



Charting a Course: A Roadmap to a Comprehensive UK-U.S. Free Trade Agreement



British American Business

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Reaching a comprehensive Free Trade Agreement (FTA) between the United Kingdom (UK) and the United States (U.S.) is one of the most ambitious and significant political projects in the transatlantic corridor.

A comprehensive UK-U.S. FTA offers the opportunity to strengthen what is already one of the most important economic relationships on earth. It will improve the ease of doing business for companies in many sectors and throughout the UK and the U.S. It will help small companies grow and expand across the Atlantic, supporting even more jobs and communities. Moreover, it is an opportunity to supercharge the post-COVID-19 economic recovery of both of our countries, spurring trade, investment, innovation, and growth

At BritishAmerican Business (BAB), we have been a visible advocate for the benefits of transatlantic trade. We are proud to represent what is already a vibrant economic partnership which includes yearly trade in goods worth over \$127bn, trade in services over \$134bn, and directly supports almost 3 million jobs on both sides of the Atlantic. We know this corridor has potential to be further improved by a framework that makes trade and investment easier and less cumbersome.

Since the beginning, governments and businesses have been clear that the ambition for this deal is to be comprehensive and that the successful conclusion of negotiations should be a priority for both countries. Indeed, we feel that the UK's and U.S.'s commitment and preparation have allowed for unprecedented speed in the talks. Yet, events such as the U.S. elections, the UK's negotiations with the EU, and the upcoming renewal of the U.S. Trade Promotion Authority in July 2021 will have a significant impact on the UK-U.S. FTA negotiation timeline. Equally, existing non-FTA issues, such as retaliatory tariffs imposed on British goods by the U.S. or the UK Digital Services Tax, threaten to stall the momentum for the talks.

BAB has welcomed the swift progress made so far and the momentum behind the negotiations, but we take the view that the UK and the U.S. negotiators need to navigate and embrace these events and issues so that a successful completion of the negotiations can be ensured in the available timeframe.

This paper establishes a roadmap that takes into consideration key events and issues that, in our view, define whether a comprehensive agreement can be concluded. The paper draws on extensive work BAB has done in support of a UK-U.S. FTA as well as on the input that we regularly receive from the business community. It is meant to serve as a reference and encouragement to all those involved in this important initiative.

We want a comprehensive UK-U.S. FTA to be a reality. Ticking the boxes in the roadmap will help bring negotiations to a successful conclusion – in time.

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1. **Negotiators need to reach credible negotiations stage before November 2020**, to provide a solid foundation to restart negotiations
 - a. Agreement over general scope of the deal
 - b. Public announcement on a SME Chapter
 - c. Signal that negotiations are being used to improve transatlantic business mobility

2. **Negotiators to signal progress on the removal of non-FTA barriers** such as the WTO Large Civil Aircraft dispute, steel and aluminium tariffs (and the UK's rebalancing tariffs on U.S. products), or the UK's digital services tax as part of the discussions, which continue to cast uncertainty over the bilateral relationship and the prospect of an FTA being ratified.
 - d. Signal that there is an end in sight for retaliatory tariffs on British goods
 - e. Delay to the collection of the UK Digital Services Tax
 - f. Re-Open the transatlantic travel corridor

3. **Negotiators to agree on a timetable for how and when negotiations resume after the U.S. Elections**, building on the progress made throughout 2020, and making specific commitments on the areas to be covered.

4. **Efforts to be increased around public communications campaigns to build support and momentum for the talks and its benefits**, building on stories and evidence that can make a local, specific and tangible case for the agreement and by responding to concerns and questions in the wider public.

5. **Negotiators to aim to conclude an agreement before April 2021**, when the U.S.' Trade Promotion Authority – the time-limited authority that Congress uses to oversee trade negotiations – will require renewal.

Negotiators Need to Reach a Credible Negotiation Stage Before November 2020

Historically, general elections or presidential elections have set the time frame for larger policy projects, such as negotiations for a free trade agreement. Even if a government or an Administration does not change, usually an election means that there is delay.

The 2020 U.S. presidential election is scheduled for Tuesday, 3rd November 2020. To prepare for this event in a negotiation context, the UK-U.S. trade negotiations need to reach a credible stage before that date. This stage needs to visibly reflect the progress made, and it should allow for negotiators to quickly resume formal discussions with a solid foundation to build on.

A **credible stage** means first of all, **agreeing on the scope of the deal** that can be achieved across all chapters; with the hope that a large amount of 'common ground' can be established to which negotiators can return.

The 'common ground' areas should include, on the one hand, traditional areas of cooperation such as the **reduction of tariffs** or **customs facilitation**. On the other hand, visible progress and agreement should be achieved in areas considered those that can set a new gold standard in agreements, such as **Digital Trade, Intellectual Property, or Financial Services**.²

These negotiations, between two of the world's most digitalised and innovative economies, have a unique opportunity to set a global standard on digital trade by minimizing trade barriers and thus developing the freest flow of digital and digitally-enabled goods and services. In addition, it would be welcome if there was an agreement that sets out and clarifies the future collaborative framework around UK-U.S. Financial Services regulatory cooperation, for example by using the opportunity to strengthen and formalise the Financial Regulatory Working Group (FRWG)'s role for bilateral regulatory dialogue and cooperation.

Furthermore, both the UK and the U.S. should aim to **make a public announcement on the agreement over a robust SME chapter**. The tens of thousands of smaller businesses across the UK and the U.S. are one of the most important constituencies for these negotiations and stand to gain the most as they are most affected by both tariff and non-tariff barriers.

An announcement of the completion and/or framework of what an SME chapter will cover, and ideally a plan that already complements some of the proposed programmes ahead of the full negotiation will create further momentum for the talks by showcasing that its benefits are tangible, practical, and most importantly available within a reasonable time frame to those companies.

Finally, like the announcement of an agreement over a SME chapter, both sides should seek to send an official **signal that the FTA talks are used to improve business mobility** in the transatlantic corridor.

The UK and the U.S. share a special relationship not only economically, but also culturally and politically. Many Americans have made the UK their home, and British citizens live and work throughout all U.S. States. On average, over 25,000 U.S. citizens enter the UK for work annually and over 173,000 British citizens entered the U.S. as temporary workers in 2017.

These numbers show that the U.S. and the UK already have a very strong and productive bilateral relationship when it comes to the mobility of labour. Yet, evidence shows that there is growing concern among transatlantic businesses that visa procedures for entrepreneurs and companies trying to build or resource their businesses across the Atlantic are not working as well as they could. Through the intense talks over a future UK-U.S. FTA, there is now an opportunity to reinforce it and address several emerging issues with visas, both through a dedicated FTA chapter and parallel cooperation and dialogue outside the FTA.³

¹ For a detailed analysis on what should be achieved on Digital Trade see BAB's position paper – [“Moving the Bar”](#)

² For a detailed overview on UK-U.S. Financial Services Regulatory Cooperation see [“Scoping paper on formalizing UK-U.S. regulatory dialogue”](#) by the British American Finance Alliance that BAB is proudly part of

³ For more on challenges and possible solutions on the issue of UK-U.S. labor mobility, see [“Open for Business; Open for People?! A Way Forward for UK-US Labour Mobility”](#)

2. Negotiators to Signal Progress on the Removal of non-FTA Barriers

Trade negotiations never happen in a vacuum. In addition to potential long-term policy goals, it is often a mix of economic and political factors that lead or encourage the launch of trade negotiations. Similarly, external factors can also impact the environment that a negotiation is conducted in. Regarding the latter, the transatlantic corridor currently faces a number of non-FTA issues that put pressure on the transatlantic corridor and thus on the negotiations.

Since the 2019 ruling of the World Trade Organisation (WTO) in the Airbus subsidy case and the U.S. tariffs imposed on European and British products, the ongoing dispute and its potential for further escalation, continues to challenge the businesses affected, such as single malt whisky, luxury textiles, or cheese. The most recent review of these tariffs has resulted in the United States Trade Representative (USTR) removing some products from this list; the UK spirits industry and the textiles industry, however, remain heavily impacted.

With the UK having formally left the European Union, and the Withdrawal Agreement's transition period coming to an end in December 2020, there is a clear opportunity to de-escalate tensions – both in the UK-U.S. elements of the WTO dispute and with regards to the March 2018 steel and aluminium tariffs (including the rebalancing tariffs from the UK side, for example on bourbon imports).

While these tariff disputes will have to be seen as a separate issue, a larger dispute affecting trading flows does divert attention and momentum from the negotiations on the FTA. Here is where the U.S. and the UK can change the course by **signalling that there is an end in sight for retaliatory tariffs on British goods**. This signal could provide certainty for businesses to continue supporting jobs and entire communities across the UK and the U.S. It would deliver considerable political momentum and improve the broader environment in which the negotiations take place.

Equally, since the unveiling of initial plans in 2019 and the introduction of the UK's Digital Services Tax in April 2020, the debate around the issue has unnecessarily affected the trade talks. While there may be a future OECD framework to be found how to tax digital businesses globally, unilateral, national-level digital services taxes distract from reaching a global solution, and risk creating a fragmented regulatory landscape with different regulatory requirements for companies operating across markets and an increased risk of double taxation.⁴

A delay to further implementation of the Digital Services Tax and a commitment by the UK to prioritise and support a global solution would not only bolster efforts to

achieve a multilateral solution but also help remove a barrier for a UK-U.S. trade deal.

Finally, there is no doubt over the challenges the COVID-19 health crisis has brought to economies, businesses, and citizens. The most important priority for governments, businesses and all who take part in society is to save lives and to keep people safe and healthy. Yet, as it becomes clear that the risks of COVID-19 will remain a significant part of our daily lives until a vaccine has been developed, approved, and widely used, the transatlantic economic artery is in danger.

With the U.S. having banned UK citizens from entry and the UK imposing a two-week quarantine on U.S. citizens entering the country, transatlantic travel has been reduced to a fraction of its normal volume. Earlier this year, transatlantic travel was recorded at a mere 20% of capacity in comparison to the same period in 2019. The current status quo will become unsustainable for businesses, especially Small, and Medium-Sized Enterprises (SMEs), and the carriers flying them very soon.

In the interest of our economies, the UK and the U.S. must coordinate efforts and action with the ambition to re-open the transatlantic travel corridor in 2020. A future comprehensive UK-U.S. Free Trade Agreement will provide the framework how businesses can trade and invest across the Atlantic. Yet, in order to take advantage of the opportunity the transatlantic market provides, businesses and its workers need to be able to get there.⁵

⁴For a comprehensive analysis of the UK digital services tax implications, see the BAB paper "[Taxing the 21st Century Economy – Towards a Multilateral Approach](#)"

⁵For an example of BAB's work on the issue of Re-Opening the Transatlantic Travel Corridor, see the BAB Op-Ed from 24 August 2020 - "[It's Time to Take Off](#)"

3. Negotiators to Agree on a Timetable for How and When Negotiations Resume After the U.S. Elections

Whether there is a new Administration or not, a presidential election often comes with change, causing delay to larger policy projects. Yet, there is no time if the tight deadlines for the UK-U.S. FTA negotiations are to be met. To avoid unnecessary delay and to provide clarity over the comprehensive nature of the agreement, both UK and U.S. negotiators should **agree on a timetable for how and when negotiations can resume and what they will cover**. This timetable should build on the progress made up to the U.S. election, and prioritise the complex issues to be addressed, such as SPS issues, procurement, rules of origin, sectoral issues, and ensure that the agreement is comprehensive and ambitious.⁸ This means that both sides need to decide internally where their 'red lines' really lie. Issues like de minimis values for customs, ISDS, and even labour mobility should not cause a stalemate. And the big issues of Market Access need to be approached creatively. Neither side should expect an FTA to change domestic regulation, but a thoughtful and objective approach should yield solutions as we argued in our recent paper on agrifood.

⁶ For a possible way forward on the difficult issue of market access for food and agricultural products, please see BAB's discussion paper "[The Challenge of Food and Agriculture in a U.S.-UK Trade Agreement](#)"

4. Efforts to be Increased Around Public Communications Campaigns to Build Support and Momentum for the Talks and its Benefits

No other single trading relationship offers so many benefits to both the UK and the U.S. as the transatlantic corridor. Yet, as one would expect with important policy projects, the negotiations for a future comprehensive UK-U.S. FTA receive substantial public interest and scrutiny.

The controversial public debate around the Transatlantic Trade and Investment Partnership (TTIP) negotiations between the European Union (EU) and the U.S., particularly in the UK, showed that public support can be negatively affected if the benefits and desired outcome of a trade negotiation are not explained properly.

Over the past few months, the UK Government and the U.S. Embassy in London in particular, as well as key stakeholders such as BAB have been showcasing the benefits of the future deal and the people behind it, incorporating many lessons from the past.⁹ Today, the case for these negotiations has become even more tangible, colourful, and convincing. The people behind the stories featured are real, ambitious and a true reflection of the communities that they represent.

With negotiations reaching a crucial stage, **efforts should be increased around public communication campaigns for a future comprehensive UK-U.S. FTA.** This should include building a network of champions all over the UK and the U.S., showcasing the stories behind companies keen to make the transatlantic corridor part of their business ambition, as well as explaining what is being negotiated and why, so that everyone feels comfortable and excited that this agreement benefits all.¹⁰

⁷ For an example of previous campaign efforts to deliver a transatlantic trade agreement, please see BAB's first ever SME case study publication: "[Local, Specific, Tangible: How a EU-US trade and investment agreement can help businesspeople and their companies in the UK](#)"

⁸ For more details on how an FTA can work for businesses of all sizes, see BAB's recent paper – "[Building on a Solid Foundation: The Business Case for a UK-U.S. Free Trade Agreement](#)"

5. Negotiators to Aim to Conclude an Agreement Before April 2021

On 1st July 2021, the US Trade Promotion Authority (TPA) requires renewal. The TPA is the time-limited authority that Congress uses to set trade negotiating objectives, to establish notification and consultation requirements, and to consider implementing legislation for certain reciprocal trade agreements under expedited procedures. In effect, TPA gives U.S. trade negotiators space and freedom to conduct negotiations on behalf of the President. Congress then is required to debate and ratify any draft trade agreements.

Similar to a general or presidential election, a renewal of TPA is an important milestone on the road to a trade agreement. In order to fall under the current TPA, a UK–U.S. draft deal will need to be finalised by April 2021, 90 days before the official expiration date. While renewal of TPA may itself not mean negotiations are to be abandoned, if negotiations are not concluded in time, they may have to be revisited depending on the new directives set under a new TPA.

Whichever candidate wins the election, they should consider retaining the current USTR team until the negotiations are concluded, in order to provide continuity, consistency, and to ensure that a full and comprehensive agreement is reached.

Maybe even more importantly, our experience with previous large trade negotiations has shown that business momentum can start to fade after a year if there is a prospect of a longer drawn-out negotiation as was the case with TTIP. Therefore, **negotiators should aim to finalize negotiations by April 2021.**



BritishAmerican Business is the leading transatlantic trade association created as a result of the merger between the British-American Chamber of Commerce in the US and the American Chamber of Commerce in the UK.

We are committed to strengthening the economic corridor between the United States and the United Kingdom by supporting policies and actions that protect and enhance the environment for transatlantic trade and investment on behalf of our members.

We convene and serve a growing network of companies and business leaders through networking opportunities, bespoke programming and marketing platforms.

We actively promote trade and investment and support those who make the transatlantic corridor part of their business growth ambition.

For more information, please visit www.babinc.org

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