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UK-US trade relations and ‘Global Britain’

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Abstract

A UK-US free-trade agreement has consistently been presented as the main prize from the UK's much-touted post-Brexit trade policy independence. The UK Prime Minister's admission that this was not going to be realised anytime soon may have surprised media pundits, but it merely confirmed what had become increasingly apparent since the referendum: that a Free Trade Agreement with the US was a long shot. Taken together with the short-lived suggestion of the UK joining the United States-Mexico-Canada Agreement (USMCA), we argue that it is the desire to perform 'independence' from the European Union rather than policy content which is driving the UK's trade strategy.

Keywords

Brexit, 'Global Britain', trade policy, United States, USMCA

Introduction

On 22 September 2021, the *Financial Times* (among others) reported that the UK Government was considering an application to join the United States-Mexico-Canada Agreement (USMCA), a free-trade agreement (FTA) struck in 2020 between President Trump, Mexico and Canada to replace the 1994 North American Free Trade Agreement (NAFTA). ‘There are a variety of different ways to do this’, a senior Government official was quoted as saying, ‘the question is whether the US administration is ready.’ This announcement took most trade experts by surprise, not least since the USMSA does not actually have an accession protocol by which new members can apply to join.¹ Indeed, in the space of 24 hours the Government was distancing itself from the idea with the Prime Minister's official spokesperson telling reporters ‘there are no plans’ for the UK to join USMSA.

The UK’s brief flirtation with USMCA reveals a great deal about its fledgling trade policy. As we show in the first section of this article, an FTA with the US has been front and centre in the UK’s post-EU trade policy discourse. As Foreign Secretary, Johnson had spoken in 2017 of the UK being ‘first in line’ for a trade deal under a Trump Presidency – a reference to Barack Obama’s intervention during the referendum campaign that the UK would be at the ‘back of queue’ for a trade agreement should it choose to leave the EU. By September 2021, however, the prime minister was forced to admit that the prospects of a deal were slim, claiming with characteristic brazenness that ‘he always thought that a trade deal with the US would be difficult’. Johnson’s acknowledgment of the diminishing prospects of a trade deal with the US appeared to catch much of the media by surprise. But as we show in the second section of the article, this acknowledgement merely confirmed what has become increasingly clear since the referendum: that a comprehensive FTA with the US was unlikely to be concluded. Now that

this fact has finally been acknowledged by the Government, we reflect in the final section on what this denouement tells us about the UK's independent trade policy - that is, what matters is the 'independent' rather than the 'trade' part of the policy.²

Why a UK-US FTA?

Although trade policy hardly featured at all in the referendum campaign, it has arguably been the most significant policy development in the period since. Theresa May created the Department for International Trade (DIT) less than a month after the referendum. In January 2017, she gave a speech at Lancaster House, setting out the UK's negotiating objectives and 'red lines' for the upcoming withdrawal negotiations with the EU. The British people, the prime minister declared, 'voted to leave the European Union and embrace the world. [...] I want us to be a truly Global Britain – the best friend and neighbour to our European partners, but a country that reaches beyond the borders of Europe too. A country that goes out into the world to build relationships with old friends and new allies alike'. The prime minister went on to declare that the UK was now 'front of the line' for a trade agreement with Trump's America, 'the world's biggest economy'.³

May's blueprint for future trade relations with the EU – the so-called Chequers proposal of July 2018 and, most importantly, the Brexit withdrawal agreement agreed with the EU in November 2018 – foresaw a greater level of continued alignment with the EU than the Lancaster House speech had implied. This led Brexit hardliners, most notably in the European Research Group (ERG), to turn against May. The Irish backstop and the proposed all-UK customs union with the EU to prevent both a border in Ireland and in the Irish Sea, was seen by May's critics as an affront to British sovereignty. A characteristic intervention from Donald

Trump, suggesting that Chequers and the backstop would undermine the prospects of a UK-US trade deal, fuelled the flames of Eurosceptic opposition to May's deal.

When Boris Johnson renegotiated May's deal in 2019, the all-UK customs union with the EU disappeared on the pretext of pursuing greater regulatory divergence. Having previously vowed to support the line taken by their Democratic Unionist Party (DUP) allies – which had objected to May's 2018 Withdrawal Agreement because it established a border between different parts of the UK – the core group of ERG opponents to May's deal came to accept Johnson's rejigged arrangement *even though* it still established an economic border in the Irish Sea. This led to howls of protest from its erstwhile allies in the DUP. A crucial difference between the two arrangements was that Johnson's Withdrawal Agreement was seen by these Eurosceptics as allowing the UK to pursue an independent trade policy.

Although May and Johnson differed on regulatory alignment, at face value they shared a common objective: an independent trade policy. Why was this so important? The argument went that, untethered from EU bureaucracy, the UK would be a more outward-looking and nimble negotiator and that by striking trade deals around the world it would ensure future prosperity. This prospectus, however, presented an obvious paradox: the 'price' to be paid for trade policy independence - leaving the Single Market and Customs Union - would involve a permanent hit to the UK economy far greater than what could be recouped through global free trade, even under the most optimistic trade scenario. The Government's response to this was twofold: most of future global economic growth, it was reasoned, would be outside of the EU and that, in any case, technological innovation was making physical distance irrelevant to global trade.⁴

The US came to be particularly totemic to this ‘post-geography’ vision, in part because of its association with the ‘Anglosphere’, an idea popular in Eurosceptic circles since the 1990s. In this imaginary, the UK and its ‘kith and kin’ in the English-speaking world, and notably in the ‘core’ (white-majority) former settler colonies, are united by ‘shared language, history, values, and culture, and a claim — sometimes explicit, sometimes implicit — about the superiority of the[ir] political and economic models’.⁵ As then Trade Secretary (2019-21) Liz Truss put it at the launch of UK-US trade talks: ‘Britain and America are linked by language and law, habit and history. Our friendship is not some alliance of convenience. It rests, rather, on shared values and principles.’⁶

A trade deal with the US was also presented as a virility test of the UK’s status as an independent trade power. As Truss noted in one of her speeches as Trade Secretary, the EU had failed to complete its negotiations with the US on a Transatlantic Trade and Investment Partnership (TTIP) (2013-16).⁷ Truss has also cautioned against ‘defensive’ trade policy attitudes, born of ‘nearly fifty years of being in the protectionist EU’ and emphasised the importance of ‘building back’ the UK’s ‘trade muscle memory’ by ‘negotiating our own trade deals’.⁸

A new trade agreement with the US thus represented an important way to signal the UK was different to the ‘protectionist’ EU. It would succeed where the lumbering trading bloc had failed – with the initial hope being that the UK could complete the talks with the US at lightning speed before the end of 2020. Although the UK Government has cited *ad nauseam* the trade deals struck with ‘68 countries plus the EU’⁹ these are, almost without exception, ‘rollovers’ of existing EU agreements that the UK already benefited from as a member of the bloc. Of all the negotiations carried out by DIT so far, only those with its so-called ‘priority’ partners, the

US, Australia, New Zealand, and its proposed accession to the Comprehensive and Progressive Agreement on Trans-Pacific Partnership (CPTPP), would involve the UK becoming a party to entirely *new* agreements. As Table 1 shows, the US stands out as the most economically significant of these prospective deals but even here the most optimistic projection of a GDP increase of 0.16% pales in comparison to comparable estimates of the costs of leaving the EU’s Single Market and Customs Union (which range between -0.8% and -12.5%).¹⁰

Table 1 – Estimated gains from new UK trade agreements

	Estimated GDP gains (£)	Estimated GDP gains (%)
US	£1.6bn-£3.4bn*	0.07-0.16%*
Australia	£200m-£500m*	0.01-0.02%*
New Zealand	£0	0.00%
CPTPP	£1.8bn	N/A

Note: *The lower point of the range corresponds to the central estimate of the more conservative scenario, while the higher point corresponds to the equivalent figure of the more optimistic scenario.

Source: UK Department for International Trade

Old wine in new bottles

Although Boris Johnson’s *volte face* on the feasibility of a UK-US FTA led to surprised reactions in the UK media, there have long been signs that such an agreement was unlikely to be concluded. The irony is that in the same speech that Liz Truss criticised the EU for failing to negotiate the TTIP on the back of domestic opposition, she also unwittingly acknowledged two of the main domestic impediments to a UK-US trade deal: that the UK’s ‘values-driven approach’ to trade policy demanded that the NHS ‘remains off the table’ and that UK food standards ‘must not be undermined’.¹¹ In other words, the very same obstacles that had derailed TTIP in the UK and (in the case of food standards) the EU more widely.

Starting with food standards, the US’s stated objectives for its negotiations with the UK, published in February 2019, explicitly foresaw a stronger ‘implementation of the obligation to

base [sanitary and phytosanitary] measures on science'.¹² This is seen as contrary to the more precautionary, and more stringent, approach to regulation of food safety adopted in the EU – and by extension the UK. This has restricted, on the basis that it is better to be 'safe than sorry', the use of chlorine washes for chicken, the use of hormones as growth promoters or widespread sale of genetically modified produce. The EU's precautionary approach has long been a thorn in the side of US agricultural export interests, which spy an opportunity in bilateral trade talks to pry open the UK market. Add to this concerns over animal welfare and the ability of UK farmers to compete with US counterparts unburdened by such restrictions, and you arrive at a UK Conservative Party that is internally split between what journalist Katy Balls has called 'Waitrose' and 'Lidl Conservatives'. These two groups, also reflecting tensions between DIT and the Department for Environment, Food and Rural Affairs, are respectively concerned with animal welfare and UK farming communities and promoting free trade to lower prices and improve consumer choice.¹³

The other bone of contention is the NHS, notably the procurement of pharmaceuticals by the health service. In a section on 'Procedural Fairness for Pharmaceuticals and Medical Devices', the Office of the US Trade Representative (USTR) highlighted a key ask of the UK: 'standards to ensure that government regulatory reimbursement regimes are transparent, provide procedural fairness, are nondiscriminatory, and provide full market access for U.S. products'.¹⁴ In other words, USTR has been keen to tackle the NHS's centralised procurement regime, which is seen as artificially holding down pharmaceutical prices, including beyond the UK.¹⁵

So far, the UK and US have engaged in five two-week long, mostly technical and low-level negotiating rounds. The last of these was held in October 2020, just days before the US Presidential election that saw Trump voted out of office. Although the former President may

have been depicted by the UK Government and leading Brexit supporters as keen on doing a deal, his USTR, Robert Lighthizer painted a somewhat less gung-ho picture. Speaking to a US Congressional committee in June 2020, he made it very clear that a quick agreement before the end of 2020 (as DIT was keen on) was ‘unlikely’ and, most importantly, that the UK would have to meet US asks on agriculture if there was to be an agreement.¹⁶ The UK Government, under pressure from the National Farmers’ Union and consumer advocacy groups, had already ruled out lifting bans on the import of chlorinated chicken and hormone-treated beef at the start of the formal negotiations.

The Biden administration, for its part, has signalled that its priorities do not lie in negotiating new trade agreements. In any case, the President’s Trade Promotion Authority (TPA) has now expired, meaning that the Biden administration no longer has the approval of Congress to negotiate trade deals on its behalf. The Administration and its Democratic allies in Congress have also expressed concern that Brexit might upset the peace process - linking this to the future prospects of a UK-US agreement. This comes at a time where the UK Government has been engaged in an acrimonious row with the EU over the future of the Protocol.

Whither UK trade strategy?

What does the lack of progress on a UK-US FTA mean for UK trade policy strategy? It is worth revisiting the initial UK Government reaction to the Biden Administration’s reticence to negotiate an FTA: floating the idea in the press of the UK joining the USMCA. The idea of the UK joining USMCA’s predecessor, NAFTA, is not new. It has already been a feature of Eurosceptic discussions of the Anglosphere project.¹⁷ There are economic limitations to joining an agreement explicitly geared around supporting North American supply chains. The Trump administration pushed for more restrictive rules of origin in the renegotiation of NAFTA that

produced USMCA. These limit tariff preferences to goods meeting onerous content thresholds. The political constraints faced by UK negotiators in a bilateral context with the US would also not go away. Negotiations would instead be complicated by the addition of two new parties, Canada and Mexico, with their own requests. The interesting question from the perspective of broader UK trade strategy is why the idea of joining USMCA was ever raised, given how little time it took for the Government to dismiss its own proposal.

The answer, we suggest, lies in the performative nature of the UK's independent trade policy.¹⁸ That is to say, the policy has not been primarily driven by an economic logic or the desire to remake the UK political economic order in the image of a 'Singapore-on-Thames', as the unwillingness to budge on the NHS and food standards so far suggests. Rather, this is about the 'independence' side of the equation: having its own trade policy allows the UK Government to repeatedly exercise the sovereignty dividend of a hard Brexit. Announcing talks with trade partners and conducting negotiations are enough for this goal to be realised. While the Government rhetorically turned the widely perceived policy 'problem' of having to replicate EU trade agreements with third parties into a success story – 'trade deals covering 68 countries' – the performance of UK trade policy sovereignty requires it to differentiate itself from the 'protectionist' EU by signing *new* agreements. With a UK-US trade deal now officially and very publicly off the cards for the foreseeable future, the veil on this approach has slipped even further. The US represented the only new trade agreement partner with some economic clout, leaving the UK Government seeking an alternative outlet for its trade policy performance that still included the US.

It should be said that, suggestions concerning USMCA aside, there has been a longer-term strategy of moving away from emphasising the UK-US trade negotiations – not least because

UK officials have been aware of the difficulties they faced in negotiating with the US. In line with the Government's broader geostrategy, DIT has been pivoting towards a different part of the globe. According to Truss, '[w]e focused too much on trade with the EU despite the richest opportunities being in the Asia-Pacific'.¹⁹ Negotiations with Australia and New Zealand are also being presented as stepping-stones towards the UK's accession to CPTPP, seen as the UK's entry point to the Asia-Pacific. There has also been increasing Government noises concerning a potential agreement with India, despite the fact that the latter has not signed an FTA with a developed country since independence. The Asia-Pacific pivot is therefore less about articulating a coherent trade strategy driven by economic imperatives. It is more about performing the 'post-geography' spatio-political imaginary, with 'Global Britain' using its trade policy independence to unmoor itself from the EU economic space.

Notes

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¹⁸ See R. Adler-Nissen, C. Galpin and B. Rosamond, 'Performing Brexit: How a post-Brexit world is imagined outside the United Kingdom', *British Journal of Politics and International Relations*, vol. 19, no. 3, 2017, pp. 573-591.

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