

World Trade Organisation Tariffs



In the event of a no-deal Brexit, the UK will revert to World Trade Organisation [WTO] trading rules, assuming of course that Donald Trump has not withdrawn the USA and effectively brought international trading under WTO rules to a grinding halt.

WTO tariff rules are set out on their website and the WTO Tariff download facility gives comprehensive information see <http://tariffdata.wto.org/Default.aspx?culture=en-US>. This provides data on virtually all goods, produce and foods that are traded by the 164 WTO members. Have a look to see how easy it is, but if you haven't the time then the situation is as follows.

Although 46% of our exports go to the EU and 54% elsewhere, the countries currently outside the EU are covered by 34 EU negotiated trade deals that allow us to export preferentially. In essence 90% of our exports are with countries with whom the current tariffs are preferential because of our membership of the EU. If the UK trades under WTO rules on March 29th 2019, it becomes a "third country relationship" according to WTO rules and a set of trading rules are imposed on the UK by the WTO. In effect these are the highest tariffs that can be applied to all we buy and sell. After March 29th 2019, the following tariffs will be applied; up to 50% for the food and agriculture industry, 8% for the automotive industry and between 2% to 8% for manufactured goods. The potential impact of the imposition of WTO tariffs that encompasses 5,205 product types is likely to be significant, as, with no deal, UK exporters could face the potential impact of £5.2 billion in tariffs on goods being sold to the EU and similar to the remaining WTO members.

As the Government will have taken 2 years to come up with no deal, then how long will it take to agree trade deals with the rest of the world? What will be the impact of this delay? In addition to the increased costs of our exports and their subsequent uncompetitiveness, there will be an increased amount of paperwork ranging from Economic Operator Registration and Identification scheme [EORI] numbers and increased levels of contractual commercial terms and conditions. New contract terms will need to consider export payment guarantees as well as dispute settlement legislation. Exporters will need to check, not only the tariff rates to the destination, but whether export declarations, licences and / or carnets are needed. This is the reality of a no-deal Brexit, so if you are an exporter in East Sussex are you fully prepared for all this?

The increased costs of both WTO Tariffs and its related administration burden will hamstring UK exports and in all likelihood worsen the UK's current balance trade deficit [last quarter] of £3.4 billion. If the government fails to reach a deal, then staying in the EU will be far better for the economy than no deal, so it's time to demand a People's Vote on the deal before March 29th 2019, unless of course you are happy to have further reductions in health, police, road repairs, welfare and services caused by an increased national trade deficit and less money in the national budget.