtenevidence/107801/default/> accessed 23 October 2025.

33 International Monetary Fund, 'Geoeconomic Fragmentation and the Future of Multilateralism' (Staff Discussion Note, 15 January 2023) <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2023/01/11/Geo-Economic-Fragmentation-and-the-Future-of-Multilateralism-527266> accessed 23 October 2025.

34 Organisation for Economic Co-operation and Development and World Trade Organization, *Economic Implications of Data Regulation: Balancing Openes and Trust* (OECD/WTO 2025) <https://www.wto.org/english/res_e/booksp_e/data_regulation_e.pdf> accessed 23 October 2025.

35 Frontier Economics, The Extent and Impact of Data Localisation, Report Prepared for DCMS, June 2022, p.6

Chapter 7: Trade and sustainability

Chapter overview

This chapter reviews the relationship between trade and sustainability in UK trade policy. It highlights the UK Government's core goals and objectives relating to trade and sustainability, and the relevant trade policy instruments proposed and adopted; what trade-offs between sustainability and trade are addressed in UK trade policy; and how the Government's core goals, objectives and trade policy instruments align with business and UK consumers' priorities.

Key points

- Sustainability has a considerably lower priority in the 'trade corpus' documents than the goal of economic growth, but has a similar level to the goals of resilience, economic security, and the promotion of trade.
- The terms "sustainability", "sustainable", "sustainably" and "sustainable development" are used interchangeably throughout government documents to cover a wide range of contexts and overarching goals.
- Sustainability and growth are seen as mutually reinforcing within government trade discourse, but with little recognition that there may also be trade-offs between, for example, economic growth, social cohesion, economic development, and climate change impacts.
- Trade policy instruments, like subsidies, tariffs, or supply chain requirements, can be used to address domestic policy goals, but some instruments can also increase costs to business, which, in turn, may adversely impact economic growth.
- The circular economy, energy and biodiversity are key priority areas within UK trade policy aimed at sustainability. The complex trade-offs between energy production and climate change receive less attention in government strategy documents than the positive impacts of clean energy technologies and the energy transition on sustainability.
- A challenge, which is not addressed in the policy documents, is that different sectors will be accorded a different priority in trade policymaking depending on the issues being discussed and which government department is leading those discussions. The trade-offs between sectors, and between core government goals and objectives and thus policy cohesion becomes much more difficult.
- The UK Government's ability to introduce policy tools to address trade and sustainability does not take place in a regulatory vacuum. Instead, the UK operates within a complex global regulatory environment that prescribes the policy space in which government can or must act in relation to sustainability and the tools it can use to address the interconnection between sustainability and trade.
- The UK is displaying leadership in some multilateral forums such as the WTO. However, there is still some disconnect between the UK's multilateral leadership in fossil fuel subsidy reductions and the reality in the UK, even though the UK Trade Strategy indicates a shift away from reliance on fossil fuels as an important trade policy objective.
- The UK's free trade agreements demonstrate a strong commitment to sustainability in areas like emissions reductions and elimination of biodiversity loss, retaining high food standards, animal welfare protections, and animal and plant health standards. The level of ambition and obligations differs among the trade agreements, with the UK-TCA and UK-New Zealand FTA having the most extensive commitments on sustainability.

7.1 Introduction

This chapter reviews the relationship between trade and sustainability in UK trade policy. Section 7.2 focuses on what the UK Government means by the term "sustainability" for the purposes of UK trade policy. This section evaluates the extent to which the Government's understanding of "sustainability" is coherent across its core trade policy goals and how trade-offs between sustainability and trade are addressed. Section 7.2 also considers the objectives / key priorities for UK trade policy and sustainability and identifies the sectors the UK is prioritising and the challenges around that choice. Section 7.3 highlights the key trade policy tools used by the UK Government to address sustainability. This analysis concentrates on policy outcomes, effectiveness, and coherence between the UK's multilateral and domestic policy goals, together with coordination challenges experienced by government departments charged with overseeing the implementation of these policies. Section 7.4 sets out the challenges that arise.

We focus on sustainability in this chapter because of its importance in public policy discourse. The Trade Strategy (2025) states that *"we must remember, too, our commitments to the international rule of law and environmentally sustainable trade"*.[1] The Government's report, as part of the WTO Trade Policy Review process, has a chapter devoted to sustainable and inclusive trade, and affirms that the Trade Strategy *"is aimed at achieving long term sustainable, inclusive, and resilient growth through trade"*.[2] Issues of sustainability, such as high food standards and high environmental standards especially around pesticide use in food production, were also rated by participants in the citizens jury work we commissioned as a high or very high policy priority for the UK Government. These issues have been consistently highlighted among the top five priorities for citizens in the Public Attitudes to Trade Tracker Survey (PATT) commissioned by the Department for Business and Trade.[3] Our call for evidence and roundtable discussions with business and civil society also identified sustainability as a key objective and at the same time a key strategic challenge for businesses operating along complex supply chains where sustainability requirements impact cross-border trade flows.

Throughout our analysis, we draw a distinction between: UK trade policy instruments that are designed to ensure the UK is trading sustainably; other policy instruments that are directed to sustainability goals but which have an indirect effect on trade; and trade policy instruments not explicitly designed to address sustainability but which nevertheless have impacts on sustainability. Within these three broad categories, we further highlight that the UK Government uses trade policy tools to address sustainability *in the UK* and that such tools can have trade effects; that the UK is a signatory or participant to other *multilateral* policy tools that have effects on trade *beyond the UK*, whether or not these are legally binding on the UK or not; and that the UK adopts unilateral policies that align with multilateral goals that have trade effects.

7.2 Scope of sustainability in UK trade policy

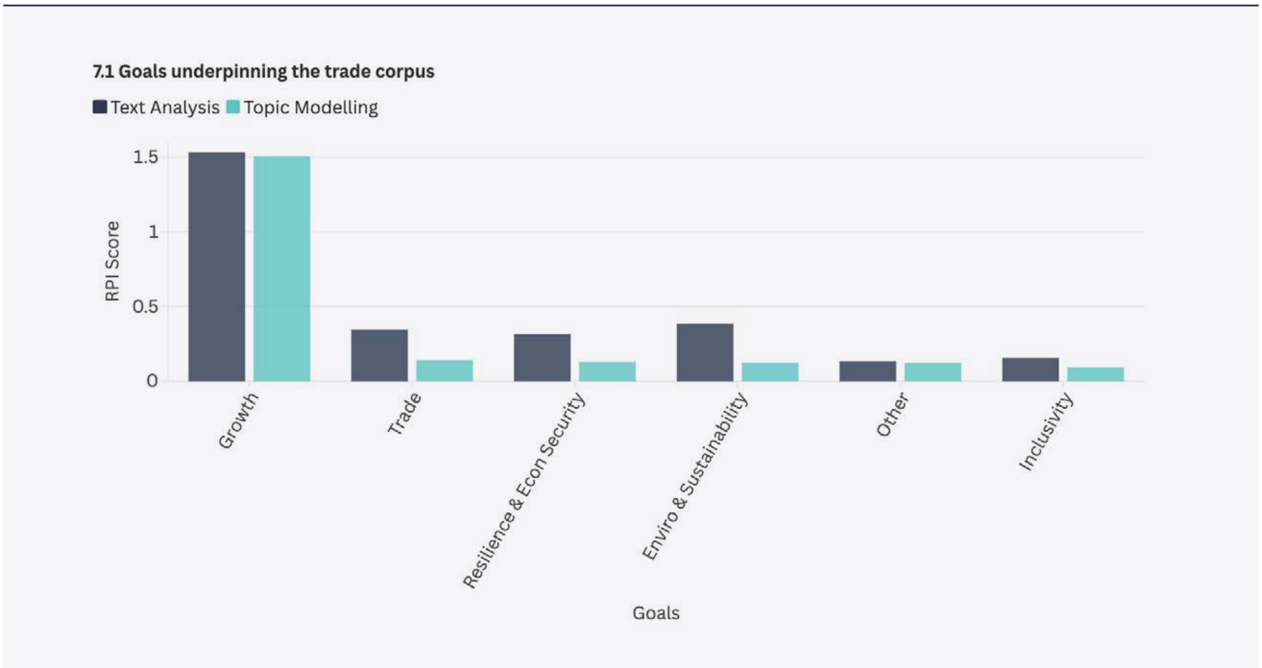
Our topic modelling and textual analysis of the trade corpus indicate that economic growth is the Government's dominant goal for UK trade policy. It shows that "environment and sustainability" shares the same relative importance to UK trade policy as "resilience and economic security."[4] This data was presented Chapter 2 earlier, and is replicated in Figure 7.1.

To understand in more detail how environment and sustainability fit into UK trade policy, we undertook a manual textual analysis to identify what the UK Government means by the term "sustainability" in the context of its trade policy.

We started with the 11 core strategy documents relating to trade that form our 'trade corpus,' as discussed in Chapter 2 of this report, together with the current Labour Government's Industrial Strategy and Trade Strategy issued in June 2025.[5]

We noted from the textual analysis of the trade corpus that there is no fixed meaning of "sustainability" for the purposes of the UK Government's trade policy. Instead, the terms "sustainability", "sustainable", "sustainably" and "sustainable development" are used interchangeably throughout these documents to cover a wide range of overarching goals. These range from guaranteeing the continued success of supply chains, despite disruption caused by conflict or pandemics;[6] to ensuring that financial support given by the Government to businesses in important areas, like manufacturing, enables businesses to continue in the long term;[7] how resource allocation should take place *within* government to ensure levelling up in the regions of the UK;[8] as well as how resources should be allocated to support low-income countries;[9] and the ways that the UK should pursue economic growth and other important policies in the face of accelerating climate change and biodiversity loss.[10]

Figure 7.1: Core goals related to trade within the trade corpus



Source: Own calculations using the trade corpus

We found too that a number of key strategy documents that refer to sustainability, such as the *Net Zero Strategy and Climate Change Strategy 2021-2024*, were issued under the Conservative Government during the premiership of Boris Johnson.[11] Whilst the Conservative Government under Prime Minister Theresa May made commitments towards net zero and the circular economy, the Johnson administration was especially focused on sustainability issues in general, particularly commitments around the environmental aspects of sustainability.

For example, Boris Johnson's administration set targets for increases in the sale of electric cars and energy generated from off-shore wind to accelerate the UK's shift to net zero carbon emissions, introduced domestic targets for halting biodiversity loss with the slogan, "build back better," and changed the way trade policy tools, such as subsidies, were used to support domestic agricultural production in England.[12] Over the period 2021-2022, the UK held the Presidency of COP26, which helped to focus public attention, but also that of government and policymakers on the climate and environment. This was also a period where geopolitical tensions were much less pronounced and so were not competing with the climate-led imperatives. It is perhaps not surprising, therefore, to see so many of these core strategy documents highlighting environmental sustainability as core goals for UK trade policy appearing during that administration. This interest seemed to take a backward step under the subsequent Conservative Government led by Rishi Sunak, who championed continued reliance on fossil fuels and suffered from accusations of backsliding on government policies aimed at preventing further climate change.[13]

The Industrial Strategy and Trade Strategy, issued by the Labour Government in June 2025, use "sustainability" in multiple ways too. A theme returned to repeatedly in both documents is the need to link sustainability to the Government's core objective of economic growth, with the term "sustainable growth / sustainable economic growth" used in both strategies.[14] For example, the Industrial Strategy connects "sustainable growth" to "economic resilience" to signify that economic growth should be able to continue long term without interruption and that it should also not exacerbate climate change. It states explicitly that: *"[t]here can be no plan for economic stability or sustainable growth that does not include a plan for net zero."*[15] The Trade Strategy mirrors this approach, linking sustainability to environmental issues, particularly climate change and resilience, noting that the Government's "trade priorities and climate ambitions must mesh together" to enable UK businesses to take advantage of the growing international market for green technology.[16]

The Trade Strategy also emphasises how the UK should connect trade and sustainability in multilateral forums focused on trade, such as the WTO. For example, that the UK should show leadership in championing environmental sustainability.

The Trade Strategy adopts the term "sustainable growth" in a different way too, emphasising the economic aspects of sustainability. For example, it focuses on the way policy tools that support non-trade goals which have an indirect effect on trade, such as international investment agreements, should enable more UK business participation in global value chains, create new market opportunities for UK businesses, especially for SMEs, and enable business to work efficiently.[18]

What is significant about these approaches is the way sustainability and growth are seen as mutually reinforcing within the trade discourse, rather than as involving trade-offs between multiple potentially conflicting objectives: low carbon technology exports, energy transition cooperation with partner countries and efforts to decarbonise supply chains are framed as both sustainability objectives and as economic opportunities.

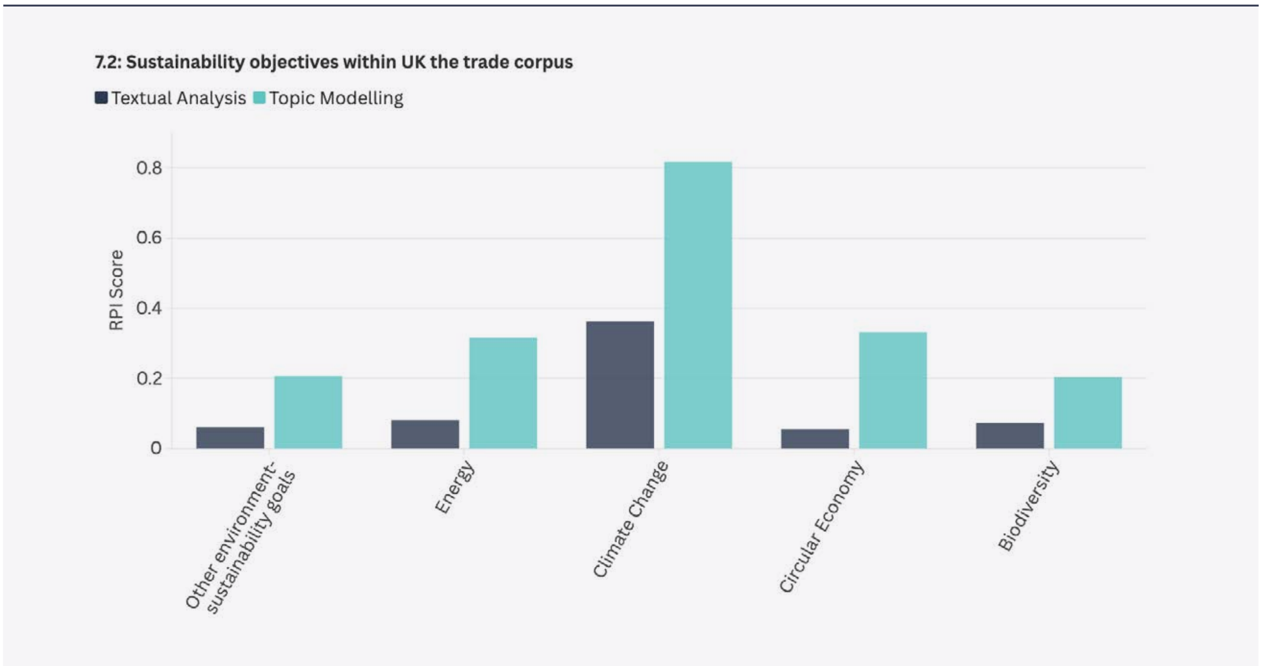
Both the protection of the environment and society are key pillars of "sustainability," as recognised by the United Nations SDGs in addition to economic prosperity for all.[19] Despite this ambition by the Government, trade-offs are inevitable in policymaking. For example, AI is heralded in the UK Trade Strategy as "transformative," with the potential to contribute over £47 billion to the UK for the next ten years. The Trade Strategy does not say how the Government intends to address the negative climate impacts of large data centres necessary to power that technology, or how the impact on social cohesion from the potential loss of jobs taken up by AI will be dealt with. As a 2021 PwC Report indicates, over 18% of UK jobs are estimated to be subject to a "high degree' of automation over the next ten years, with that figure rising to 30% over the next twenty years, from a 2021 baseline.[20]

7.2.1 Priorities for sustainability in UK trade policy

We turn now to identifying the UK Government's stated priorities for sustainability and trade policy. Our analysis of the trade corpus shows that "environment and sustainability" is an important core goal for UK trade policy as illustrated in Chapter 2, Figure 2.2, and as stated earlier, sustainability was highlighted in the UK Government's recent report to the WTO.

We then undertook further topic modelling and textual analysis of the trade corpus to identify the Government's objectives and priorities within that broad "environment and sustainability" goal. We found four clear identifiable objectives using this method, as well as a residual 'other' category. These are illustrated in Figure 7.2. Further details of the methodology for isolating objectives from core goals is set out in Chapter 2.

Figure 7.2: Sustainability objectives within UK the trade corpus



Own calculations from the trade corpus

Figure 7.2 shows that energy, climate change, the circular economy and biodiversity are all important objectives under the broader sustainability goal, and that climate change and energy emerge as priorities both in frequency and in the depth of policy articulation.[21] The 'energy' objective we identify, refers to stated government objectives concentrated on developing clean energy sources and other forms of renewable energy that are necessary for decarbonisation.

Their prominence is unsurprising given the UK's legal commitment to achieving net zero by 2050, which effectively compels government departments to align their strategies with reduction targets for greenhouse gas emissions set by the 2015 Paris Agreement to which the UK is a signatory. Fossil fuels are a major driver of greenhouse gas emissions so a switch to alternative energy sources is a logical next step towards achieving these net zero targets.[22]

What is significant, however, is the way climate, energy and economic growth are again only treated as mutually reinforcing within the trade discourse: low-carbon technology exports, energy transition cooperation with partner countries, the shift to electric vehicles and efforts to decarbonise supply chains are framed as environmental and economic objectives, resulting in positive opportunities for growth and new jobs.

For example, the Trade Strategy highlights how net zero sectors, like offshore wind and hydrogen, are growing much faster than the rest of the economy, with Scotland's net zero economy estimated to have grown by 21.3% since 2022. This success is framed within the strategy as both an important economic opportunity for UK businesses, with estimates suggesting benefits to UK clean energy industries of up to £1 trillion by 2030, and as key to the UK reaching its emissions targets by 2030.

Both these objectives are then fused into a general ambition for the UK to become a "clean energy superpower" by 2050. The role of trade in this vision is to facilitate the flow of inputs into the energy sector, like batteries and critical minerals, increase employment in these industries, and to support UK exports of finished goods, like electric vehicles.[23] This 'economic opportunity-positive climate change and social impacts' narrative is reiterated in the Industrial Strategy: here clean energy industries[24] are singled out as one of the eight priority sectors by the Government and as key to driving the UK's economic growth going forward.[25]

Our analysis of the trade corpus and our textual analysis of the latest Trade Strategy and Industrial Strategy show that there is limited consideration of the trade-offs between economic growth and social cohesion, economic development, and climate change impacts. For example, electric vehicles may reduce carbon emissions and increase job opportunities in the UK, but mining critical minerals essential for the batteries in those vehicles may negatively impacting habitats and drive greenhouse gas emissions overseas, where those minerals are sourced. Sourcing critical minerals from low-income countries may result in biodiversity loss and further compound existing environmental challenges like climate change, as well as impact on the development in low-income countries.[26]

Indeed, the trade-offs between the positive economic, social and climate impacts *in the UK* and the negative impacts *in third countries* of this policy are not addressed. Neither is the complex trade-off *in the UK* between positive impacts on climate in the electric vehicles sectors and, for example, the possibility of job losses depending on the competitiveness of UK, or of greater consumer indebtedness from the higher costs of the electric vehicle, which can put further pressure on jobs.[27] Whilst the Trade Strategy stresses that the *"Government's goals for trade and for sustainable growth can and must be mutually reinforcing,"* this is framed as the need to address a challenge to UK businesses from the impacts of climate change on global value chains, rather than as a direct consequence of the UK's actions in promoting emissions reduction in its own economy.

Where the Trade Strategy does recognise the need for balance between growth on the one hand and achieving domestic targets for reductions in climate emissions and biodiversity loss on the other, is framed more in terms of the UK giving financial support to low-income countries coping with climate change and meeting its multilateral initiatives to deliver sustainable development under the UN SDGs. There is less recognition that the UK may be contributing to those problems. This is because the focus is on technological innovations to combat climate change and biodiversity loss that require critical minerals.[28] The UK's ambition seems to be instead that any balance between the Government's core goals of economic growth and sustainability, and the balance between the Government's key objectives, trade and climate change and biodiversity protection, should be met through other domestic policy tools rather than through trade policy per se. The Trade Strategy separates out the Government's support for low-income countries into a distinct 'sustainable development' policy to be delivered through Economic Partnership Agreements and a simplified Developing Country Trading Scheme (DCTS),[29] rather than through domestic policies balancing the trade-offs between impacts in the UK and in third countries.[30]

7.2.2 Sectoral focus for trade and sustainability in UK trade policy

From our textual analysis and topic modelling of the trade corpus we were able to identify 18 sectors that feature strongly in government thinking about trade policy. These sectors and their relative importance were discussed in Chapter 2 (Section 2.9).

From the trade corpus, the critical minerals sector was given the greatest prominence by successive UK governments in trade policy. This is perhaps not surprising given governments' ongoing focus on technological innovation as a driver for economic growth and the key role that imports of critical minerals play as an important input for other sectors reliant on technology, like automotive industries, digital trade, clean energy and AI. With the strong focus on "sustainable growth" in both the trade and industrial strategies, the UK's legal commitment to net zero by 2030 in the 2008 Climate Act and the Government's continued emphasis on the key role for technology in driving that change, we expected to see greater emphasis in the Government strategy documents on green industries and energy. But as the range of topics addressed in these trade strategy documents stretches beyond sustainability, we observed that, while important, these sectors do not receive greater attention than others, like services or defence.

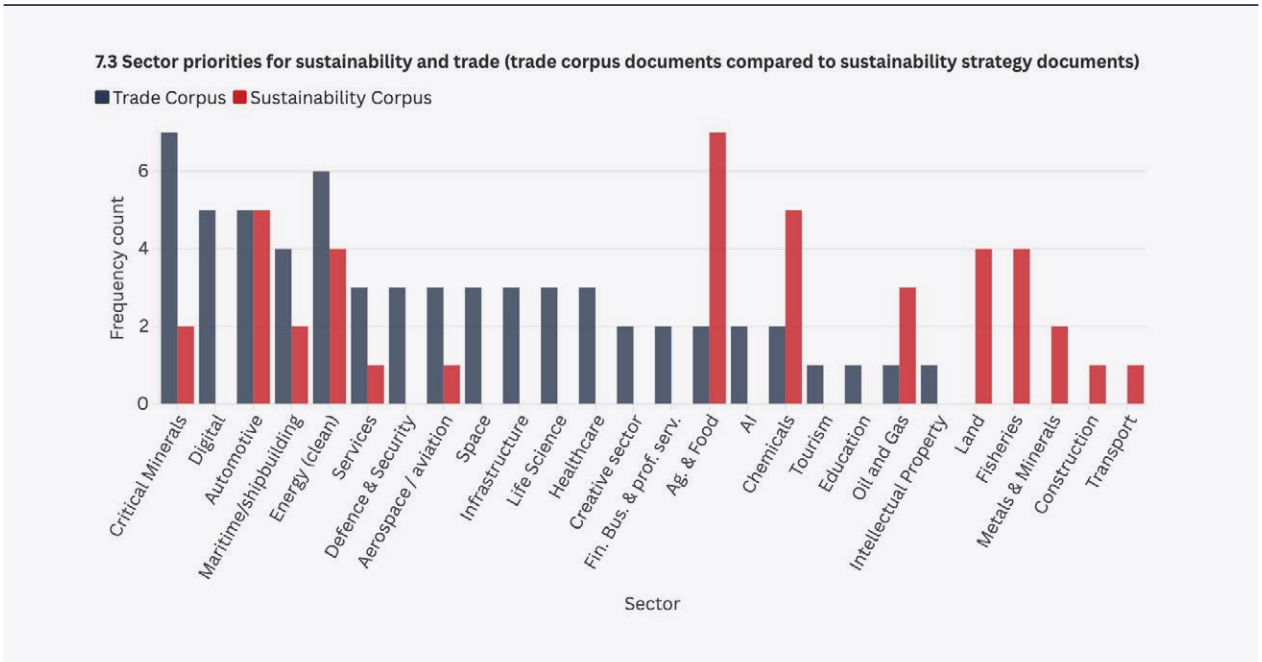
To understand which sectors might feature strongly in government strategy around trade and sustainability, we undertook a further textual analysis and topic modelling of government strategy documents focused predominantly on climate change, the energy transition and environmental protection — all key areas of sustainability addressed in this chapter. We identified nine core government strategy documents focusing on sustainability – five with a focus on climate change, and four with regard to biodiversity. One document – the New Zero Strategy – also forms part of our trade corpus. These documents form our sustainability corpus:

1. The 25-year Environment Plan
2. The UK Export Finance Climate Change Strategy
3. The UK Battery Strategy
4. The UK Net Zero Strategy
5. The Industrial Decarbonisation Strategy
6. UK Hydrogen Strategy
7. Government Food Strategy
8. International Climate Finance Strategy
9. Strategic Framework for International Climate Action

We evaluated how these documents linked sustainability and trade and what sectors were accorded the greatest priority for government policy action. To do this, we used the same methodology as for the trade corpus and as detailed in Chapter 2.

In Figure 7.3, we combine both sets of information. The height of the blue bars gives the importance of each sector from the trade corpus; and analogously, the red bars indicate their importance from the sustainability corpus. Importance here is measured by the number of documents in which any given sector was mentioned.

Figure 7.3: Sector identified from the sustainability corpus



Source: Own calculations from the trade corpus and sustainability corpus

Overall, there are 26 sectors, and out of these, there are 12 that only appear in the trade corpus, 5 that only appear in the sustainability corpus and nine sectors that appear in both – but with different relative prioritisation as given by the frequency count.

The sector with the highest priority in the sustainability corpus is agriculture and food, which appears in seven of the documents. This is followed by automobiles (which includes electric vehicles) and chemicals, which appear in five of the documents. At the other end of the scale, service, transport, construction, and aerospace only appear in one of the documents in the corpus. Noticeably agriculture and food and chemicals have significantly higher prioritisation in the sustainability corpus than the trade corpus. The converse is true for services, aerospace, critical minerals, and maritime/shipbuilding. This is likely to be the case because the activities of companies in these sectors inevitably interact with issues like climate change (greenhouse gas emissions) and biodiversity more closely than sectors, like finance and services, which are more closely associated with trade.

Figure 7.3 reveals a deeper challenge at the heart of UK Government policymaking in trade. Namely, that different sectors will be accorded greater or lesser priority in trade policymaking depending on the specific dimension of trade policymaking at issue – whether that is trade and economic security or trade and sustainability, for example. The trade-offs become more complex because decisions where to allocate government efforts and funds must be made between priority sectors like manufacturing and agriculture, *and* between different aspects of those priority sectors, like prioritising manufacturing exports over UK food standards. To the extent that sectors that are important to sustainability require a supportive trade policy, their lack or prioritisation in trade policy may cause problems of coherence.

Responsibility for policymaking for specific objectives and for different trade priorities might also be allocated to different departments within Government. This division of responsibility has the potential to create a lack of coherence between policies and a lack of coordination between departments, an issue not addressed in the trade corpus, nor in the Trade Strategy which looks less at policy coherence.[31] Inter-department liaison is a feature of UK government trade policymaking and the role of the Cabinet Office is to smooth any coordination problems. However, this does not negate the wider issue that trade-offs are inevitable between objectives wherever the policies are located in government. These trade-offs and issues of institutional coherence may be more likely to arise where areas of overlapping policy responsibility are across different departments.

The implementation of the Industrial Strategy exemplifies this challenge, as more than one government department has responsibility for the implementation of the economic growth plans for the eight priority sectors. For example, the Clean Energy Industries Sector Plan is led by Department for Energy Security and Net Zero (DESNZ), which is prioritising shifts to the wind power, nuclear fission and hydrogen sectors.[32] In contrast, the Advanced Manufacturing Sector Plan is led by the Department of Business and Trade and is prioritising aerospace, manufacturers of agri-tech, and manufacturers of zero emission and connected vehicles.[33] The Industrial (and Trade) Strategy have focused on identifying sectors of comparative advantage – which is sensible, but it is not clear how that is reconciled to prioritisation from the sustainability corpus.

The connection between the sector plans for the Industrial Strategy and trade policymaking underscores the difficulties of coherence when there are multiple calls on government to use trade and industrial policy tools (such as trade agreements, or subsidies) to enable the growth of domestic businesses in sectors that support sustainability (like wind power) and in sectors that potentially accelerate greenhouse gas emissions, like aerospace. Trade-offs between potentially conflicting government core goals and objectives and between the priorities of different government departments become inevitable in such cases; a concern raised by the House of Commons Environment Food and Rural Affairs Committee in its questioning of the then Minister for Trade Policy, Greg Hands MP in 2024.[34]

Between 2019 and 2025, successive UK governments have relied on a number of policy tools to deliver sustainability in trade policy. In the following section we concentrate on key aspects of free trade agreements and domestic policy instruments to illustrate the challenge for embedding sustainability into trade policymaking.

7.2.3 UK policy space for trade and sustainability

The UK Government's ability to introduce policy tools to address trade and sustainability does not take place in a regulatory vacuum. Instead, the UK is operating within a complex domestic and global regulatory environment that prescribes the policy space in which the Government must act in relation to sustainability and what tools it can use to address the interconnection between sustainability and trade.

7.2.3.1 Circular economy

There is neither, the scope nor the focus of this report to undertake a comprehensive review of the landscape of UK domestic policy with regard to sustainability. However, one of the sustainability objectives in the trade corpus in Figure 7.2 identified the importance of the circular economy. This is also raised (once) in the Trade Strategy, which states that *"transitioning to a global circular economy, deriving the maximum possible value from resources before they become waste while also reducing emissions, is also a government priority"*.[35] A Circular Economy Taskforce was established in 2024, and the Industrial Strategy points to the publication of a Circular Economy Strategy due to be published in the Autumn of 2025, but at the time of writing this has not yet appeared. There are also circular economy strategies published by the Scottish and Welsh Governments.

The framework around the circular economy in the UK is largely based on the Resource and Waste Strategy for England (2018) and the Environment Act (2021). The aim of these policies was to double resource productivity, and eliminate avoidable waste, especially plastic waste by 2050 and to focus on the principles of re-use, remanufacture, repair and recycle. There are now obligations on producers to pay for the cost of disposal for their packaging (Extended Producer Responsibility), and to separate waste for recycling, and obligations on Local Authorities with regard to recycling and waste collection. The Act also allows government to set resource efficiency standards for products, and clear labelling for consumers with regard to durability, repairability and recyclability.

Policy is still in the early stages of moving towards a circular economy and so the impact on trade and sustainability is difficult to ascertain. With regard to trade policies, such as the Extended Producer Responsibility, introduce compliance costs for imports and thus a potential technical barrier to trade. Similarly the introduction of such policies in export markets, such the EU's Packaging and Packaging and Waste Regulation introduces additional costs for UK businesses. The Plastic and Packaging Tax (2022) applies to plastic packaging manufactured in or imported into the UK that contains less than 30% recycled plastic content. This also impacts costs and demand for UK-derived recycled plastic content. Future regulation with regard to the circular economy may impact on design and material standards, which may act as non-tariff barriers.

7.2.3.2 Multilateral commitments on sustainability

On the sustainability side, multilateral environmental agreements (MEAs), to which the UK is a signatory, oblige the Government to meet legally binding targets, such as contributing to the global objective of limiting the rise in global average temperatures to 1.5°C above pre-industrial levels by 2050, set out in the 2015 Paris Climate Agreement.

Under the Paris Agreement, the UK is required to submit its climate action plan to the United Nations Framework Convention on Climate Change (UNFCCC) setting out how it is reducing greenhouse gas emissions (the UK's Nationally Determined Contribution, or NDC). The UK is one of the leading economies consistently implementing its decarbonisation commitments, with greenhouse gas emissions reducing by over half since 1990 and the pace of reduction speeding up significantly since the introduction of the UK Climate Act in 2008.[36] To meet its commitments towards Net Zero, the Government sets a legally binding cap on the maximum level of emissions for a period of five years through its Carbon Budgets. The UK has set 6 carbon budgets that have covered the period up to 2037.[37] The government also publishes a Carbon Budget Delivery Plan that sets out the approach to meet targets set in subsequent carbon budgets.

As the UK Climate Change Committee reported in June 2025, the UK set an ambitious target of 68% reduction in greenhouse gas emissions from 1990 levels by 2030 and is "in reach" of achieving this due to significant shifts towards renewable energy sources. The Committee states that more will need to be done in the future, especially in regard to changing the UK's reliance on oil and gas, despite the Labour Government's commitments to refuse future licences for oil and gas exploration in the North Sea.[38]

The Climate Change Committee reports, however, that only 61% of the Government's current emissions targets are covered by "credible plans" and that the remaining 39% of government plans are either subject to "significant risks" or have "insufficient or unquantified plans."[39]

The UK Government is also a signatory to the UN Convention on Biological Diversity (CBD).[40] Adopted at the 1992 Earth Summit, the Convention requires its signatories to conserve biological diversity, ensure the sustainable use of its components, and promote the fair and equitable sharing of benefits from genetic resources. In addition, under the framework of the CBD, the Cartegena Biosafety Protocol regulates biotechnology, including safe handling of transboundary movements of "living modified organisms" resulting from biotechnology processes,[41] and the Kunming-Montreal Global Biodiversity Framework (also known as GBF, agreed at COP15 (Conference of the Parties) in 2022), sets out a new set of global goals and targets for biodiversity for the next decade.[42]

The UK ratified the CBD in June 1994. The implementation of the CBD and the GBF in the UK is guided by the UK Biodiversity Framework.[43] This Framework is overseen by the environment departments of all four governments of England, Wales, Scotland and Northern Ireland working together through the Four Countries' Biodiversity Group. Although environmental policy is a devolved matter, the Framework highlights key areas, where coordinated action across the UK is advantageous and necessary, enabling a unified approach to meeting shared biodiversity goals and international commitments. These key areas include frameworks for sharing assessment indicators, coordination on achieving UK targets, and coordination to inform and develop the UK's international position to deliver specific environmental outcomes.

Despite these efforts, the Climate Committee reported in 2024 that the UK was "significantly off track" in terms of woodland creation and peatland restoration,[44] echoing the earlier House of Lords Science and Technology Committee findings in 2022 that the Government's ambition for nature-based solutions (especially for agriculture) were ambitious but at "serious risk of failure".[45]

In addition to the UNFCCC and the CBD, the UK is a signatory to other major multilateral environmental treaties including (but not limited to) the Montreal Protocol on Substances that Deplete the Ozone Layer (1987),[46] the UN 2030 Agenda for Sustainable Development (2015) and its SDGs and the Convention on International Trade in Endangered Species (1973),[48] all of which include commitments requiring positive policy action by the UK government.

7.2.3.3 Multilateral commitments in the WTO

On the trade side, the UK is an independent member of the WTO following its exit from the European Union. Since then, successive UK governments have shown significant engagement in new WTO initiatives focusing on trade and sustainability, including the WTO Dialogue on Plastics Pollution, the Agreement on Fisheries Subsidies, and Environmentally Sustainable Plastics Trade, where the UK is one of 83 participants.[49]

The UK was also one of the original group of WTO members leading on Fossil Fuel Subsidies Reform to phase out and eliminate fossil fuel subsidies either through the use of existing legal mechanisms, or through new pathways to reform.[50] The UK's multilateral leadership here chimes strongly with its ambition to reduce reliance on fossil fuels domestically. There still seems to be a disparity with this core goal in both domestic and trade policy and the UK's actual situation on fossil fuel reliance. It should be noted that whilst the UK announced that it does not provide fossil fuel subsidies, this has been challenged by the non-governmental organisation, Global Justice Now.[51]

The UK's membership of the WTO is important because WTO rules covering goods, services and intellectual property curtail not only how the UK might use border measures, like tariffs, but also how the UK can use trade policy tools, like food standards, subsidies, labelling, and free trade agreements to deliver *domestic* policy objectives, such as sustainability.

This means that any trade remedies investigation must be carried out in accordance with WTO rules set out in the Agreement on the Implementation of Article VI of GATT 1994 (the Antidumping Agreement).[52] For example, the UK's ability to use import restrictions to bring about changes to animal welfare standards in key trading partners is subject to WTO rules too, namely Article XX(a) GATT, as the Trade and Agriculture Commission highlighted in its report on scrutiny of the UK-Australia Free Trade Agreement.[53]

This means that the line between what constitutes domestic policy and trade policy is blurred when trade policy instruments, such as subsidies, are used to meet domestic objectives. WTO rules recognise that countries will use domestic instruments such as subsidies, and seek to limit their international spillovers. The challenge for the Government, therefore, lies in using instruments that achieve domestic objectives, and help it meet international environmental obligations, but that also limit adverse effects imposed on partners. It is not clear how far this challenge has factored into policymaking.

For example, the Government intends to provide £10 billion in financial support between 2025 and 2029 to UK exporters in renewable energy technologies, hydrogen, offshore wind and heat pumps through schemes like the Industrial Energy Transformation Fund (operating from 2020-2028)[54] and the Clean Growth Direct Lending Facility.[55] The compatibility of both schemes with WTO rules is beyond the scope of this report, but what is clear is that the UK's Export Finance Sustainability Strategy positions UK exporters and suppliers "at the heart of the global low-carbon transition" without any specific consideration in the strategies themselves of how this might funding might fit with the UK's WTO commitments.

This blurring of the line between domestic policy and trade policy in sustainability is not only limited to current trade policymaking. Previous Conservative Governments also did not take into account the close relationship between large domestic subsidy programmes for the agriculture sector and their WTO commitments and, as a result, to their trade policy; a position that is made more complex in agriculture, where policy is devolved to the four nations in the UK but trade policy is not.[56]

The UK reaffirms its commitments to the WTO's multilateral rules-based trading system in the 2025 Trade Strategy as a matter of principle, and there is a welcome appreciation of the closer relationship between global commitments to sustainability in multilateral environmental agreements and the use of trade policy tools to implement the UK's international commitments and domestic policy ambitions to sustainability.[57]

The Trade Strategy also suggests that different forms of agreement between the UK and its trading partners may be necessary to achieve its key policy objectives in trade and sustainability. This suggests a pragmatic approach to trade policymaking, although WTO compliance may not always be at the forefront of the UK Government's mind in trade policymaking going forward.[58]

7.2.3.4 The Agreement on Climate Change, Trade and Sustainability

The Agreement on Climate Change, Trade and Sustainability (ACCTS) is an international agreement signed by Costa Rica, Iceland, New Zealand and Switzerland. It aims to liberalise trade in environmental goods and services, eliminate fossil fuel subsidies and provide guidelines for eco-labelling. The agreement has been seen as a groundbreaking and innovative agreement but, to date, the UK has refused to join. The reasons appear to concern certain tariffs the UK wishes to retain as well as the commitments to fossil fuel subsidy reform / elimination.

7.3 Policy tools used in UK trade policy

7.3.1 WTO agreements and processes

Paragraph 31 (iii) of the Doha Ministerial Declaration of 2001 called for *"the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services"*. Negotiations on environmental services began in 2000 as part of broader negotiations on services that commenced under the "built-in agenda".[59] Both sets of negotiations were inconclusive, mirroring a broader failure of the Doha Round of negotiations.

As noted in Chapter 4, the UK has been an active proponent of goods and services liberalisation, both before and after its exit from the EU. As an EU member state, it supported an initiative launched by a subset of WTO members, after the failure of the wider Doha Round, to negotiate an Environmental Goods Agreement. The negotiations took place between 2014 and 2016 without concluding.

On services, where negotiations continued beyond the suspension of the Doha Round, the UK, along with several other WTO Members, including the EU, submitted proposals to expand the definition of environmental services.[60] The main argument was that the existing definition of environmental services under the GATS was too narrow. Under the GATS, trade in environmental services were defined as those coming under Central Product Classification (CPC) category 94; a relatively limited range of conservation and pollution management activities.[61] Proponents pointed out that a range of other services were complementary to the CPC 94 services, and/ or played significant functions in activities that were in turn central to achieving environmental goals. Examples include professional services such as engineering and architecture, consulting, and repair and maintenance services. Addressing barriers to these could, in turn, reduce the costs of meeting environmental objectives. Many of these activities are ones in which the UK has a comparative advantage, as are others, such as green finance, computing and IT services, and legal services that are not listed but which are clearly important inputs into activities serving environmental functions. The UK's intent was to secure commercial advantage while promoting the delivery of global public goods.

With no further progress achieved through the Council for Trade in Services, the UK and other WTO Members initiated a process known as the Trade and Environmental Sustainability Structured Discussions (TESSD), already referred in Chapter 4. This includes a track on environmental goods and services. Beyond WTO processes, FTAs also offer a possible route through which the UK can address trade in environmental goods and services. We discuss this in the following sections in relation to specific FTAs.

7.3.2 Free Trade Agreements

The UK's sustainability obligations vary significantly across its free trade agreements, reflecting different levels of ambition and enforcement. These are discussed below.

7.3.2.1 UK-Australia FTA

In the UK-Australia FTA, both countries reaffirm their commitment to the Paris Agreement and sustainable development under Article 22.3. The agreement emphasises cooperation in areas such as clean energy and low-carbon technologies (Article 22.5) and includes a commitment not to weaken or reduce environmental laws to encourage trade or investment (Article 22.4.3). There is also an emphasis on public participation and transparency in environmental decision-making (Article 22.8, 22.9, 22.10 and 22.18). However, these obligations rely largely on cooperation and dialogue, with limited binding enforcement mechanisms.

The UK retains the right to regulate in key areas like maximum residue levels for pesticides on food imported into the UK, and the regulatory position on the UK's ban on the import of hormone-treated beef remain unchanged (Article 6.4). A separate chapter on antimicrobial resistance and animal welfare is included in the FTA, but this is not subject to formal dispute settlement (Article 25.3).

Article 22.6 addresses trade in environmental goods and services and commits parties to facilitating trade and investment in these goods and services. There is no definition given to what constitutes such goods or services, even though both parties have been active proponents of these negotiations in the WTO. Article 22.6 also commits parties to addressing barriers raised by each other.

7.3.2.2. UK-New Zealand FTA

The UK-New Zealand FTA contains some of the most advanced environmental protection, including climate change provisions, among the UK's FTAs. Article 22.4 reaffirms both parties' commitment to the Paris Agreement, and Article 22.5.1 includes a clear pledge to implement or maintain carbon pricing mechanisms.

Significantly, Article 22.5.2 commits both countries to phase out inefficient fossil fuel subsidies, a strong and rare obligation in trade agreements. This provision aligns with the UK's overarching ambition regarding fossil fuels, although, as noted above, whether the UK is achieving this ambition domestically is still debated.

Additionally, Article 22.6 supports trade in environmental goods and services. Both parties committed to eliminating duties on a range of goods listed in a specific Annex (Annex 22A). Environmental goods are defined as *"goods which can positively contribute to the clean growth and sustainable development objectives of the Parties, including climate change mitigation and adaptation, and wider environmental goals"*. These include goods that embody low-emission technologies, such as electric vehicles and solar panels. They also include specific inputs that are required for products or applications that have end-uses that can further environmental objectives. For example, Annex 22A includes chemicals used for semiconductors, semiconductors and integrated circuits, electrolysers and components for trains on the basis of their function furthering environmental objectives (e.g. electrolysers are used for hydrogen production; trains can encourage modal substitution away from road transport).

There is no analogous schedule of environmental services. There is a general commitment to facilitate trade and investment in environmental services, along with goods. The parties also commit to cooperate on trade in environmental goods and services in relation to ten thematic areas (e.g. renewable and low-carbon energy, sustainable financial services, climate change adaptation). The focus on thematic areas and the function of services in relation to them suggests a broader conception of environmental services than that followed in GATS schedules (see previous section on WTO processes).

The agreement places a clear focus on climate urgency and sustainable trade, with enforceable dispute settlement mechanisms available for certain environmental obligations (Article 22.13.1–2). Like the UK-Australia FTA, the UK-New Zealand FTA protects the UK's right to regulate in areas of food standards (Chapter 5 of the FTA) and contains a separate chapter covering animal welfare, but neither chapter is subject to formal dispute settlement; a position welcomed by the House of Lords International Agreements Committee in its scrutiny of the FTA.[62]

7.3.2.3 UK-EU Trade and Cooperation Agreement

The EU-UK Trade and Cooperation Agreement (TCA) includes stringent and enforceable climate change obligations. Under Article 400, the Paris Agreement is deemed an "essential element", meaning withdrawal or non-compliance could trigger the suspension of trade benefits. A robust non-regression clause (Article 391) prevents either party from weakening climate protection standards below those in effect at the end of the transition period. Furthermore, both parties commit to maintaining carbon pricing systems, including emissions trading schemes (ETS) (Article 392), and the agreement outlines mechanisms for resolving disputes on environmental matters, including a panel of experts (Articles 394-396).

The TCA does not include specific commitments in relation to environmental goods or services. It includes a general commitment to cooperation that includes initiatives that work to address tariffs and non-tariff barriers. Originating goods that serve environmental functions would face zero tariffs under the TCA's general market access commitments on goods. In relation to services, the EU has specified a limited number of reservations to cross-border trade. The formulation of the services reservations highlights that the TCA has retained a definition of environmental services that follows that of the GATS schedules, notwithstanding the fact that both have promoted a broader definition of environmental services.

The first five-year review of the TCA sees the UK seeking an SPS Agreement with the EU, which is expected to include dynamic regulatory alignment, including between the EU and UK's emissions trading schemes. This means the UK will align its domestic SPS rules aimed at the protection of a wide range of sustainability issues, including protection of human, animal and plant life and health, with those of the EU, even though there has been some divergence since Brexit.[63] The UK agri-food sector employs around 13% of the workforce and the UK-EU SPS Agreement is expected to provide a boost to UK exports to the EU by 22.5%.[64]

7.3.2.4 The Comprehensive and Progressive Agreement for Trans-Pacific Partnership

The CPTPP, which the UK joined in 2023, contains more flexible and cooperative sustainability provisions. Under Article 20.4, parties commit to implement their obligations under MEAs, including the Paris Agreement. The agreement encourages, but does not require, the promotion of low-emissions economies and acknowledges the importance of climate change (Article 20.15). It contains a general obligation not to weaken environmental laws for trade purposes (Article 20.3.4), but these commitments are framed in soft language and lack binding enforcement. Public submissions are allowed (Article 20.9), yet the mechanisms are less stringent compared to those in the EU-UK TCA or the UK-NZ FTA.

Article 20.18 contains a general recognition of the importance of trade and investment in environmental goods and services in addressing global environmental challenges. It also includes a commitment that parties will endeavour to address barriers to trade in environmental goods and services that another party may identify.

Despite widespread concerns that the SPS chapter in the CPTPP would require a shift away from a precautionary approach to regulating risks from pests and diseases to animal and plant health and the environment, the Trade and Agriculture Commission found that the UK's existing rights under the WTO rules were not affected.[65] We find that despite these concerns, the UK is gradually shifting towards a more risk-based approach to Sanitary and Phytosanitary (SPS) checks in any event, although whether this shift will continue following the requirement for dynamic regulatory alignment with the EU regime under the forthcoming UK-EU SPS Agreement is in doubt.[66]

7.3.2.5 UK-India CETA

The Comprehensive Economic and Trade Agreement between the UK and India includes a specific chapter on trade and environment. This is itself significant given long-standing scepticism by India on the inclusion of environmental issues in the WTO agenda. Both parties affirm their commitments to Multilateral Environmental Agreements (Art 21.4) and separately to the UNFCCC and the Paris Agreement on climate change (Art 21.5). Article 21.6 covers trade in environmental goods and services, and states that parties "shall endeavour" to facilitate trade and investment in goods and services; and that they shall cooperate *"to address matters of mutual interest on ways to enhance trade in environmental goods and services, subject to national circumstances"*. Notwithstanding the various qualifications that reduce the binding nature of these commitments relative to similar provisions in other FTAs concluded by the UK (e.g. with Australia and New Zealand), the existence of such commitments represents an advance in the sense that India had generally been reluctant to engage on these matters in the WTO. Separate provisions also refer to the conservation of biodiversity (Art 21.13) and the Circular Economy (Art 21.14)

7.3.2.6 Challenges for trade and sustainability in UK FTAs

How the UK should address sustainability in its free trade agreements has been the subject of considerable debate since the UK's exit from the EU. Concerns around the UK's right to regulate to protect sustainability led to calls from non-governmental organisations and the House of Commons Environment Food and Rural Affairs Committee (EFRA) for the UK to develop a set of core environmental and food standards. Trading partners would be required to meet these core standards as a condition of preferential access to the UK market.[67]

We find that this is not a position the UK Government adopted following parliamentary scrutiny of the UK's first FTA with Australia, and there is no indication from the 2025 Trade Strategy that this position will change. It is more likely that the UK will seek to retain its high SPS standards while securing as many concessions on environmental protection as the other trading partner will agree to.[68]

This pragmatic approach to the inclusion of environmental protection in UK trade agreements has been challenged by civil society in the context of the UK-Australia FTA under the UN Aarhus Convention – an international treaty requiring signatory countries to secure adequate public participation in decision-making impacting on the environment, guarantee environmental justice and access to information about the environment.[69]

The UK Government won this case on appeal on a procedural technicality and there has been no further court decision on whether the Government did adequately consult on or consider environmental issues in the UK-Australia FTA.[70] Although the Aarhus Convention could offer a further route for adequate scrutiny of UK FTAs in light of the challenges with the current scrutiny process under CRAG, it should be noted that the UK Government has recently announced that it may withdraw from the Convention, which would remove this route for further scrutiny by civil society.[71]

In its scrutiny of the UK-Australia FTA, the House of Commons EFRA Committee also observed that the Government should set out its negotiating objectives more clearly in relation to sustainability, in particular, and should identify the precise impacts on the environment so that the relationship between negotiating objectives, outcomes and possible impact of the proposed FTA might be better scrutinised by parliament.[72] The Committee argued that this was key to ensuring transparency.

Whilst the then Conservative Government under Boris Johnson published a "strategic approach" to the UK-Australia negotiations, this contained limited information about what the UK's negotiating objectives were around sustainability. Information was limited to a general exhortation to uphold the UK's high food, animal and plant health standards, and a reaffirmation of the UK's commitment to existing international and domestic environmental rules. It stated the UK would seek to apply "appropriate mechanisms" for the implementation and maintenance of these sustainability standards but did not say how it would operationalise that.[73]

In contrast, subsequent documents issued by the Department for Business and Trade for later FTAs, such as CPTPP accession, contain more robust language detailing the specific aspects of sustainability to be addressed – such as provisions prohibiting FTA parties from waiving, derogating from, and failing to enforce, environment and labour laws to encourage trade or investment, protection of biodiversity, fisheries, and workers rights, – and how the UK will position itself in the negotiations.[74]

Despite this positive step forward, the House of Commons International Trade Committee highlighted that there is still a need for the Government to include an assessment of the cumulative impact of all the UK's FTAs on UK food standards, biodiversity and the environment for new FTAs. It recommended that an environmental impact assessment be undertaken alongside the Department of Business and Trade Impact Assessments. The DBT Impact Assessments only highlight certain environmental impacts at present and sidestep others. For example, the DBT Impact Assessment for the UK's accession to the CPTPP stated only that the impact of UK accession on carbon leakage "was uncertain".[75]

The UK Trade Strategy states that it is the Government's intention to extend the period of parliamentary scrutiny of FTAs from the publication of the Government's report in response to the Trade and Agriculture Commission and the Food Standards Agency and Food Standards Scotland reports to the start of the CRAG process from 10 days to 20 days. However, there is no indication in the Trade Strategy that additional assessments around the impacts of the FTA on sustainability will be undertaken or that more detail about the Government's negotiating strategy around such issues will be available.[76]

The process for parliamentary scrutiny of the UK's FTAs is addressed in Chapter 3 of this report. Key issues raised concern whether the CRAG is sufficient and whether parliamentary committees are sufficiently resourced, have time to undertake the detailed analysis of the scope and potential impacts of the agreements on sustainability in the UK and in the UK's trading partners and whether the government provides them with sufficient information.[77] As discussed in Chapter 3 the committees themselves have suggested that the current processes and levels of transparency are inadequate.

This issue was especially acute following the change in name and scope of the House of Commons' 'International Trade Committee' to the 'Business and Trade Committee' to align with the change of emphasis within the Department of Business and Trade. Following the name change, the Business and Trade Committee announced that it would no longer be undertaking detailed scrutiny of specific provisions of the UK FTA but would instead only look at broad thematic issues.[78] This has wider implications for parliamentary scrutiny, but it means that most of the detailed impacts on sustainability of UK FTAs are now left primarily to the House of Commons Environment Food and Rural Affairs Committee. This raises concerns about time and resourcing for that Committee to undertake these tasks.

Despite these limitations, scrutiny by parliamentary committees of the UK's FTAs raises some important issues regarding trade policymaking and sustainability. For example, the House of Commons International Trade Committee interrogated the relationship between DBT and DEFRA to ascertain how different parts of government worked together in trade negotiations regarding sustainability, including the formation of an inter-ministerial group.[79] The EFRA Committee also undertook a wide-ranging review of public participation, internal government working especially in the context of negotiating FTAs, and external accountability, together with the impacts of UK FTAs on food and trade.[80] When these internal workings of government are not always publicly available through government department websites, this work provides an important transparency function.

The pressure on FTA scrutiny through CRAG and the parliamentary committees in relation to sustainability provisions is alleviated to some extent by the creation of the independent UK Trade and Sustainable Development Domestic Advisory Group (TSD DAG). The TSD DAG is composed of representatives of business, civil society and academia. Its range of activities include monitoring and discussing issues around UK trade and sustainability, civil society engagement and providing recommendations to the UK government on the implementation of the sustainable development, labour and environment chapters of the UK's non-EU FTAs. The TSD DAG was created in 2022 and renewed in 2025 (see also the discussion in Chapter 3). Since its inception, it has carried out numerous activities, including sub-committee discussions with UK trading partner governments outside the EU, held civil society forums and provided policy input on a range of issues.[81]

Key challenges raised by the TSD DAG, for example, include ensuring that appropriate pathways for TSD DAG input into ongoing implementation discussions in the CPTPP are created; that there needs to be improved communication between the DAG and DBT on implementation priorities; and concerns about TSD DAG resourcing to carry out these essential tasks.[82] Due to its role in providing further transparency around the relationship between sustainability and trade in the UK's non-EU FTAs, it is important that the TSD DAG remains adequately resourced going forward.

7.3.3 UK border measures governing trade and sustainability

The UK signalled its intention to introduce two key border measures designed to ensure the UK meets its international commitments under the UNFCCC Paris Climate Agreement and the Convention on Biological Diversity. These measures are the UK Carbon Border Adjustment Mechanism (CBAM) – a border tax aimed to price carbon leakage embodied in imported goods like steel and fertilisers;[83] and the UK Forest Risk Commodity Regulations – a restriction on the import and export of goods, like soya and cattle, linked to deforestation in key areas like the Amazon rainforest.[84] Both measures are yet to come into force.

7.3.3.1 Carbon Border Adjustment Mechanism

A Carbon Border Adjustment Mechanism or CBAM is a mechanism implemented by governments to avoid the risk of "carbon leakage". That is the concern that emissions-intensive production will move from the UK to other countries where emissions are less well regulated, meaning that global emissions would not fall (or may even rise) while leaving countries with more stringent emissions reduction schemes facing the costs of these without any of the benefits. The ultimate aim of the measures is to reduce greenhouse gas emissions and support global progress towards net zero while protecting UK firms' competitiveness.

Under the UK's CBAM, importers of certain carbon-intensive goods from countries with a lower or no carbon price will be required to pay on imports a levy reflecting the difference between the carbon price paid in the country of origin (if any) and the price that would be paid under the UK ETS. The CBAM would be levied on specific product groups, and certain types of direct and indirect emissions that arise from their production. The CBAM would also involve measures to remove the effects of domestic emissions pricing on UK exporters at the point of export. The specific mechanism for this "export leg" has not yet been decided.

The Government will implement the UK CBAM from 1 January 2027. It will initially cover iron and steel, aluminium, fertilisers, cement, ceramics, glass, and hydrogen – sectors identified as being at greatest risk of leakage due to their high emissions intensity and exposure in the UK market to international competition. The sectors within the initial scope of the UK's CBAM are the same as under the EU's CBAM. The UK CBAM will not apply to imports of electricity, as the UK only imports electricity from the EU and those imports are already covered by the EU's emissions trading scheme.[85] The CBAM charge will be calculated based on the embodied greenhouse gas emissions in the imported product, multiplied by the average UK ETS allowance price in the previous quarter. Importers will be required to report both direct and indirect emissions associated with the production of the imported goods. From this value, any explicit carbon price paid in the country of origin (such as a carbon tax or emissions trading cost) may be deducted.[86]

In May 2025 the UK and EU announced a plan to link their respective ETSs as part of the UK-EU TCA five-year review.[87] This will also serve to provide UK exporters with a de facto exemption from the EU's CBAM. This should allay concerns about firms' ability to meet the EU's bureaucratic requirements for CBAM compliance and address any problematic border issues.

The precise effects of CBAM on trade, economic activity and emissions are not yet known. Most existing estimates are based on simulation modelling of the EU CBAM and focus on measures dealing with imports (rather than the "export leg" of the CBAM). They suggest that the CBAM does lead to a reduction in global carbon emissions by reversing carbon leakage.[88] But that the overall effects are relatively limited. Simulation estimates also suggest that developing countries, which are typically more emissions intensive and/ or do not have formal emissions pricing mechanisms, are more exposed to the effects of the CBAM.[89] Moreover, because the CBAM is predicated on the price of ETS certificates, the actual duty faced by importers may fluctuate with emissions prices.[90] These fluctuations may be significant as a result of various exogenous shocks. This uncertainty adds to trade costs.

Results for the effects of the UK's CBAM are more limited. Work carried out for the UK Commission on Carbon Competitiveness shows that, as could be expected, imposing a CBAM increases domestic production of the covered sectors at the expense of imports, which would lead to a reduction in overall emissions. At the same time, the CBAM reduces exports in these sectors, because production for the domestic market is more profitable than exports, and also reduces exports in other sectors, notably services and motor vehicles. This is because the CBAM introduces a change in relative prices that shift resources away from other sectors, that are not within the CBAM's coverage, and also can increase the costs of inputs into these sectors (motor vehicles especially).[91] These results are in line with the standard results observed in the modelling of ad valorem tariff experiments, and reflect the fact that a tax on imports is a tax on exports. Aspects of the CBAM, therefore, may be in tension with some of the wider objectives of UK trade policy. As with the EU version, the UK CBAM is also likely to have disproportionate effects on developing country exports, which has prompted calls for exemptions to be given to at least the poorest of these.[92]

The WTO compatibility of the CBAM is not yet known. Various WTO members have expressed scepticism, if not hostility, to the CBAM. In May 2025, the Russian Federation initiated WTO dispute settlement proceedings against the EU, alleging that the CBAM violated, amongst other things, core WTO commitments on non-discrimination. Assessing whether or not the CBAM is WTO-compatible is outside the scope of this report. The central questions that arise are: (i) whether the CBAM can be treated like other border tax adjustments (such as those on indirect sales taxes) that have not been deemed to be in violation of WTO rules; (ii) and whether the CBAM can be characterised as a measure taken for legitimate public policy purposes as envisioned by GATT Article XX.

7.3.3.2 Deforestation regulations

The Forest Law Enforcement, Governance and Trade (FLEGT) initiative in the UK is a regulatory framework aimed at combating illegal logging and promoting sustainable forest management. Originally part of the European Union's FLEGT Action Plan launched in 2003, the UK has retained and adapted these regulations post-Brexit to align with its domestic legal framework.

Under the UK's FLEGT regulations, which came into effect on 1 January 2021, timber imports from countries that have entered into Voluntary Partnership Agreements (VPAs) with the UK must be accompanied by a FLEGT licence. These VPAs are bilateral agreements that establish a licensing system to verify the legality of timber exports. Partner countries commit to developing Timber Legality Assurance Systems (TLAS) to verify the legality of their timber from harvest to export. Once a VPA partner country has a fully operational TLAS, it can begin issuing FLEGT licenses. A FLEGT license is a document that confirms a shipment of timber has been legally produced according to the laws of the exporting country. To date, and to our knowledge, only one country (Indonesia), has entered into a VPA with the UK.

Timber shipments with a valid FLEGT license are automatically considered to meet the requirements of the UK Timber Regulation (UKTR) (which is the UK's equivalent of the EU Timber Regulation), which prohibit the placing of illegally harvested timber on the EU market and require operators to exercise due diligence in their supply chains). This means that UK importers of FLEGT-licensed timber do not need to conduct further due diligence to ensure its legality. This provides a "green lane" for legal timber from VPA countries.

DEFRA oversees the enforcement of FLEGT in the UK. DEFRA has appointed the UK's Office for Product Safety and Standards (OPSS) for enforcing the UKTR and the FLEGT regulations. They verify FLEGT licenses and can prevent the entry of unlicensed timber from VPA countries.

Schedule 17 of the UK's Environment Act 2021 establishes a legal framework to prevent the use of 'forest risk commodities' in UK commercial activities when those commodities are produced on land illegally occupied or used, to halt deforestation. This aligns with international pledges such as the COP26 Glasgow Leaders' Declaration.

A 'forest risk commodity' means a commodity specified in the regulations. The Secretary of State for the Environment, Food and Rural Affairs has indicated that initially, cattle products (excluding dairy), cocoa, palm oil and soy will be covered under these regulations. The regulations may apply only to a commodity that has been produced from a plant, animal or other living organism and only if the Secretary of State considers that forest is being or may be converted to agricultural use for the purposes of producing the commodity. Regulated persons using forest risk commodities in UK commercial activities will be subject to due diligence requirements, including setting up a due diligence system and submitting annual reports. The due diligence system established under Schedule 17 would prohibit the use of illegally produced commodities with reference to compliance with local laws. However, this approach is limited in scope, as it does not address commodities produced through deforestation that is lawful under local legislation.

Deforestation regulations provide an example of the use of regulatory requirements which define the conditions under which inputs into production processes are to be managed. With rising concerns regarding sustainability, future years may see increased interventions of this sort – for example, with regard organic agriculture, the sourcing of critical mineral inputs, or indeed plastic inputs, as with the Plastic and Packaging tax discussed earlier.

7.3.3.3 Border Target Operating Model

The Border Target Operating Model (BTOM) is the UK Government's framework for managing how goods enter Great Britain, with particular emphasis on compliance with safety, security and SPS controls. Since the UK's exit from the EU, the import regime for goods into Great Britain has undergone substantial reform. The Government has moved from a system of essentially free movement of goods from the EU to a differentiated risk-based model covering safety and security (for all imports) and SPS controls (for animals, plants and their products). Published in its final form in August 2023, the BTOM replaces and refines earlier border-control proposals.[93] The model introduces a risk-based approach, categorising food imports as low, medium, or high risk to determine the level of checks required and aims to use digitised systems (including the UK's Single Trade Window) with the aim of balancing efficient trade flows and protection.[94]

The new model also replaces the import checks with a targeted inspection regime. Under the BTOM, importers are required to classify their consignments into one of three risk categories – low, medium, or high, based on the type of goods, country of origin, and associated biosecurity risks. This classification determines the degree of scrutiny a product faces when entering Great Britain. Under this system, low-risk goods (for e.g., processed plant-based products) may be exempted from routine checks or eligible for reduced frequencies of inspection. In contrast, medium-risk goods, such as most fresh produce or dairy products, face periodic identity or documentary checks. For medium- and high-risk goods, importers must complete a series of new procedural steps that were not required under the EU single market regime.[95] These include obtaining an Export Health Certificate for products of animal origin or a Phytosanitary Certificate for plant and plant-based products.[96] These certificates must be issued by the exporting country's competent authority and accompany the goods to their designated Border Control Post (BCP).[97]

Importers are also required to pre-notify the UK authorities of incoming consignments through the Import of Products, Animals, Food and Feed System, a digital platform designed to centralise import data and facilitate risk targeting.[98] This pre-notification ensures that relevant border agencies, such as the Animal and Plant Health Agency and port health authorities, can prepare to conduct any required physical or documentary inspections.[99] The BTOM also simplifies these procedures compared to pre-existing non-EU rules by reducing the number of mandatory data fields from 37 to 20.[100] The stated intent is to streamline data submission and eventually integrate these processes into the UK Single Trade Window, a central digital portal that will allow traders to submit all import-related data once rather than multiple times across different systems.

Overall, the BTOM has formalised, digitised, and risk-classified the import process, moving away from undifferentiated EU-style free movement to a system with more checks, more paperwork, and more potential cost and delay for higher-risk goods. In practice, the new system's introduction has created considerable uncertainty for many businesses. This is particularly true for those importing perishable goods such as food, plants, seeds, or live animal products, who now face greater costs and longer delays than they had anticipated.[101] Further, food and drink export volumes from the UK declined significantly in recent years,[102] with the 2024 data showing volumes down 12.6% year-on-year.[103] There have been delays in introducing the BTOM itself[104] and operational challenges at the border persist with industry bodies reporting delays (often multiple hours or days) at BCPs, particularly for plants, seeds and live animal/plant product flows.[105] Significant financial and logistical issues have become major concerns, with businesses facing unpredictable inspection schedules, ambiguity over cost responsibilities, and new certification fees.[106] Industry bodies such as the British Chambers of Commerce and the Food and Drink Federation note that, while BTOM's simplifications are welcome, the cumulative effect of new documentary and inspection obligations has been to slow down clearance times and increase the administrative burden on importers.[107]

7.4 Conclusions and recommendations

The UK Government's commitment to address sustainability through its trade policy is highlighted throughout the trade corpus, and in the 2025 Industrial and Trade strategies. Precisely what is meant by the term "sustainability" in these documents is unclear, although successive governments make strong connections between the general idea of sustainability and economic growth. Throughout these strategy documents, there is little recognition of the complex trade-offs between the UK Government's core policy goals, objectives and priorities over time, nor how coordination between government departments might be managed.

There has been a strong commitment to embedding sustainability in trade policy instruments, like the UK's FTAs, with the UK pressing for obligations in some FTA environment chapters to be enforceable through formal dispute settlement mechanisms. The UK Government is increasingly recognising the critical role that trade policy instruments, like CBAM, can play in helping the UK meet its multilateral obligations under the Paris Climate Agreement to deliver net zero by 2050. How the Government intends to balance its desire to deliver sustainability through trade policy with the rising costs to business from the increase in government bureaucracy and documentation requirements and the potential adverse impact on economic growth is less clear. Whilst UK consumers may welcome the focus on sustainability, business may be less enthusiastic.

Recommendations

- The Government should ensure connection between the UK's multilateral leadership in trade policy and sustainability, for example, with regard to fossil fuels, and policy in and for the UK.
- Trade policy instruments, such as subsidies and border taxes, can be used effectively to address domestic policy goals related to sustainability, However, the Government should recognise that these measures should conform to WTO rules. The UK Government should recognise too that using trade policy instruments in this way can also increase costs to business, which in turn may adversely impact economic growth.
- An interdepartmental Committee or the Cabinet Office should be tasked with coordinating activity between government departments and managing trade-offs between competing goals, objectives and priorities in the relationship between trade policy and sustainability (as well as economic security and inclusiveness) to address such cohesion and coordination challenges.
- As also recommended elsewhere in this report, the Government should publish an annual report on UK trade policy. That report should include an explicit discussion of sustainability, 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.
- The Government should undertake an assessment of the cumulative impact of all the UK's FTAs on UK food standards, biodiversity and the environment. We also recommend that environmental impact assessment should be undertaken alongside the Department of Business and Trade Impact Assessments.
- Improve transparency and consultation processes with businesses and stakeholders on issues of sustainability. This should occur both with regard to the negotiation of trade agreements and in their subsequent operation, discussions of amendments and further provisions.
- Closely related, an evaluation of public preferences and values attached to trade and sustainability 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.
- Greater parliamentary scrutiny of FTAs and other trade agreements would be desirable. While extending the period of parliamentary scrutiny of FTAs under the CRAG from 10 days to 20 days is an improvement, this should also come with more detailed information regarding the Government's negotiating strategy.

References

1 Department for Business and Trade, *The UK's Trade Strategy* (Cm 1339, 2025) 7.

2 United Kingdom, 'Trade Policy Review Report' (WTO, 2 September 2025) WT/TPR/G/476.

3 See Figure 2.3 Trade Policy Priorities from the Citizen's Jury from Chapter 2 and Figure 2.3 Top 10 FTA Priorities in the PATT survey (2022 & 2025 average) for discussion on the net high priorities reported by citizens.

4 See Chapter 5 for a discussion of economic security.

5 UK Trade Strategy (n 1).

6 Department for Business and Trade, 'Critical imports and supply chains strategy' (January 2024) <https://www.gov.uk/government/publications/uk-critical-imports-and-supply-chains-strategy/critical-imports-and-supply-chains-strategy-html-version> accessed 5 November 2025.

7 Department for Business and Trade, *Advanced Manufacturing Plan* (2023) <https://assets.publishing.service.gov.uk/media/65788f51095987000d95df34/advanced-manufacturing-plan.pdf> accessed 5 November 2025.

8 Department for Levelling Up, Housing and Communities, *Levelling Up the United Kingdom* (White Paper, CP 604, 2022).

9 HM Government, *Integrated Review Refresh 2023: Responding to a more contested and volatile world* (CP 811, 2023); Foreign Commonwealth and Development Office, *The UK Government's Strategy for International Development* (August 2023) <https://www.gov.uk/government/publications/uk-governments-strategy-for-international-development/the-uk-governments-strategy-for-international-development> accessed 5 November 2025.

10 Department of Business, Energy and Industrial Strategy, *International Regulatory Cooperation Strategy*, (June 2022) 9 <https://assets.publishing.service.gov.uk/media/62bd83e2e90e075f26ca0487/international-regulatory-cooperation-irc-strategy.pdf> accessed 5 November 2025; HM Government, *Net Zero Strategy: Build Back Greener*, (October 2021) <https://assets.publishing.service.gov.uk/media/6194dfa4d3bf7f0555071b1b/net-zero-strategy-beis.pdf> accessed 5 November 2025.

11 UK Export Finance, *Climate Change Strategy 2021-2024*, (September 2021) <https://assets.publishing.service.gov.uk/media/6148b3ffe90e070438c9463d/UKEF_Climate_Change_Strategy_2021.pdf> accessed 5 November 2025.

12 Richard Cowell, "The Johnson Legacy: net zero and the Environment', *UK in a Changing Europe*, 24 August 2022, <https://ukandeu.ac.uk/the-johnson-legacy-net-zero-and-the-environment/> accessed 5 November 2025.

13 Becky Morton, 'Rishi Sunak: I care about reaching net zero carbon emissions' (BBC news, 2 August 2023) <https://www.bbc.co.uk/news/uk-politics-66382265> accessed 5 November 2025

14 UK Trade Strategy (n 1) 21.

15 Department for Business and Trade, *The UK's Modern Industrial Strategy* (CP 1337, 2025) 33.

16 UK Trade Strategy (n 1) 75.

17 UK Trade Strategy (n 1) 85.

18 UK Trade Strategy (n 1) 14 & 47.

19 E.g. Goal 8 (decent work and economic growth), Goal 13 (climate action), Gola 15 (life on the land), United Nations, *Transforming our World: the 2030 Agenda for Sustainable Development*, A/RES/70/1 (21 October 2015); On the different definitions of sustainability see Hopwood et al, 'Sustainable Development: mapping different approaches' (2005)13 *Sustainable Development* 38.

20 BEIS, *The Potential Impact of Artificial Intelligence on UK Employment and the Demand for Skills*, A report by PWC for BEIS, BEIS Research Report No.2021/042 (August 2021) 6.

21 See discussion of "other environmental goals" and the relative importance of those goals in Chapter 2.

22 United Nations, Paris Agreement to the United Nations Framework Convention on Climate Change (12 December 2015) TIAS No; 16-1104, (adoption, 29th January 2016).

23 UK Trade Strategy (n1) 21-22.

24 Mention of 'clean' and 'green' industries was also captured in our textual analysis of the trade corpus. The UK Export Strategy highlights the maritime, engineering, and technology sectors as areas offering significant potential to drive clean growth. The government has also recently released a Clean Growth Strategy further identifies the Power, Electric Vehicles and Professional and Financial Services as further opportunities to support clean growth.

25 UK Industrial Strategy (n 15).

26 Sunayana Sasmal, 'Between a rock and a hard place: critical minerals and export restrictions and WTO law after the Indonesia Dispute' (2025) 59(6) *Journal of World Trade* 951.

27 Nieto et al, 'Assessing the Energy and Socio-macroeconomic impacts of the EV transition: A UK case study 2020-2050' (2024) 370 *Applied Energy*, 123367, 10-11.

28 UK Trade Strategy (n 1) 85.

29 The UK's major initiative to support low-income countries and deliver on its commitments to the UN SDGs is the Developing Countries Trading Scheme (DCTS) is discussed in Chapter 3.

30 UK Trade Strategy (n 1) 89.

31 UK Trade Strategy (n 1) 93.

32 Department for Energy Security and Net Zero, *The UK's Modern Industrial Strategy: Clean Energy Industries Sector Plan* (23 June 2025) 8.

33 Department for Business and Trade, *The UK's Modern Industrial Strategy: Advanced Manufacturing Sector Plan* (August 2025) 5.

34 Environment, Food and Rural Affairs Committee, *Oral Evidence: UK trade policy: food and agriculture* (HC 2023–24, 162) Q277.

35 UK Trade Strategy (n 1) 85.

36 UK Climate Change Committee, *Progress in reducing emissions: 2025 report to Parliament* (25 June 2025) 10 <https://www.theccc.org.uk/publication/progress-in-reducing-emissions-2025-report-to-parliament/> accessed 5 November 2025.

37 House of Commons Library, 'What are carbon budgets?' (4 February 2025) <https://commonslibrary.parliament.uk/what-are-carbon-budgets/> accessed 5 November 2025.

38 Climate Change Committee (n 35) 10-11; See also HM Government Press Release from DESNZ, 'Government to unleash the North Sea's clean energy future' (5 March 2025) <https://www.gov.uk/government/news/government-to-unleash-the-north-seas-clean-energy-future#:~:text=UK%20government%20consults%20on%20plan,deliver%20the%20Plan%20for%20Change> accessed 5 November 2025.

39 Climate Change Committee (n 35) 11.

40 Convention on Biological Diversity (adopted 5 June 1992, entered into force 29 December 1993) 1760 UNTS 79.

41 *Cartagena Protocol on Biosafety to the Convention on Biological Diversity* (adopted 29 January 2000, entered into force 11 September 2003) 2226 UNTS 79, art 6.

42 Conference of the Parties to the Convention on Biological Diversity, 'Kunming-Montreal Global Biodiversity Framework' (Adopted 18 December 2022) UN Doc CBD/COP/15/L.25.

43 UK Joint Nature Conservation Committee (JNCC) on behalf of the Four Countries' Biodiversity Group (4BG), *UK Biodiversity Framework*, May 2024, superseding the previous framework which ran 2012-2019 https://jncc.gov.uk/our-work/uk-biodiversity-framework/

44 Climate Change Committee, *Progress in reducing emissions 2024 Report to Parliament* (July 2024) <https://www.theccc.org.uk/wp-content/uploads/2024/07/Progress-in-reducing-emissions-2024-Report-to-Parliament-Web.pdf> accessed 5 November 2025.

45 Science and Technology Select Committee, *Nature-based solutions: rhetoric or reality?* (HL 2021–22, 147) 3.

46 *Montreal Protocol on Substances that Deplete the Ozone Layer* (adopted 16 September 1987, entered into force 1 January 1989) 1522 UNTS 3.

47 UNGA Res 70/1, *Transforming our world: the 2030 Agenda for Sustainable Development* (25 September 2015) A/RES/70/1.

48 *Convention on International Trade in Endangered Species of Wild Fauna and Flora* (opened for signature 3 March 1973) 993 UNTS 243.

49 World Trade Organization, 'Plastics pollution and environmentally sustainable plastics trade' <https://www.wto.org/english/tratop_e/ppesp_e/ppesp_e.htm> accessed 5 November 2025. Note that the Agreement on Fisheries Subsidies entered into force on the 15 September 2025-the UK deposited its instrument of acceptance with the WTO on the 13 December 2023.

50 World Trade Organization, 'Fossil fuel subsidy reform' <https://www.wto.org/english/tratop_e/envir_e/fossil_fuel_e.htm> accessed 5 November 2025.

51 Global Justice Now, 'Fossil Fuel subsidies in the UK: who pays, who profits' (13 May 2025) <https://www.globaljustice.org.uk/wp-content/uploads/2025/05/FINAL-Who-Pays-Who-Profits-May.pdf> accessed 5 November 2025.

52 Trade Remedies Authority, 'AD0058- *Biodiesel from China*' (initiated 5 June 2024) <https://www.trade-remedies.service.gov.uk/public/case/AD0058/?cookie-policy-updated=1#public-file> accessed 5 November 2025

53 Department of International Trade, *Trade and Agriculture Commission: Advice to the Secretary of State for International Trade on the UK-Australia Free Trade Agreement* (CP633, 2022) 22.

54 Department for Energy Security and Net Zero, 'Industrial Energy Transformation Fund' (16 July 2019) <https://www.gov.uk/government/collections/industrial-energy-transformation-fund> accessed 5 November 2025.

55 UK Export Finance, 'Direct Lending Facility' <https://www.gov.uk/guidance/direct-lending-scheme> accessed 5 November 2025.

56 Department for Environment, Food and Rural Affairs, *The Path to Sustainable Farming: An Agricultural Transition Plan 2021 to 2024* (2020) <https://assets.publishing.service.gov.uk/media/60085334e90e073ec94cc80b/agricultural-transition-plan.pdf> accessed 5 November 2025, 16-19; Department for Environment, Food and Rural Affairs, Government Food Strategy (CP698, 2022), for England under the Conservative government only focused on flows of agrifood products.

57 UK Trade Strategy (n 1) 22 and 67-68.

58 UK Trade Strategy (n 1) 10.

59 At the conclusion of the Uruguay Round, members had agreed to initiate further negotiations under the General Agreement on Trade in Services (GATS) and under the Agreement on Agriculture, respectively, by 2000.

60 See in particular WTO, Council for Trade in Services in Special Session, JOB/SERV/299/Rev.4 Communication From Australia, Canada, The European Union, The Republic of Korea, Mexico, New Zealand, Norway, Switzerland and the United States, Exploratory Discussion in Market Access: Environmental Services. 21 July 2022

61 Defined as " A. Sewage services CPC 9401. B. Refuse disposal services CPC 9402. C. Sanitation services CPC 9403. D. Other (including, cleaning of exhaust gases CPC 9404, noise abatement services CPC 9405, nature and landscape protection services CPC 9406, other environmental protection services CPC 9409)."

62 International Agreements Committee, *Scrutiny of international agreements: UK-New Zealand free trade agreement* (HL Paper 86, 2022-23) 12.

63 Emily Lydgate & Alex Carson-Taylor, 'EU-UK SPS Agreement: The Perils and Possibilities of (re)alignment' (CITP Briefing Paper 17, 2024) <https://citp.ac.uk/publications/an-eu-uk-sps-agreement-the-perils-and-possibilities-of-realignment> accessed 5 November 2025.

64 Jun Du, Gregory Messenger and Oleksandr Shepotylo, 'Would a Veterinary agreement be a boost for UK-EU agrifood exports' (UK in a Changing Europe, 17 June 2024) <https://ukandeu.ac.uk/would-a-veterinary-agreement-be-a-boost-for-uk-eu-agri-food-exports/> accessed 5 November 2025.

65 Department of Business and Trade, *Trade and Agriculture Commission: Advice to the Secretary of State for Business and Trade on the UK's Accession to the CPTPP* (CP982, 2023) 21-23.

66 See introduction of the UK's Border Trade Operating Model (BTOM) which shifts to a risk-based approach for border checks. Cabinet Office, *The Border Trade Operating Model* (Cm 935, 2023).

67 E.g. Compassion in World Farming, Greener UK, RSPCA, Sustain, Which? and WWF, *Safeguarding the UK's food and farming standards in trade: lessons from the Australia Free Trade Agreement* (March 2022) <https://www.ciwf.org.uk/media/7450288/168678_lessons-learnt-from-australia-trade-deal-core-standards-ciwf-wwf-and-others-march-2022.pdf> accessed 5 November 2025; Environment, Food and Rural Affairs Committee (EFRA), Australia FTA: Food and Agriculture, (HC 2022-23, 23) 25-28.

68 UK Trade Strategy (n 1) 85.

69 WWF, 'Lack of Public Scrutiny Breaches Aarhus Convention Claim Coalition of NGOs' (Press Release, 30 May 2023) <https://www.wwf.org.uk/press-release/lack-public-scrutiny-breaching-convention#:~:text=The%20Aarhus%20Convention%20requires%20law,Parliament%20on%20the%20final%20deal> accessed 5 November 2025.

70 Philip Case, 'Charity criticises legal ruling on Australia trade challenge' *Farmers Weekly* (13 May 2025) <https://www.fwi.co.uk/news/charity-criticises-legal-ruling-on-australia-trade-challenge#:~:text=In%20a%20pivotal%20ruling%20on,primarily%20concerned%20with%20environmental%20protection.&text=Without%20the%20protection%20of%20the,Convention%20was%20meant%20to%20guarantee.%E2%80%9D> accessed 5 November 2025.

71 Helena Horton & Heather Stewart, 'Starmer asks Conservative peer to write planning bill to block judicial reviews' *The Guardian* (27 September 2025) <https://www.theguardian.com/politics/2025/sep/27/starmer-asks-conservative-peer-write-planning-bill-block-judicial-reviews> accessed 5 November 2025.

72 EFRA (n 77) 26.

73 Department of Business and Trade/Department of International Trade, *UK-Australia free trade agreement: the UK's strategic approach* (17 July 2020) <https://www.gov.uk/government/publications/uks-approach-to-negotiating-a-free-trade-agreement-with-australia/uk-australia-free-trade-agreement-the-uks-strategic-approach#aus-chapter-two> accessed 5 November 2025.

74 Department of International Trade, *UK Accession to CPTPP: the UK's Strategic Approach* (22 June 2021) ch 2 point 9.

75 International Trade Committee, *CPTPP: opportunities and challenges for the UK (HC 2022-23, 13) 20; see Department of International Trade, Impact Assessment of the Free Trade Agreement between the United Kingdom of Great Britain and Northern Ireland and Australia* (2021) 42.

76 UK Trade Strategy (n 1) 92, 88 & 94. Although the Government indicates in the trade strategy that it will be undertaking other sustainability assessments, including a review of responsible business conduct and effective policy making across government.

77 Holger Hestermeyer and Alex Horne, 'Treaty Scrutiny: The Role of Parliament in UK Trade Agreements' (CITP briefing Paper 9, 22 January 2024) <https://citp.ac.uk/publications/treaty-scrutiny-the-role-of-parliament-in-uk-trade-agreements> accessed 5 November 2025.

78 Business and Trade Committee, *Scrutiny of Free Trade Agreements* (HC 2022-23, 1719) 9.

79 International Trade Committee, *Oral Evidence: UK Trade Negotiations* (HC 2021-22, 127) Qs 241-244.

80 Environment, Food and Rural Affairs (EFRA) Committee, *UK Trade Policy: food and agriculture* (HC 2023-24, 162) Qs 268, 271, 276.

81 Department for Business and Trade, *Minutes of the first meeting between the renewed TSD DAG and DBT, 4 April 2025* (2025) <https://www.gov.uk/government/publications/trade-and-sustainable-development-domestic-advisory-group-tsd-dag-minutes-4-april-2025/minutes-of-the-first-meeting-between-the-renewed-tsd-dag-and-dbt-4-april-2025> accessed 5 November 2025.

82 Department of Business and Trade/Department of International Trade, *Minutes of the fourth meeting between the TSD DAG and DBT, September 2024* (15 May 2025) <https://www.gov.uk/government/publications/trade-and-sustainable-development-domestic-advisory-group-tsd-dag-meeting-agendas-and-minutes/minutes-of-the-fourth-meeting-between-the-tsd-dag-and-dbt-september-2024> accessed 5 November 2025.

83 UK Government, 'Factsheet: Carbon Border Adjustment Mechanism' <https://www.gov.uk/government/publications/factsheet-carbon-border-adjustment-mechanism-cbam/factsheet-carbon-border-adjustment-mechanism> accessed 5 November 2025

84 HC Deb, 12 December 2023, HCWS117.

85 Donghze Zhang and others, 'The UK CBAM journey: Assessing the Government's response to its consultation of March 2024' (CITP, 13 December 2024) <https://citp.ac.uk/publications/the-uk-cbam-journey> accessed 5 November 2025.

86 Strictly speaking, therefore, the CBAM does not adjust for differences in the stringency of emissions reductions targets, but more narrowly for differences in emissions prices. The distinction arises because countries may have emissions reduction targets without a formal emissions pricing mechanism. Carbon leakage is a function of differences in emissions targets. Emissions pricing gives rise to a particular sectoral distribution of costs, that differs from the sectoral effects that may arise if emissions reductions are pursued by other means (e.g. the use of direct subsidies).

87 Juan Fernando López Hernández, 'Linking the EU and UK emissions trading systems' (EPRS | European Parliamentary Research Service, PE 775.873, July 2025) <https://www.europarl.europa.eu/RegData/etudes/BRIE/2025/775873/EPRS_BRI(2025)775873_EN.pdf> accessed 5 November 2025.

88 See for example, OECD, 'What to expect from the EU Carbon Border Adjustment Mechanism' (OECD Policy Briefs No 15,2025) <https://doi.org/10.1787/719d2ff9-en> accessed 5 November 2025; United Nations Conference on Trade and Development, 'A European Union Carbon Border Adjustment Mechanism: Implications for developing countries' (UNCTAD/OSG/INF/2021/2, 2021) <https://unctad.org/system/files/official-document/osginf2021d2_en.pdf> accessed 5 November 2025.

89 UNCTAD (n 98); 'The EU's Carbon Border Adjustment Mechanism – policy issues and impacts' (Trade Knowledge Network, 26 September 2023) <https://www.trade-knowledge.net/commentary/the-eus-carbon-border-adjustment-mechanism-policy-issues-and-impacts/> accessed 5 November 2025.

90 The fluctuations reflect the fact that emissions trading schemes fix the quantity of emissions and allow the price to vary. By contrast, an emission tax fixes the price, and allows quantities of emissions to vary.

91 Frontier Economics, *UK Competitiveness and Carbon Pricing* (Commission for Carbon Competitiveness, 11 March 2024) <https://carboncommission.co.uk/wp-content/uploads/2024/03/Frontier-Economics-UK-competitiveness-and-carbon-pricing-FINAL.pdf> accessed 5 November 2025.

92 Sunayana Sasmal and others, 'Exempting Least Developed Countries from Border Carbon Adjustments: Simple Economically but Complex Legally' (2024) 23 World Trade Review 408.

93 *The Border Target Operating Model* (n 73).

94 ibid.

95 ibid.

96 ibid.

97 UK Government, 'Technical questions and answers about Sanitary and Phytosanitary Controls (SPS)' (GOV.UK) <https://www.gov.uk/government/publications/border-target-operating-model-information-leaflets-for-businesses/technical-questions-and-answers-about-sanitary-and-phytosanitary-controls-sps> accessed 29 October 2025.

98 UK Government, 'Import of products, animals, food and feed system (IPAFFS)' (GOV.UK) <https://www.gov.uk/guidance/import-of-products-animals-food-and-feed-system> accessed 29 October 2025.

99 *The Border Target Operating Model* (n 76).

100 ibid.

101 National Farmers' Union, 'NFU raises concerns over post-Brexit import controls' (NFUonline, 14 August 2024) <https://www.nfuonline.com/updates-and-information/nfu-raises-concerns-over-post-brexit-import-controls> accessed 29 October 2025.

102 Food & Drink International, 'UK food and drink exports continue to flatline, as new data shows opportunities to turn the tide' (Food & Drink International, 13 June 2025) <https://www.fdiforum.net/mag/supply-chain/uk-food-and-drink-exports-continue-to-flatline-as-new-data-shows-opportunities-to-turn-the-tide/> accessed 29 October 2025.

103 Food and Drink Federation, '2024 Trade Snapshot' (Food and Drink Federation, 2025) <https://www.fdf.org.uk/globalassets/resources/publications/reports/trade-reports/fdf-2024-trade-snapshot.pdf> accessed 29 October 2025.

104 National Pig Association, 'National Audit Office says new Government border regime has created uncertainty and increased risk' (NPA UK, 23 May 2024) <https://www.npa-uk.org.uk/National_Audit_Office_critices_Governments_over_border_control_failings.html> accessed 29 October 2025.

105 FPC Fresh Talk Daily, 'Post-Brexit Border Delays Threaten UK Salad Crop Supply for 2025, Industry Warns' (FPC Fresh Talk Daily, 12 December 2024) <https://www.fpcfreshtalkdaily.co.uk/post/post-brexit-border-delays-threaten-uk-salad-crop-supply-for-2025-industry-warns> accessed 29 October 2025.

106 Food and Drink Federation (n 113).

107 British Chambers of Commerce, 'The Trade and Cooperation Agreement Four Years On: A Manifesto to Reset UK-EU Trade' (2024) <https://www.britishchambers.org.uk/wp-content/uploads/2024/12/The-Trade-and-Cooperation-Agreement-Four-Years-On.pdf> accessed 29 October 2025.

Chapter 8: Trade employment and gender

Chapter overview

In this chapter, we examine how trade policy impacts two dimensions of inclusivity: employment and gender outcomes in the UK. We recognise that these are also closely related to other dimensions of inclusivity — such as impact on small and medium-sized enterprises and regional disparities — but those topics fall outside the scope of this report. We first consider the overall framing of trade and labour market outcomes, and trade and gender outcomes respectively, and then move on to a discussion of their inclusion and treatment in UK FTAs.

Key points

- Defining inclusiveness is inherently complex in countries with a diverse economic geography and political structure. However, as trade has distributional consequences, it is important to adopt an inclusive approach to analysing and reviewing trade policy.
- In the immediate post-Brexit period, the UK Government made a clear commitment to pursue 'inclusive trade' in strategy documents and ministerial speeches. Yet in terms of relative ranking of goals of trade policy in our trade corpus, inclusiveness does not have a high priority. Where inclusiveness is mentioned in the corpus it is 'jobs', 'migration', and 'labour rights' which emerge as the primary concerns.
- In government policy documents, support for employment / jobs is closely intertwined with support for businesses, notably with increasing exports. There are also commitments to upholding labour standards, including fair wages, safe working conditions, and gender equality. This alignment is largely aspirational, lacking in binding commitments or measurable labour-related performance indicators.
- In the UK, the share of female workers linked to exports is considerably lower than the share of males. This is particularly the case in manufacturing (22%), but it is also true in services (39%). Women-led firms are also under-represented in export markets; face disproportionately greater barriers in accessing trade finance; are disproportionately clustered in low- and medium-trade-intensity sectors; and unpaid care burdens continue to limit their mobility and flexibility.
- The UK addresses gender issues in part through a set of programmes and delivery tools to target women's participation in trade. These mainly target capacity building, trade promotion for women-led firms and women's participation in global value chains.
- The UK has been an active and prominent supporter of women and trade at the WTO. It has been a convenor of the informal Working Group on Trade and Gender, sent delegations to present national practices and commitments, and has recognised the need for evidence-based decision making and monitoring, thereby attempting to establish itself as a 'leader' to convene discussions around women in trade at the multilateral level.
- The UK's Free Trade Agreements also promote inclusiveness objectives through the inclusion of labour standards, labour rights, human rights and chapters on gender and women's economic empowerment. There is a large degree of commonality of issues across the agreements, relating to various aspects of labour rights and employment. These include fundamental rights at work, gender equality, modern slavery and mechanism for stakeholder input.
- Despite the UK's narrative of alignment between trade, labour and gender goals, with policy statements presenting trade as a route to better jobs and inclusive growth, there is limited evidence of a systematic framework to measure and ensure the outcomes of the various policy initiatives.
- Skills shortages limit the UK's trade ambitions and reduce the potential gains in productivity and competitiveness from new trade deals. The Government has taken some domestic measures to address this by creating new visa entryways to mitigate labour supply-side constraints.

8.1 Introduction

Inclusiveness in trade policy refers to understanding how trade policy instruments impact different constituents of a domestic and global economy. These constituents encompass a broad range of social, economic and spatial actors from gender, labour, SMEs, consumers to regions, =developing and least developed countries, the environment and international partners. Defining inclusiveness is inherently complex. This is primarily because the objective of inclusiveness is to avoid excluding any given interest group from consideration, and any 'list' inevitably does so. Inclusivity should not be understood as a fixed endpoint but should be understood as a form of engagement that evolves as social priorities, global conditions and institutional arrangements change. Inclusive policy involves taking into account the constituent parts of any given economy, engaging with those affected by policies in the formulation of policy, having an appropriate process for the scrutiny of policy, and evaluating ex post the impacts of the policy choices made.[1]

The need to examine trade policy through an inclusive lens comes from the recognition that trade has distributional consequences. In knowing how and where these consequences manifest, policymakers and businesses can respond proactively to the potential challenges faced by workers, industries, communities or other actors. Following the Brexit referendum, an early recognition of inclusive trade is found in a speech delivered by the then Secretary of State for International Trade, Liam Fox ,in 2018, in his statement to the Parliament, entitled *'creating a transparent and inclusive future trade policy'*.[2] The Levelling Up Agenda (2022) is yet another instance of the government's effort to link trade with issues of inclusiveness.[3] The strategy recognises that the benefits of international trade and investment need to extend beyond London and the Southeast to other parts of the UK in order to raise living standards.

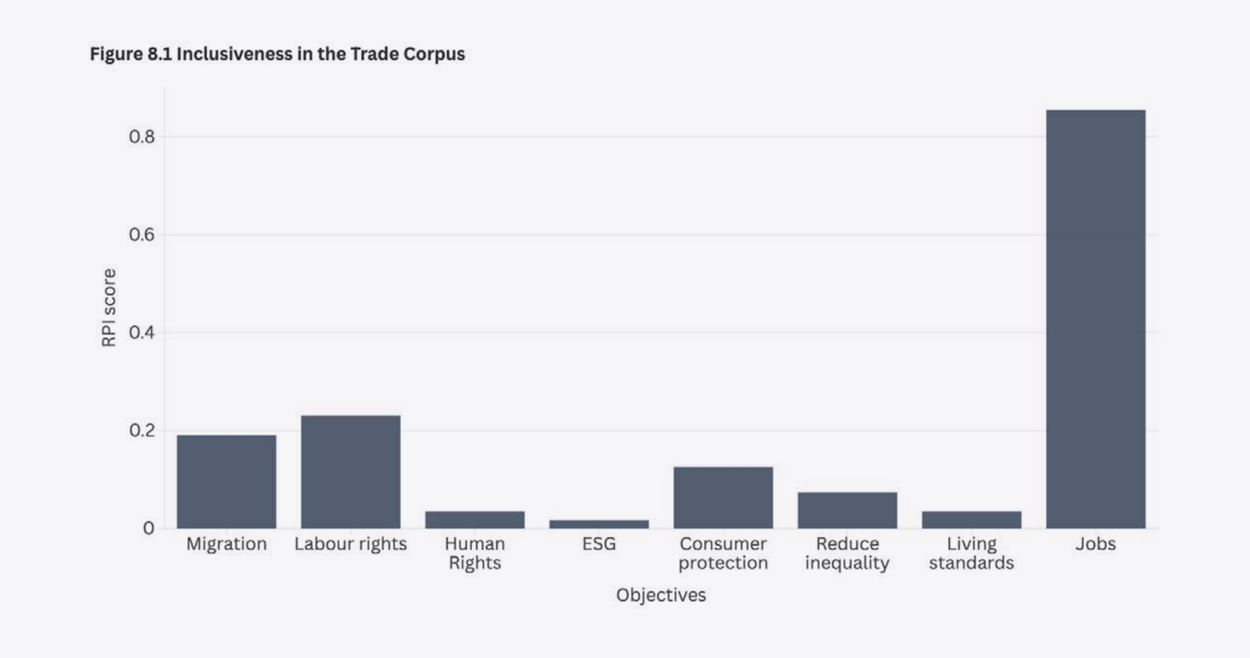
8.2 Employment, labour rights and trade policy

We saw from the discussion of the trade corpus in Chapter 2, that inclusiveness was seen as a lower priority in the trade corpus documents in comparison to growth, sustainability or economic security. In contrast, it was given considerably higher priority when considering public views. This was reflected in our Citizens' Jury, where a high weight was given to human rights and labour standard. A similar trend was also observed from the Government's PATT survey, where 'protecting existing jobs in the UK' was deemed the second-highest priority for the UK in negotiating free trade agreements, and 'creating jobs and higher wages across the UK' was the seventh-highest priority out of fifteen other objectives.

This is not to say that inclusiveness has not been considered important by successive governments. In the recent (September 2025) report by the UK Government, as part of the WTO trade policy review process, the UK has a chapter devoted to 'Sustainable and Inclusive Trade'. The discussion therein covers gender, SMEs and employment. From the trade corpus there are also several elements of inclusiveness which emerge. This can be seen in Figure 8.1 which shows that the predominant concern was regarding jobs, followed by labour rights and migration. Interestingly, gender and trade issues do not emerge from the corpus. The focus on jobs, is probably largely because government trade policy in the post-Brexit period frequently positioned itself as a tool to expand high-quality employment and increase national productivity. Indeed, across the strategy documents and official speeches, there is a commitment to aligning trade policy with labour-related objectives such as increasing the number of jobs and expanding employment opportunities.

This ambition was articulated in the Department for International Trade's Export Strategy: Supporting and Connecting Businesses to Grow on the World Stage (2018), which continued to guide thinking into the 2019–2021 period. The strategy emphasised that exporting firms tend to be more productive, pay higher wages, and create better-quality jobs. The Secretary of State for International Trade, Liam Fox, in launching the strategy, argued that *"exporters account for some 60% of our productivity growth"* and that firms engaging in international markets offer *"better-paid jobs and higher skills"*.[4] There is clear recognition across the trade corpus that the UK faces acute labour and skills shortages, particularly in high-growth sectors, and much emphasis is placed on creating new job opportunities, underpinned by the implicit logic that more economic growth equates to more jobs.

Figure 8.1: Inclusiveness in the trade corpus



Source: Own calculations using the trade corpus

The Trade Strategy (2025) includes provisions under "Standing up for labour rights," committing to support the lowest paid, improve working conditions, and seek good employment opportunities. It also promises to push for strong labour provisions in trade agreements and engage in multilateral forums (G7, G20, International Labour Organisation (ILO)) to raise labour standards. The strategy frames trade not just as growth or export expansion but also as a vehicle for inclusive growth. In contrast, while labour rights receive repeated mention, women and gender inequalities are often subsumed under broader equality or inclusion goals, rather than being treated as discrete policy goals.

The Industrial Strategy 2025 also aims to create more high-quality jobs and boost business investment by doubling investment in eight high-growth sectors, such as life sciences and advanced manufacturing by 2035, and uplift skills investment to support apprenticeships and technical colleges. In parallel, the Trade Strategy aims to create job opportunities in "crucial sectors such as car manufacturing" and ensure that opportunities produced are "well-paid" and "secure". However, in all this, there seems to be little acknowledgement of the fact that trade creates winners and losers and that government policy should aim to provide appropriate support for those that lost and may need to transition to other jobs.[5]

8.2.1 Government policy on trade and employment

In government policy documents, support for employment / jobs is very closely intertwined with support for businesses and, notably, exporters. The focus on exports under successive administrations has led to the provision of trade advisory services, funding for export promotion, and the identification of sector-specific trade opportunities. In practice, this has taken the form of regional export champions, trade missions, export finance support, and the reduction of non-tariff barriers through regulatory cooperation. These supply-side interventions aim to stimulate firm-level export activity, especially among SMEs, and to promote participation in global value chains. The assumption is that by increasing exports, firms will expand employment, enhance wages, and upgrade skill profiles.

The UK's evolving trade strategy has also increasingly incorporated themes of sustainability and responsible business conduct. In the Trade Strategy, the Government reiterates its commitment to ensuring that trade supports environmental sustainability, labour rights, and inclusive growth. The strategy includes commitments to uphold labour standards in line with OECD Guidelines for Multinational Enterprises, particularly in relation to corporate responsibility and human rights due diligence. Here, labour rights are situated within a broader framing of ethical trade and sustainability and the policy language signals a conceptual alignment with labour-related goals, including fair wages, safe working conditions, and gender equality. However, this alignment is largely aspirational, lacking in binding commitments or measurable labour-related performance indicators. The emphasis is on values-based trade, but concrete policy mechanisms such as employment impact assessments, sector-specific labour adaptation support, or targeted funding are missing or underdeveloped. There is also little direct engagement with the complexities of how trade policy affects labour markets across sectors and regions. While the Trade Strategy acknowledges the importance of good jobs and economic inclusion, it does not disaggregate labour impacts by geography, gender, or skill level, nor does it recognise and address potential negative shocks arising from trade liberalisation.

Labour productivity is often cited as a key determinant of export performance and international competitiveness has been largely stagnant in the UK over the past decade, as noted earlier in Chapter 1 of this report. UK output per hour grew by just 0.4% annually between 2008 and 2023, compared to pre-financial crisis growth of approximately 1.9%.[6] Though trade policy seeks to reverse this trend by exposing firms to larger markets and incentivising investment, this mechanism is only effective if firms have access to the human capital necessary to upgrade processes and products.

Firms require a workforce with the appropriate skills and the technical and managerial capabilities to innovate, adopt new technologies, and improve production processes. Indeed, both human capital (skills) and physical capital (plants, machinery, equipment) are necessary for productivity growth. The importance of an appropriate skills base was clearly addressed in the Industrial Strategy with a detailed discussion of a number of interventions focusing on the UK skill base.[7] These range from investing in appropriate skills-focused higher education programmes, programmes for lifelong learning and reskilling, and some discussion of appropriate migration policies, There are proposals for sectoral strategies, with a focus on the IS-8, and specifically on high-technology sectors, construction, defence, and engineering.

Addressing skills in the Industrial Strategy is to be welcomed, and the interventions proposed are sensible and represent a targeted focus. However, there are two caveats. The success of such interventions will depend on the level of (new) resources invested in these programmes. On this, there is little information and there is clearly the risk that while the intentions and focus may be sensible, there will be issues of implementation and a lack of proper resourcing. That can only be judged after the event which in turn requires monitoring and evaluation of the skills-focused policies. The strategy does call for monitoring and evaluation by the Industrial Strategy Advisory Council. It is hoped that this includes the skill-based policy interventions. The second caveat is that there does not appear to be much connection with the Trade Strategy, such as addressing skills shortages particularly in sectors like agri-food, creative industries, and logistics. Evidence suggests that firms in these sectors, as well as other sectors, have faced considerable challenges in sourcing skilled labour following post-Brexit changes to immigration policy and the end of free movement with the EU.[8] The rise of both servitisation and servicification (see also the discussion in Chapter 1), raises the importance of not simply of labour migration, but the movement of workers for business purposes, and the mutual recognition of professional qualifications which get scant attention in the Industrial Strategy.

8.3 Trade and gender

To understand how UK trade policy intersects with gender, it is first necessary to understand how women's participation in trade (as workers, business owners, exporters, or within value chains) differs from that of men, and how structural constraints shape these differences.

In the UK, women-led firms are under-represented in export markets;[9] face disproportionately greater barriers in accessing trade finance; are disproportionately clustered in low- and medium-trade-intensity sectors; and unpaid care burdens continue to limit their mobility and flexibility.

Women's participation in trade-related activities in the UK remains markedly constrained relative to men's. According to OECD estimates, in 2020–2021, women occupied about 41% of "trade-supported jobs" in the UK, that is, estimates of employment sustained by exporting activities. More recent data from our Jobs in Trade data set (see also the discussion in Chapter 1) suggests that the share of female versus male workers in exporting firms was 22% in manufacturing and 39% in services. Evidence from Scotland suggests that women in trade-related roles on average earned nearly 20% more than in non–trade-supported jobs (though this differential may be driven by the sectoral composition of traded and non-traded sectors).[10] In 2023, just 15% of SMEs in the UK were women-led, while 44% were men-led (i.e. the remainder were mixed or other structures).[11]

Among women-led firms, the share of businesses exporting is lower. Evidence from Scotland shows that male-led SMEs are 2% to 9% more likely to export compared to female-led ones; the output growth consequent to entering export markets also tends to be smaller than for male-led counterparts.[12] The same study estimates that equalising export participation rates could generate an additional £3.4 billion to £10.3 billion in turnover over two years in Scotland alone, suggesting untapped potential linked to gender under-participation.[13]

Underlying these disparities are structural barriers in access to finance and credit, capacity-building, networks, and norms around care work. The Alison Rose Review of Female Entrepreneurship (2019) found that women, on average, start with about 50% less capital than men, face greater difficulty in securing finance or equity, express greater fear of going it alone, and bear 60% more childcare responsibilities.[14] The government's response to the report committed to initiatives such as the "Investing in Women" code and expansion of mentorship and networks.[15] That differential in starting capital and financing access is not trivial when entry into export markets typically requires upfront investment in compliance, logistics, certification, marketing, and credit to bridge payables. Because women frequently have less collateral, more fragmented credit history, and less ownership of tangible assets, they may find accessing trade-related credit and insurance more difficult relative to male entrepreneurs.[16]

This gap in access to financial instruments intersects with a weaker presence in or exclusion from business and export networks. Women entrepreneurs are less likely to belong to dense trade networks, have fewer trade contacts, and may have weaker market intelligence, particularly in foreign markets. The literature underscores that relational capital and networking are critical for firms to identify overseas opportunities, adapt products to foreign standards, and navigate logistics and regulatory hurdles.[17] While both men and women engage in unpaid domestic and care responsibilities, women continue to carry a disproportionate share – limiting their ability to travel, to participate in trade missions, to attend international fairs, or to devote time to scaling export logistics or certification processes. The UK Women's Budget Group, in their 2019 "Gender and Trade" brief, argued that trade policy tends to treat labour as a fungible resource and ignores the differentiated time budgets of men and women, which can exacerbate gender inequality. Thus, even if market access is symmetric, women may be less able to capitalise on those opportunities due to time poverty.

From a normative standpoint, these disparities represent missed economic and equity opportunities. If trade policy fails to engage with gendered constraints, it may exacerbate inequality and underutilise potential.

Empirical data on women's access to export finance and trade-specific credit in the UK is thin. UK Government materials suggest that DBT and UK Export Finance are engaged in programmes that are inclusive to women (for instance, offering trade-credit instruments for all firms), but they do not routinely publish gender-disaggregated data on uptake or outcomes.[18] Similarly, the "Improve Gender Diversity When Trading with the UK" guidance mentions support for African businesses that commit to women's economic empowerment but does not provide systematic evidence of UK women's participation in export finance schemes.[19] This underscores a key challenge: the lack of transparent metrics means that evaluation of whether women are benefiting proportionally from trade-oriented finance or insurance is limited.

The gap in actionable data is, itself, part of the problem. Without reliable, sex-disaggregated data on exporters, credit uptake, and outcomes, trade policymakers cannot design or adjust targeted interventions. Numerous gender-trade analyses underscore that gender chapters in trade agreements or gender-sensitive trade policies must be paired with robust gendered data collection and monitoring mechanisms.[20] The UK's own commitment to maintain gender-sensitive metric collection in future trade agreements is sometimes included in clause language as a "should" rather than a binding "shall" (e.g. in the UK-India CETA) reflecting caution in operational commitment.[21]

8.3.1 Government policy on trade and gender

In the UK's Trade Strategy, as well as the Industrial Strategy, gender issues are not identified as a stand-alone objectives and indeed gender is scarcely mentioned except for in the context of developing countries.[22] These are interesting and perhaps telling omissions. Nevertheless, this does not mean the Government does not recognise the issue. Indeed, the "Portal for Women in Trade" allows individuals to report perceived trade barriers due to gender (e.g. financial barriers, unfair regulatory or customs treatment, digital or technology barriers, or exclusion from networks). Such a mechanism may serve both as an objective (to collect data and understand obstacles) and as a potential lever for identifying policy adjustments.[23]

Complementary to this, the UK has developed a set of programmes and delivery tools that target women's participation in entrepreneurship, as well as their participation in trade. With regard to the former, the UK launched the Investing in Women Code in 2019, with the aim of "improving female entrepreneurs' access to tools, resources and finance from the financial services sectors".[24]

With regard to the latter, programmes range from targeted capacity building and trade promotion for women-led firms to broader initiatives in development cooperation where the UK seeks to promote women's participation in global value chains in partner countries.[25] Government portals provide guidance and programmes, such as tailored trade missions, women-focused trade-promotion events, SheTrades Commonwealth+ and FCDO-supported supplier development programmes that include gender components. In addition, the UK Government and Devolved Administrations have trialled targeted export training and mentorship (e.g., pilot programmes and "export academies" that explicitly invite women entrepreneurs), recognising that information, networks, and capability constraints are among the main barriers to export entry for women-led SMEs. Where programmes exist, they typically adopt a "market facilitation" model training, mentoring, B2B matchmaking, export readiness modules and sometimes subsidised attendance at trade fairs rather than transformative financial engineering (e.g., gender-sensitive lines of credit or trade-finance quotas).

On the international stage, in a speech delivered on 8 July 2020, Julian Braithwaite, the UK Ambassador to the WTO and UN in Geneva, explicitly connected future trade agreements with provisions to advance women's economic empowerment. In the same speech, he pledged that the UK would support the creation of an Informal Working Group on Women's Economic Empowerment at the WTO, underscoring that gender equality in trade is not to be a peripheral concern but one subject to institutional multilateral work.[26]

Indeed, a distinctive strand of UK activity has been multilateral leadership principally via the WTO's women and trade agenda. The UK has acted as a convener and a contributor to the WTO Informal Working Group on Trade and Gender, and UK delegations have presented national practices and commitments in WTO gender seminars and at the World Trade Congress.[27] The UK Government's WTO presentation on gender shows that it recognises that only around 3% of UK equity investment goes to all-women founder teams, emphasises that trade policy should *"leverage trade policy to promote gender equality and empower women economically,"* and calls for evidence-based decision-making and monitoring.[28]

UK engagement at the WTO is twofold in its ambition: (a) to push for better data and analysis at the multilateral level (recognising that good policy requires gender disaggregated trade statistics); and (b) to promote the mainstreaming of gender into trade policy instruments across member countries. On data, the UK has advocated for improved measurement (exporter registries, disaggregated firm-level data, and inclusion of gender questions in business surveys) to make gendered trade impacts visible.[29] The UK is also a contributor to the WTO's database on gender-responsive trade agreements, indicating awareness and positioning within multilateral trends. While the WTO platform has generated useful research syntheses and increased political salience of the women and trade agenda, translating these into compulsory reporting obligations or a binding multilateral standard has not been forthcoming. The UK's multilateral strategy therefore looks to promoting values and shared expectations related to gender rather than hard multilateral legal obligations. This is consistent with the broader international politics of the WTO and the limited appetite among many members for legal obligations tied to gender.[30]

UK trade diplomacy often refers to women's economic empowerment in the context of global development and aid-linked trade programmes (e.g. to "Improve gender diversity when trading with the UK," which links UK trade policy to support for women in developing country supply chains).[31] This dual posture (domestic trade agreements plus globally framed gender/trade aid) suggests the UK is attempting to balance its domestic and development-facing gender commitments within its trade diplomacy.

In the International Development Strategy published in 2022, women and girls are one of the stated priorities. However, critics noted that the strategy has little detail on how the trade and investment agenda will contribute to tackling gender inequality. The lack of specificity in the trade dimension of investment/trade in that document perhaps suggests that while gender was recognised as a priority, the translation into trade policy (export promotion, trade finance, trade treaties) was underdeveloped at that stage.[32]

In sum, gendered constraints in finance, networks, time use, and sectoral placement systematically impede women's participation in UK trade. These constraints manifest in fewer women-led exporters and underutilised potential for inclusive growth. The absence of gender-disaggregated trade data further hampers visibility and policy responsiveness. For policymakers and business stakeholders, the concern is economic opportunity. Each percentage of improved gender parity in trade could leverage growth, innovation, and resilience in UK exports. But realising that requires trade policy to consciously engage with gendered structural constraints rather than assuming a neutral baseline.

The UK's commitments and actions at the global level appear to be somewhat different to its statements and actions at the domestic level. For example, in its FTAs with Australia, New Zealand and now India, chapters on trade and gender commit parties to analyse and collect sex-disaggregated data and adopt a gendered analysis to trade policy. However, neither the Trade Strategy nor subsequent government-supported initiatives to have reflected this commitment. If the collection and dissemination of sex and gender-disaggregated data were to be made public, it would enable greater transparency and allow researchers and policymakers alike to adopt a nuanced approach to understanding how women and individuals of other genders are differentially affected by trade policies.[33]

8.4 Inclusiveness in free trade agreements

8.4.1 Labour provisions

In addition to promoting employment through the promotion of exports, the other main policy area relating to jobs is the increasing inclusion of labour standards and labour rights in modern free trade agreements. As discussed in Chapter 3, the UK also has an informal consultative group, the Trade and Labour Forum, where civil society can engage with the UK Government in discussions on labour provisions in trade agreements.

Labour standards and labour rights are included in the seven new FTAs the UK has signed since Brexit. These provisions are typically concerned with labour standards and human rights, but they also ensure that neither party uses changes in labour rights as a means for gaining competitive advantage. In some cases, there are explicit chapters dealing with labour, in other cases, it is discussed within other chapters. Across the FTAs, while there is some variation in the nature of the obligations (see Table 8.1), overall, there is commonality with most of the types of issues concerning labour rights included in most of the agreements.

Table 8.1: Comparison of labour provisions in UK FTAs

Provisions	Australia	New Zealand	EU	EEA-EFTA	India	CPTPP	Japan
Right to regulate	✓	✓	✓	✓	✓		✓
Commitment to ILO Declaration*	✓	✓	✓	✓	✓	✓	✓
Forced labour & child labour**					✓	✓	
Non-discrimination/ Gender equality in workplace	✓	✓		✓	✓		
Promote decent work		✓	✓	✓	✓		✓
Modern slavery	✓	✓					
Non derogation	✓	✓	✓	✓	✓	✓	✓
Corporate Social Responsibility	✓	✓	✓	✓	✓	✓	
Consultation	✓	✓	✓	✓	✓	✓	✓
Promoting public awareness	✓	✓	✓	✓	✓	✓	
Commitment to cooperate	✓	✓	✓	✓	✓	✓	✓
Sub-committee/Council	✓*	✓	✓	✓	✓*	✓	✓
Dispute resolution	✓	✓	✓	✓		✓	✓

Source: Labour related provisions identified from the text of the treaty

Notes:
**International Labour Organization Declaration on Fundamental Principles & Rights at Work & its Follow-up, 1998*
✓ - Committee/Subcommittee only consider matters of cooperation.*
*** Only CPTPP and India agreements have a standalone provision. However, the prohibition of forced labour and child labour is also already covered under ILO declaration and modern slavery provisions for the other agreements, as captured in other rows of this table.*

For example, the Australia-UK FTA (2021) includes a chapter on labour (Chapter 21), which contains provisions that relate to maintaining high labour standards. The chapter commits both nations to maintain high levels of labour protection in law and practice, consistent with their international obligations, and to not weaken or reduce such protections in a manner affecting trade or investment.[34] It also reaffirms their commitment to internationally recognised labour rights, including the elimination of forced labour, child labour, and discrimination in respect of employment and occupation, as well as the promotion of responsible business conduct.[35] The chapter also includes protections against gender discrimination in employment.[36] In addition, there is a separate chapter on Trade and Gender Equality (Chapter 24), with objectives that include ensuring women as business owners, entrepreneurs, and workers can fully benefit from the FTA, and that gender perspectives are incorporated in trade and investment relations.[37]

The UK-New Zealand FTA (2022) contains a chapter on labour (Chapter 23), which commits to international labour standards and to not derogate from these to encourage trade and investment.[38] It includes provisions for the effective enforcement of labour laws while preserving the right to regulate. The text also addresses gender equality in trade and the workplace, tackling modern slavery in supply chains, promoting quality employment and decent working conditions and mechanisms for stakeholder participation in implementation. All the provisions in the chapter on Trade and Labour are binding and subject to dispute settlement. According to the "inclusive trade explainer" published alongside the agreement, labour protections are a standalone chapter, demonstrating the UK's and New Zealand's shared commitment to maintain high labour standards.[40] The agreement contains a specific non-derogation clause, prohibiting either country from reducing labour standards to attract investment or trade, obligations to enforce domestic labour law, and mechanisms for domestic stakeholders to provide input on implementation.[41]

The UK formally acceded to the CPTPP in July 2023. The CPTPP includes a chapter on labour (Chapter 19) with binding obligations requiring parties to maintain statutes and regulations governing acceptable labour standards, respect for the ILO Declaration on Fundamental Principles and Rights at Work, and obligations concerning minimum wages, working hours, occupational safety and health.[42] The UK's accession protocol highlights that the labour chapter is not expected to require changes in UK labour law (i.e. that current laws are deemed sufficient to meet the standards), but that accession will bind the UK to continue enforcing, not weakening, labour protections, and to engage in cooperation and dialogue with other parties on labour issues.[43]

A few common features observed across the UK's FTAs:

- Fundamental rights at work (as defined by ILO conventions) are invoked explicitly in all agreements. The UK has already ratified ILO fundamental conventions, so this serves as confirmation and a legal constraint going forward.
- Gender equality, modern slavery, and supply chain obligations have increasingly become standard features. All agreements embed non-discrimination, gender equality, modern slavery prevention, and corporate social responsibility to some degree.
- Each agreement includes some mechanism for stakeholder input (public submissions, consultations), cooperation committees, and some form of dispute settlement (though with varying strength).
- None of the FTAs reviewed impose legal obligations to produce specific labour outcomes (e.g. increasing employment in sectors, wage growth, contract security, reducing gender wage gaps). While job quality is mentioned, it is not quantified or tied to trade liberalisation metrics.

Terms such as "acceptable conditions of work," "decent working conditions," "effective enforcement," and "non-derogation" are legally vague. This vagueness allows flexibility, but also for differing interpretations. For coherence, policymakers would need clarity on how these will be operationalised via regulatory bodies, oversight, inspections, or in labour court jurisprudence.

As seen in Chapter 1, there are a large number of jobs associated with trade, and thus changes in trade are likely to have different impacts on workers, be this across sectors, regions, or by worker type, e.g. by gender. The government impact assessments also consider the impact on employment across sectors and regions. Perhaps not surprisingly, these employment effects align closely with the impact on net trade across sectors. Hence, for example, the UK–Australia FTA Impact Assessment predicted that gains are likely in services (wholesale and retail; business services; public services) and in advanced manufacturing (machinery, motor vehicles) driven by tariff cuts, regulatory liberalisation and competitiveness. It also foresees losses (or contraction relative to baseline) in some sectors: agriculture, semi-processed foods, fishing and forestry. The impact assessment also includes estimates for employment by region and for "protected characteristics" (gender, ethnicity, persons with disabilities).[44]

Based largely on the predictive (ex ante) evidence in the government's impact assessments, we can draw several observations about how labour provisions in trade agreements may address UK labour objectives, for example, with regard to job creation, job quality, or protection of vulnerable workers.

- The FTAs with Australia and New Zealand are predicted to generate an increase in exports and hence employment growth, especially in services and advanced manufacturing sectors, which tend to have relatively higher wages. As these sectors expand, there may be scope for job creation in areas aligned with UK high-value sectors. This suggests some coherence: trade policy seems able to support job creation in sectors that already align with the UK's labour strategy (high-skill, high-productivity jobs).

- The demographic and regional breakdowns in ex ante impact assessments (for example, from the Australia assessment) show that job gains are likely to be regionally dispersed, with some regions (West Midlands, North East, North West, and the South East) potentially benefiting more in terms of value, though not always evenly in employment counts. This has implications for aligning trade policy with regional "levelling up" goals.

- Some of the ex ante impact assessments predict small positive overall wage effects, but are modest in percentage terms and tend to be model-sensitive.

- Some of the impact assessments include impacts by worker characteristics, but often with limited precision or robustness. For example, although the UK-Australia FTA impact assessment estimates employment share among people with protected characteristics in affected sectors, whether their wages, job stability or quality differ, is not assessed.

There is limited evidence on the subsequent impact of trade agreements on employment outcomes. As discussed in Chapter 1, there is some evidence from the UK-EU TCA that raising trade barriers has negatively impacted those UK firms more exposed to trade with the EU by reducing their employment levels following the 2016 referendum, such that by 2022, exporters had reduced employment by 13% and importers by 10%. However, at the time of writing, there is no publicly available evidence that measures ex post how labour provisions in, say, the Australia-UK or New Zealand-UK FTAs, which have liberalised trade, have changed employment outcomes, be this overall, in specific sectors or across regions. This includes employment growth, wage progression, job security and contract types attributed to the labour chapters in those FTAs. The lack of ex post studies is driven by both methodological and practical challenges.

- Many trade agreements have only recently entered into force; measurable labour effects (on employment levels, wages, contract forms) often take several years to materialise. This delay limits ex post evaluation to the near term.

- Sectoral employment data is often not fine-grained enough to isolate the parts of a sector affected by the trade agreement versus those that are not. Further disaggregation (by firm size, region, worker demographics) is often missing.

- Trade agreements interact with immigration law, labour regulation, skill-formation policy, and domestic investment. Measuring the isolated effect of the FTA's labour provisions (e.g. non-derogation, forced labour clauses) is challenging because many effects are mediated via broader economic and regulatory policy.

8.4.2 Gender provisions

The UK Government has negotiated several trade and gender equality or women's economic empowerment chapters or provisions in recent FTAs (see Table 8.2). Alongside standalone chapters, and from the UK's business guidance pages, the UK *"seeks to integrate women's economic empowerment through mainstreaming gender provisions across our free trade agreements in chapters where there are known impacts or barriers for women in trade."*[45] This indicates that gender is meant to be an overlay in trade rules and integral to trade agreements rather than a disconnected issue.

According to the UK's "How the UK is Advancing Gender Equality through Trade" portal, the UK has successfully included trade and gender equality chapters with Australia, New Zealand, India and a 'women's economic empowerment in trade chapter' in the UK-Japan CEPA.[46] In addition, the UK–EEA EFTA agreement contains gender-related articles within a broader Sustainable Development Chapter.

The UK–Australia FTA contains a specific chapter on Trade and Gender Equality that acknowledges the importance of advancing gender equality for inclusive growth and sets out cooperation commitments to support women workers and entrepreneurs (e.g. joint activities, information sharing, and capacity building) rather than strict enforceable obligations. The UK–New Zealand FTA and the UK–Japan CEPA likewise include gender-sensitive language (mainstreamed provisions and a women's economic empowerment chapter, respectively). These inclusions are noteworthy for diplomatic signalling: they change the rhetorical baseline of UK FTAs and provide institutional entry points (e.g., joint working groups, cooperation projects) that can be used for downstream programming. However, the legal character is consistently softer than market-access commitments.

Most obligations take the form of cooperation, encouragement, and information-sharing rather than binding rights or enforceable remedies.

Most of the agreements do not specifically address and contain gender focused policies with regard export facilitation, credit access, women-specific logistical support, or dismantling barriers tied to time use or care burdens. The UK–India agreement, while referring to such obstacles, fails to implement mechanisms to address them. Typically, the provisions on gender in the FTAs lean heavily on economic empowerment and non-discrimination rhetoric but shy away from the binding regulatory or financial instruments that could counter structural disadvantages (for example, trade facilitation waiver for women-led firms, gender-differentiated trade finance quotas, or subsidised compliance assistance).

In many cases, gender provisions lack monitoring, reporting, or penalty mechanisms.[47] Even when joint working groups are mandated (Table 8.2), there is little clarity about the resourcing, timeline, or independent oversight. Without periodic review and accountability, such provision risk being window dressing rather than operational levers. For example, the Overseas Development Institute (ODI) has criticised the UK–India chapter for the absence of a requirement that the Trade and Gender Equality Working Group include women or civil society members, nor robust metrics for measuring progress. [48]

Table 8.2: Gender Provisions in the UK's FTAs

Provisions	Australia	New Zealand	EU	EEA-EFTA	India	CPTPP	Japan
Women's economic empowerment, gender equality	✓	✓	✓		✓	✓	✓
Implementing and enforcing domestic laws	✓	✓			✓		
Recognition of SDG Goal 5	✓			✓	✓		
Recognising other International Commitments	✓			✓	✓		
Analysis of sex or gender disaggregated data	✓			✓	✓		
Reference to WTO Joint Ministerial Declaration	✓	✓		✓			✓
Digital Inclusion	✓	✓			✓		
Access to Finance	✓			✓	✓	✓	✓
Support for women entrepreneurs and women-led SMEs	✓	✓		✓	✓		✓
Consultation Pathways	✓	✓			✓		✓
Public awareness of gender equality laws	✓						
Commitment to cooperate and undertake activities aimed at promoting cooperation	✓	✓		✓	✓	✓	✓
Implementation Committee	✓				✓		✓
Dispute Settlement							

Source: Gender related provisions identified from the text of the treaty

8.5 Policy coherence

Despite a broad narrative of alignment between trade and, primarily, exports and labour or gender goals, there are several inconsistencies and gaps. While the policy statements present trade as a route to better jobs and inclusive growth, there is limited evidence of a systematic framework to measure or ensure these outcomes, and no assessment of the policies aimed at impacting such outcomes. Most notably, the UK lacks a set of employment-related performance indicators whose mention was absent from our trade corpus and the government's Trade Strategy.

The political economy of trade liberalisation introduces inherent trade-offs. While reduced trade barriers can increase efficiency and consumer welfare, they may also exacerbate inequalities, erode bargaining power, gender composition of the workforce or lead to offshoring in certain industries with consequences for levels of employment in those industries. One illustration of this is the UK's trade deal with the EU (the TCA). Post-Brexit, new frictions in goods trade were introduced and, as discussed in Chapter 1, impacted negatively UK imports and exports of goods and services – and thus jobs. Indeed, the figures in Chapter 1 reveal a decline in employment among exporting firms in manufacturing by nearly 50,000 jobs and only a modest rise in services exporting firms.[49] This comes in comparison to a much larger rise in services employment in non-exporting sectors.

Effects from increased trade barriers are likely to be more pronounced on another dimension of inclusivity relating to SMEs. Hence, the impact of Brexit was particularly felt by small exporters and labour-intensive sectors such as fisheries, agriculture, and manufacturing, where the employment decline was higher than in other sectors such as services.[50] A survey by the BCC (British Chambers of Commerce) indicates that for many small firms, customs and regulatory overheads introduced by the TCA (or in adapting to EU regulation divergence) have increased costs, delays, and uncertainty.[51] For smaller exporters, these fixed costs are disproportionately burdensome relative to firm size. Yet the Trade Strategy neither subsequent government policy documents explicitly models or projects these job losses by firm size or region, nor do they commit to labour adjustment measures in sectors heavily impacted. Most of the discussion around SMEs, though necessary, has been limited to reducing barriers to access to international markets and guidance for exporting. Discussion around providing training and upskilling SMEs designed for the export market is absent from both the trade and industrial strategies.

The intention here is not to criticise the negotiation process or outcomes of the agreement but to highlight a real-world example of the trade-offs that accompany changes in trade policy. Such outcomes are to some extent unavoidable – indeed, the purpose of trade policy is to change outcomes – the inevitable concurrent negative consequences can be managed through timely acknowledgment and appropriate mitigating measures.

In this context, government policy has largely focused on facilitating new trade opportunities rather than mitigating these sector-specific employment risks in the **same space as** trade policy. The result is a disjointed approach in which trade policy advances in some isolation from domestic policies that might address the social or economic adjustment costs. It is important to emphasise that addressing sector-specific employment risks is traditionally the remit of domestic or labour policy rather than trade policy. However, genuine policy coherence requires, at a minimum, an acknowledgment within the Trade Strategy of the fact that trade agreements may generate such outcomes which need addressing. Without this recognition, there is no mechanism to anticipate or respond to the consequences of trade liberalisation, leaving affected sectors vulnerable.

There is also a potential mismatch between trade policy's requirement for labour to deliver promised growth and the immigration and labour market policies that limit supply as discussed earlier in Section 8.2.1. In sectors where labour is essential, trade expansion cannot succeed unless labour supply (in terms of numbers, skills, immigration settings) is aligned.

Many sectors that would otherwise benefit from increased export activity, such as agri-food in the UK, have faced acute labour shortages due to tighter immigration controls. Without a coordinated approach between trade and migration policy, the government risks creating conditions where trade opportunities outpace domestic labour supply, leading to production bottlenecks or an over-reliance on precarious, under-protected labour.

Sectoral case: Agriculture, food processing, and farming

Agriculture and food production were among the sectors most exposed to changes in trade frictions and regulatory divergence following the UK's withdrawal from the EU. Du et.al., (2025) report that even before the UK introduced reciprocal checks at the border, EU imports of UK agri-food products declined by 14.3% in value. Similarly, Tamberi and Gasiorek (2023) find significant declines in UK exports of food and beverages to the EU. The implementation of the TCA introduced additional checks at the border in the form of SPS requirements. Du et.al., (2025) find that imports to and exports from the EU, experienced a significant decline both in value and quantity. Consistent with this, Lucio et al., (2024) also report that imports of products subject to SPS requirements declined by 43% compared to non-SPS imports that declined by 27%.

Additionally, post-Brexit, the removal of the free movement of labour from the EU has meant that many of the low- to medium-skilled jobs in seasonal picking, food processing, butchery, and abattoirs have been left with an insufficient workforce. Because agriculture and food production have been among the most trade-affected sectors, as noted above, labour shortages have particularly serious consequences for recovery.

An Institute for Government report, *Agriculture after Brexit* (2021), documents that just 1% of the seasonal agricultural labour before Brexit was carried out by British nationals, highlighting the dependency on EU labour. After free movement ended, many EU nationals who held settled status or pre-settled status left during the Covid pandemic and have not returned in comparable numbers. Farmers report crops left unpicked, output losses, inefficiencies in production and processing.

Moreover, the EFRA Committee in Parliament has warned of risks of "permanent damage" to UK food production if labour shortages are not addressed: rising labour costs, competitiveness loss, and increased food prices.[55]

A 2022 report by the Food and Drink Federation estimated that labour shortages in food manufacturing led to production losses exceeding £1.5 billion, with downstream impacts on exports and trade reliability (FDF, 2022). Similarly, export-facing hospitality and tourism businesses have struggled to hire workers capable of meeting foreign consumer expectations, particularly in international events, travel, and cultural services.

Ultimately, labour shortages deepen the trade challenges facing UK agriculture and food production. As these sectors lose productive capacity, they become less able to compete in export markets or meet domestic demand, leading to greater import dependence and heightened vulnerability to global price shocks.

According to the UK Government's 2022 report, *Assessment of Priority Skills to 2030*, several sectors identified as priorities for future export growth, such as digital technologies, clean energy, life sciences, and advanced manufacturing are also facing acute skills shortages. The report estimates that employment demand in these priority sectors will rise by approximately 15% between 2025 and 2030, with over two-thirds of that demand requiring qualifications at Level 4 and above (i.e. higher technical and academic education).[53] As discussed earlier, the Industrial Strategy also recognises that the current system to enhance and accelerate skills development is not sufficient for the IS-8 sectors identified. This presents a critical constraint on the UK's trade ambitions: if firms in high-potential export sectors cannot source skilled labour either domestically or through migration, then the productivity and competitiveness gains anticipated from new trade agreements (such as UK-Australia and UK-New Zealand) may fail to materialise.[52]

There is little evidence that UK trade policy documents between 2019 and 2023 have meaningfully integrated or accounted for these labour market trends. Not surprisingly, the UK's trade agreements post-Brexit, particularly the UK-EU Trade and Cooperation Agreement (TCA), UK-Australia FTA, and UK-Japan CEPA, have emphasised tariff reductions and regulatory cooperation. In these references to labour are primarily in the context of labour standards as opposed to labour force development, upskilling, or capacity building – which is more the remit of domestic policy interventions. Interestingly, and in contrast, the CPTPP chapter on Labour (Ch 19) commits to cooperation to promote *"creation of quality and productive employment linked to skills for development for jobs in emerging industries"*. Typically, in the UK FTAs, where skills are acknowledged, the emphasis has been on mutual recognition of professional qualifications rather than systemic alignment between trade strategy and human capital policy. That linkage between the industrial strategy, skill, and trade is also absent in the Industrial Strategy.

Trade openness is likely to incentivise firms to become more productive by learning from international competitors, adopting new technologies, and attracting foreign investment.[54] Yet this also presumes the existence of a workforce capable of implementing these improvements. A deficit in skills, whether digital, managerial, or technical, means that productivity-enhancing channels of trade are obstructed. The government's Skills and Productivity in the UK report (2023) acknowledges that human capital remains a "binding constraint" on productivity, particularly in export-intensive industries. The lack of recognition of skill-focussed supply constraints in the trade strategy is thus somewhat surprising.

8.6 Conclusion and recommendations

Trade policy generates labour outcomes that are uneven and fragmented. Export opportunities do not automatically translate into accessible jobs if labour supply is constrained. High-value service exports may create quality employment but leave behind regions dependent on lower-skilled work. Gendered dynamics risk widening inequalities, while public scepticism can threaten the legitimacy of trade policy itself. The overarching problem, therefore, is not whether trade creates or destroys jobs in aggregate but whether the structure of trade policy is coherent with the government's declared goals for the labour market and its gender dimensions.

Recommendations

- While the Trade Strategy acknowledges the importance of good jobs and economic inclusion, it does not disaggregate labour impacts by geography, gender, or skill level, nor does it recognise and address potential negative shocks arising from trade liberalisation. More attention should be given to both the winners and losers from changes in trade and trade policy.
- A major practical gap with regard to trade and gender is the limited availability of gender-disaggregated metrics within UK trade support institutions. Without the data, it is difficult to evaluate whether programmes are reaching women equitably or whether trade policy instruments (loans, guarantees, export credit insurance) are structurally biased toward larger or male-dominated firms, and it is hard to design instruments to remedy gendered gaps in uptake.
- While there are gender-focused support programmes in the UK, gender issues are not mentioned in either the Trade or the Industrial Strategy, which implies a low level of prioritisation. This also reveals a discrepancy between the UK's international commitments and work in the WTO and its domestic practices. We recommend that gender outcomes and gender policies receive a higher policy priority.
- There should be increased clarity about resourcing dedicated to joint working groups that are mandated in FTAs, timelines for achieving objectives set out in the FTA chapters, and robust metrics for measuring progress.
- There is an absence of ex post assessments of UK trade policy and notably FTAs in particular with regard to the dimension of exclusivity. We recommend that there should be periodic ex post assessments. The issue of inclusivity should also be addressed in the annual report on UK trade which we have recommended elsewhere in this report.
- There needs to be greater explicit recognition of the linkages between trade policy, industrial policy, and migration policy, as well as an appropriate skills base to meet the Government's sectoral and growth objectives. Thus, there is a need for greater policy coherence.

References

1 For a broader discussion on why inclusivity is particularly important for the UK, see Viviane Gravey and Billy Melo Araujo, 'Inclusivity in trade policy? It's all about process' (CITP Blog, 17 May 2022) <https://citp.ac.uk/publications/inclusivity-in-trade-policy-its-all-about-process> accessed 6 November 2025.

2 HC Deb 16 July 2018, vol 645, col 41.

3 Department for Levelling Up, Housing and Communities, *Levelling Up the United Kingdom* (Cm 604, 2022).

4 Liam Fox, 'Speech celebrating the launch of the Export Strategy' (Institute of Directors, London, 21 August 2018) <https://www.gov.uk/government/speeches/speech-celebrating-the-launch-of-the-export-strategy> accessed 6 November 2025.

5 For more information on the differential impacts of trade policy on wages, skills and regions within the UK, see Michael Gasiorek, Julia Magntorn Garrett and Ilona Serwicka, 'Winners and Losers from International Trade: What do we know and what are the implications for policy?' (UK Trade Policy Observatory Briefing Paper 33, July 2019) <https://blogs.sussex.ac.uk/uktpo/publications/winners-and-losers-from-international-trade-what-do-we-know-and-what-are-the-implications-for-policy/> accessed 6 November 2025. Though this study's findings are particularly relevant for understanding the consequential impacts of Brexit, it provides a thorough understanding of the structural mechanisms through which trade liberalisation generates uneven effects across sectors and groups, including the widening of regional disparities, the vulnerability of low-skilled workers, and the concentration of gains among high-skilled and capital-intensive industries.

6 House of Commons Library, 'Low growth: The economy's biggest challenge' (16 July 2024) <https://commonslibrary.parliament.uk/low-growth-the-economys-biggest-challenge/> accessed 6 November 2025.

7 Department for Business and Trade, *The UK's Modern Industrial Strategy* (CP 1337, 2025) 64-73.

8 For example, Creative Industries Policy and Evidence Centre, 'Press release: Growing skills shortage & international trade decline post-Brexit' (30 March 2020) <https://pec.ac.uk/news_entries/growing-skills-shortage-international-trade-decline-post-brexit/> accessed 6 November 2025 has documented the negative impact of declining labour mobility on export capacity and sectoral growth potential.

9 The Women's Organisation, 'The Gender Index 2024 Report' (2024) <https://thewomensorganisation.org.uk/wp-content/uploads/2024/03/TGI-2024-Report.pdf> accessed 6 November 2025. The Gender Index 2024 report identifies that in 2023, 12.6% exporting companies were female-led compared to 70.6% that were male led. The report also records data on the share of female-led firms in importing and exporting activities at the UK regional level. Though female-led representation in England is above those in the Nations, Wales is an exception which has an average of 12.9% of female-led exporting companies.

10 Norin Arshed, Stephen Knox and Carolina Marin Cadavid, *Gender Export Gap in Scotland* (February 2025) <https://strathprints.strath.ac.uk/92402/1/Arshed-etal-2025-Gender-export-gap-in-Scotland.pdf> accessed 6 November 2025.

11 United Kingdom, 'UK Implementation of Gender Equality in Free Trade Agreements' (WTO Informal Working Group on Trade & Gender, 27 February 2025) <https://www.wto.org/english/tratop_e/womenandtrade_e/270225_item3_presentation_by_united_kindgom.pdf> accessed 6 November 2025; The data cited in this report is referenced from the OECD Trade in Employment (TiM) database where employment sustained by foreign final demand (exports) is understood as the primary indicator for trade supported jobs.

12 Arshed, Knox and Cadavid (n 10).

13 'Tailored support for women entrepreneurs to enter international trade' (techUK, 13 March 2025) <https://www.techuk.org/resource/tailored-support-for-women-entrepreneurs-to-enter-international-trade.html> accessed 6 November 2025.

14 Alison Rose, *The Alison Rose Review of Female Entrepreneurship* (HM Treasury 2019) <https://assets.publishing.service.gov.uk/media/5c8147e2e5274a2a595bb24a/RoseReview_Digital_FINAL.PDF> accessed 6 November 2025.

15 HM Treasury, *The Alison Rose Review of Female Entrepreneurship: government response* (2019) <https://assets.publishing.service.gov.uk/media/5c814ef140f0b6368a9d898d/Government_Response_to_Alison_Rose_Review_of_Female_Entrepreneurship_PDF_1.2_final.pdf> accessed 6 November 2025.

16 Adrienne Roberts, Silke Trommer and Erin Hannah, 'Gender and trade' (UK Women's Budget Group, September 2019) <https://www.wbg.org.uk/wp-content/uploads/2019/09/Gender-and-Trade_2019.pdf> accessed 6 November 2025; Jane Korinek, Evdokia Moïsé and Jakob Tange, 'Trade and Gender: A Framework of Analysis' (OECD Trade Policy Paper No 246, 2021) <https://www.oecd.org/content/dam/oecd/en/publications/reports/2021/03/trade-and-gender_1d7b8052/6db59d80-en.pdf> accessed 6 November 2025.

17 Alison Rose (n 14).

18 'UK Government Support for Women in Trade' (GOV.UK) <https://www.business.gov.uk/campaign/trade-gender-equality/uk-government-support-for-women-in-trade/> accessed 6 November 2025.

19 'Improve gender diversity when trading with the UK' (GOV.UK) <https://www.gov.uk/guidance/improve-gender-diversity-when-trading-with-the-uk> accessed 6 November 2025.

20 Korinek, Moïsé and Tange (n 16).

21 'How the UK-India trade deal shapes women's economic empowerment' (ODI) <https://odi.org/en/insights/how-the-uk-india-trade-deal-shapes-womens-economic-empowerment/> accessed 6 November 2025.

22 Though we note that the Scottish Government's input into the UK Trade Strategy explicitly urged recognition of the "gender export gap" and suggested that the strategy should address "sex-based or regional inequalities" including data improvement and support measures for women-led exporters.

23 'Portal for Women in Trade' (GOV.UK) <https://www.business.gov.uk/campaign/trade-gender-equality/portal-women-in-trade/> accessed 6 November 2025.

24 See British Business Bank, 'Investing in Women Code' (British Business Bank) <https://www.british-business-bank.co.uk/about/governance/diversity-equity-and-inclusion/investing-in-women-code> accessed 6 November 2025. Investing in Women Code is an initiative by DBT to improve female entrepreneur's access to tools, resources and finance from the financial services sector.

25 Department for Business and Trade, 'Women's International Network Programme' (gov.uk) <https://www.events.great.gov.uk/website/14178/home/> accessed 6 November 2025. The Women's International Networking (WIN) program, launched by the Department for Business and Trade aims to increase participation on women-led businesses in international trade. Through this, women can discover how they can access overseas markets, explore funding opportunities, and receive tailored support to overcome barriers to grow their entrepreneurial ventures through a model of insight sharing; Department for Business and Trade, 'Strategic Horizons in Export: Expanding the female digital frontier' (UK Export Academy) <https://www.business.gov.uk/export-academy/strategic-horizons-in-export-series/> accessed 6 November 2025. The UK Export Academy runs a series of live webinars Strategic Horizons Exports (SHE) in partnership with DBT's Commerce team to help women entrepreneurs to scale digital businesses in the global economy.

26 Julian Braithwaite, 'Statement on Women's Economic Empowerment' (GOV.UK, 8 July 2020) <https://www.gov.uk/government/speeches/ambassador-julian-braithwaites-statement-on-womens-economic-empowerment> accessed 6 November 2025.

27 'What the UK is doing at the World Trade Organization (WTO)' (business.gov.uk) <https://www.business.gov.uk/campaign/trade-gender-equality/uk-at-wto/> accessed 6 November 2025.

28 'UK Implementation of Gender Equality' (n 11).

29 'Trade and Gender Informal Working Group advances work on gender-responsive trade policies' (WTO, 17 May 2024) <https://www.wto.org/english/news_e/news24_e/iwgtg_17may24_e.htm> accessed 6 November 2025.

30 Similar considerations were also expressed by participants regarding the performative nature of Trade and Gender related chapters in the UK's Trade Agreements, by participants at roundtable discussions held to support this report.

31 'Improve gender diversity when trading' (n 19).

32 Plan International UK, 'Government's International Development Strategy falls short for women and girls' (Plan International UK) <https://plan-uk.org/press/governments-international-development-strategy-falls-short-for-women-and-girls> accessed 6 November 2025.

33 The sole focus on women's economic empowerment only views women as business entrepreneurs and this view ignores the situation for the vast majority of the system whose needs are often overlooked. This information was highlighted to us in the evidence submitted to us during our consultation exercise.

34 *United Kingdom-Australia Free Trade Agreement*, art 21.4–21.6.

35 *United Kingdom-Australia Free Trade Agreement*, art 21.4.

36 *United Kingdom-Australia Free Trade Agreement*, art 21.8.

37 *United Kingdom-Australia Free Trade Agreement*, Chapter 24, Trade and Gender Equality.

38 *United Kingdom-New Zealand Free Trade Agreement* art 23.6.

39 *United Kingdom-New Zealand Free Trade Agreement* art 23.4.

40 Department for International Trade, *UK-New Zealand Free Trade Agreement: Inclusive Trade Explainer* (2022) <https://assets.publishing.service.gov.uk/media/621c9ab1d3bf7f4f019093b7/uk-new-zealand-free-trade-agreement-inclusive-trade-explainer.pdf> accessed 7 November 2025.

41 *United Kingdom-New Zealand Free Trade Agreement*, Chapter 23, Trade and Labour.

42 *Comprehensive and Progressive Agreement for Trans-Pacific Partnership*, Chapter 19, Labour.

43 Protocol on the Accession of the United Kingdom of Great Britain and Northern Ireland to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (July 2023) <https://assets.publishing.service.gov.uk/media/657acb160467eb001355f7ce/accession-protocol-of-the-united-kingdom-to-the-cptpp.pdf> accessed 6 November 2025.

44 Department of International Trade, *Impact Assessment of the Free Trade Agreement between the United Kingdom of Great Britain and Northern Ireland and Australia* (2021).

45 For more information on the UK's work in advancing gender equality through trade, see 'How the UK is Advancing Gender Equality through Trade' (business.gov.uk) <https://www.business.gov.uk/campaign/trade-gender-equality/advancing-gender-equality-through-trade/> accessed 6 November 2025.

46 ibid.

47 The UK-New Zealand FTA, the UK-Australia FTA, the UK-India CETA commit to cooperate and develop frameworks for monitoring and evaluating methodologies for the collection of sex-disaggregated data, evaluating effect of trade policies on women as workers and entrepreneurs. Similar references have not been found in any other agreements.

48 Prachi Agarwal, 'How the UK-India trade deal shapes women's economic empowerment' (ODI, 20 September 2023) <https://odi.org/en/insights/how-the-uk-india-trade-deal-shapes-womens-economic-empowerment/> accessed 7 November 2025.

49 For further information, refer to discussion in Section 1.2.4 and Figure 1.8 from Chapter 1.

50 For further information, refer to discussion in Section 1.2.4 and Figure 1.8 from Chapter 1.

51 British Chambers of Commerce, *The Trade and Cooperation Agreement Three Years On* (2023) <https://www.britishchambers.org.uk/wp-content/uploads/2023/12/BCC-Trade-and-Cooperation-Agreement-Three-Years-On.pdf> accessed 7 November 2025.

52 Skills England, Assessment of priority skills to 2030 (16 May 2024) <https://www.gov.uk/government/publications/assessment-of-priority-skills-to-2030/assessment-of-priority-skills-to-2030> accessed 7 November 2025.

53 See, CBI, '38% of business report labour shortages holding back growth - CBI/Pertemps Employment Trends Survey' <https://www.cbi.org.uk/media-centre/articles/38-of-business-report-labour-shortages-holding-back-growth-cbipertemps-employment-trends-survey-1/> accessed 7 November 2025. The CBI study has highlighted that skill shortages are one of the primary factors preventing firms from scaling operations, entering new markets, or moving up the value chain.

54 See Cervellati et al (2018) and Bas(2012).

55 Gavan Conlon and others, Skills and UK productivity (UK Government, 2023) https://assets.publishing.service.gov.uk/media/63f4bee8d3bf7f62eaaf2e75/Skills_and_UK_productivity.pdf accessed 7 November 2025.

Figures

Tables

Abbreviations

AUKUS	A trilateral security partnership between Australia, the United Kingdom, and the United States
B2B	Business-to-Business
B2C	Business-to-Customer
BBB	British Business Bank
BCC	British Chambers of Commerce
BCP	Border Control Post
BTOM	Border Target Operating Model
CBAM	Carbon Border Adjustment Mechanisms
CBD	UN Convention on Biological Diversity
CEPA	UK-Japan Comprehensive Economic Partnership Agreement
CETA	Comprehensive Economic and Trade Agreement
CITP	Centre for Inclusive Trade Policy
CNI	Critical National Infrastructure
CMA	Competition and Markets Authority
COP	Conference of the Parties
CPC	Central Product Classification
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
CRAG	Constitutional Reform and Governance Act
DAG	Domestic Advisory Group
DBT	Department of Business and Trade
DCTS	Developing Country Trading Scheme
DEA	Digital Economy Agreement
DEFRA	Environment Food and Rural Affairs Committee
DEPA	Digital Economy Partnership Agreement
DESNZ	Department for Energy Security and Net Zero
DFID	Department for International Development
DIT	Department for International Trade
DMA	Digital Markets Act
DMCC	Digital Markets, Competition and Consumers Act
DST	Digital Services Tax
EEA	European Economic Area
EEA-EFTA	European Economic Area – European Free Trade Association
EFRA	Environment Food and Rural Affairs Committee (House of Commons)
eIDAS	an EU regulation for electronic identification and trust services
EIT	Economic Interest Test
EPA	Economic Partnership Agreement
EPD	Economic Prosperity Deal
ETA	European Free Trade Association
ETS	Emissions Trading Scheme
EU	European Union
EU-27	European Union Member States
FCDO	Foreign, Commonwealth and Development Office
FDI	Foreign Direct Investment
FK	Finger-Kreinin Index
FLEGT	Forest Law Enforcement, Governance and Trade
FSA	Food Standards Agency
FSR	Foreign Subsidy Regulation
FSS	Food Standards Scotland
FTA	Free Trade Agreement
G20	The Group of 20
G7	The Group of Seven
GATT	General Agreement on Tariffs and Trade
GBF	Global Biodiversity Framework
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GVA	Gross Value Added
GVC	Global Value Chains
HGV	Heavy Goods Vehicle

HOL	House of Lords
HS	Harmonized System
ICT	Information and Communication Technology
IGR	Intergovernmental Relations
ILO	International Labour Organisation
IMF	International Monetary Fund
IS-8	Industrial Strategy, eight priority sectors for growth
JMC	Joint Ministerial Committee
JMC	Joint Ministerial Initiative
JSI	Joint State Initiative
LDC	Least Developed Country/ies
MEA	Multilateral Environmental Agreements
MFN	Most Favoured Nation
MOU	Memorandum of Understanding
MP	Member of Parliament
MPIA	Multi-Party Interim Appeal Arbitration Arrangement
MRA	Mutual Recognition Agreements
NDC	Nationally Determined Contribution
NHS	National Health Service
NLP	Natural Language Processing (check if use)
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OIM	Office for the Internal Market
ONS	Office for National Statistics
OPSS	Office for Product and Safety Standards
PATT	Public Attitudes to Trade Tracker
PBS	professional and business services
R&D	Research and Development
RCA	Revealed Comparative Advantage
ROO	Rules of Origin
RPI	Relative Priority Index
SAU	Subsidy Advisory Unit
SDG	Sustainable Development Goals
SIC	Standard Industrial Classification
SME	Small and Medium Sized Businesses
SMS	Strategic Market Status
SoS	Secretary of State
SPS	Sanitary and Phytosanitary
STAG	Strategic Trade Advisory Group
STRI	Services Trade Restrictiveness Index
TAC	Trade and Agriculture Commission
TAG	Trade Advisory Groups
TBT	Technical Barriers to Trade
TCA	Trade and Cooperation Agreement
TESSD	Trade and Environmental Sustainability Structured Discussions
TiG IDBR	Linked Trade in Goods Interdepartmental Business Register in the UK
TiVA	Trade in Value Added
TLAS	Timber Legality Assurance Schemes
TPAG	Trade Policy Advisory Group
TPP	Trans-Pacific Partnership
TPRM	Trade Policy Review Mechanism
TRA	Trade Remedies Authority
TSD DAG	UK Trade and Sustainable Development Domestic Advisory Group
UAE	United Arab Emirates
UK	United Kingdom
UKEF	UK Export Finance
UKIMA	UK Internal Market Act
UKRI	UK Research and Innovation
UKSDEA	UK-Singapore Digital Economy Agreement
UKTR	UK Timber Regulations
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
US	United States of America
VPA	Voluntary Partnership Agreements
WTO	The World Trade Organisation

Author biographies

Achyuth Anil is a researcher at the Centre for Inclusive Trade Policy and a Research Assistant in International Trade (Law) at the University of Sussex. Achyuth has extensive experience in international trade policy and economic governance. He has worked with the Government of India, advising on free trade agreement negotiations.

Thomas Baily is Senior Consultant at Frontier Economics. He is an expert in quantitative analysis, particularly econometrics and also has expertise in investment appraisal and financial modelling.

Amar Breckenridge is Senior Associate at Frontier Economics. Amar works in Frontier's public policy practice and leads its work on international trade policy. Amar's work on trade spans trade policy analysis and modelling, support to dispute settlement and litigation, and trade negotiations. Amar previously led Frontier Australia's public policy work and before that, he worked as a staff economist at the World Trade Organisation

Michael Gasiorek is the Director of the Centre for Inclusive Trade Policy and Co-Director of the UK Trade Policy Observatory at the University of Sussex. Michael is Professor of Economics and a specialist in international trade policy and regional integration with a keen interest in the policy relevance of his work. He is also an Associate Research Fellow at the Royal Institute for International Affairs (Chatham House).

Charlotte Humma is Centre and Communications Manager at the Centre for Inclusive Trade Policy at the University of Sussex. Charlotte has worked at the nexus of research, policy and communications for over 20 years, with specialist knowledge in trade policy.

Sahana Suraj is UK Trade Policy Observatory Research Assistant in International Trade at the University of Sussex. She is a research economist specialising in international trade policy, with a particular interest in the practical barriers businesses face in cross-border goods trade.

Fiona Smith is Research Professor in International Trade at the UK Trade Policy Observatory and the Department of Law at the University of Sussex. Fiona has published widely in the area of international trade law, with a focus on agricultural trade. She is also a member of the UK Trade and Agriculture Commission.

Written evidence

Thank you to the following who submitted written evidence in response to our public consultation exercise.

Fieldfisher
Food Ethics Council
Ian Henry
MAP UK & International (MAP)
National Farmers Union
Pesticide Action Network UK (PAN UK)
Public Health Wales
We're the Royal Society for the Prevention of Cruelty to Animals (the RSPCA)
Scottish Government
TechUK
TheCityUK
The Institute of Chartered Accountants in England and Wales (ICAEW)
TRADE-WELL Network
Transform Trade
Tratos (UK)
UK Steel
United Kingdom Accreditation Service (UKAS)