

# A landmark moment

The signing of a new trade agreement could be a solution for UK exporters post-Brexit.

AUTHOR – Lesley Batchelor



Lesley Batchelor

**T**HE Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP) recently agreed by 11 Pacific nations in a deal that will reduce tariffs in economies that total 13 percent of global GDP.

Of course, the deal is as much known for who didn't sign it as who did, with the US' withdrawal in 2017 causing much consternation. The deal would have represented 40 percent of global GDP had the USA remained a party. Nonetheless, the deal that was signed in March is being touted as the perfect antidote to the threat of protectionism to global free trade and an affirmation that a rule-based international order can continue, amid threats of trade wars dominating the news agenda recently.

When it emerged in early 2018 that the deal was likely to be signed, many commentators suggested that the UK would do well to consider joining TPP when it leaves the EU in 2019. As a way of offsetting the potential loss of trade that could result from leaving the EU, the UK could do worse. TPP includes two G7 nations (Japan and Canada) and many of the world's fastest growing economies in its ranks, while Commonwealth members Australia and New Zealand are also often talked about as future trading partners for the UK after Brexit. The members of TPP currently account for around eight percent of Britain's exports while Japan alone is a significant market for both goods and services.

While the US' withdrawal did significantly weaken the partnership, the UK as a replacement would nonetheless represent a significant addition, as the world's fifth largest economy. It should be noted that the UK isn't the only market without a Pacific border to be expressing an interest in joining, with Columbia, the Philippines, Taiwan, South Korea, Indonesia and India all considering the move.

However, as with any putative international trade arrangement – and as is always the case with suggested quick fixes for UK trade after Brexit – there are several factors to consider. Firstly, given that the deal is already a substantial one that took a long time to negotiate, the UK would likely have to sign up to it on a 'take it or leave it' basis. Whether it would be in the UK's interest to sign up to the partnership in its current guise would be a topic for significant debate.

Then there are the hurdles of being accepted into the partnership. Though the UK's not bordering the Pacific doesn't necessarily preclude it from joining TPP, it would need to build stronger ties with many of the 11 nations before being able to enter. The UK has strong economic and trading relations with markets in the Association of Southeast Asian Nations and has been a strong proponent for EU deals with Japan and Canada. At the same time, we shouldn't forget that the UK would be a relatively new and unknown independent trading entity post-Brexit – something that will surely play on the minds of the 11 TPP nations.

The UK will also need to consider what impact TPP would have on its trading relationship with its current strongest trading partners including China and the US. Given that the UK is keen to strike a closer trading relationship with the US, which is a far bigger trading partner for the UK than all the 11 TPP nations combined and given that Washington currently strongly opposes the terms of TPP, the UK's pursuit of TPP membership could prove more risky than lucrative.

The UK also appears keen to pursue a closer trading relationship with China – the world's largest economic power. China was excluded from TPP and TPP proponents like Japan are not likely to be in favour of bringing them into the fold any time soon. Again, would joining TPP risk souring a closer relationship that the UK wants to forge with China?

The reality is that swapping membership of a nearby trading bloc for a faraway multilateral partnership may not be the best strategy for the UK. Given that the main trade argument for Brexit concerns giving the UK more independence to forge bespoke trade arrangements with multiple new partners, it appears more likely that the UK will prioritise signing new Free Trade Agreements with its largest economic partners – the EU, the USA and China. The fact remains that the UK exports approximately 66 percent and imports 70 percent of its goods to the EU, the USA and China, and in terms of services these figures are 70 percent and 64 percent.

Nonetheless, from a global perspective, the signing of TPP is a significant moment for international trade agreements and rules-based global trade, at a time when such landmarks matter more than ever.

*Lesley Batchelor OBE FCICM is Director General of The Institute of Export and International Trade.*

.....  
**The reality is that swapping membership of a nearby trading bloc for a faraway multilateral partnership may not be the best strategy for the UK.**