

Written evidence submitted by the British Retail Consortium (BRC) (TB10)

Executive Summary

- Key BRC priority on Trade Bill is to ensure the transitioning of more than 60 free trade and associated bilateral agreements between the EU and third countries to which the UK is currently party, covering some 13% of UK trade
- For the retail industry, the terms of current FTAs with South Africa, Norway, Chile, Peru, Morocco and Turkey are the most significant in providing for zero or low tariff trade in goods
- If the bilateral agreements were not transitioned in time, then depending upon the relationship with the EU Common External Tariff and EU Common Commercial Policy on transition, reversion to MFN tariffs is possible, meaning 12% tariffs on clothing from Turkey, 13% tariffs on berries from Chile and Peru, and 27% tariffs on tuna from the Seychelles
- If the UK continues to apply the EU Common External Tariff on transition, but the bilateral FTAs are not transitioned in time, this would mean the UK had to apply EU tariffs without reciprocal preferential trading access to third country markets in response. This point should be clarified in terms of negotiations with the EU over transitioning of the bilateral agreements.

Introduction

1. The British Retail Consortium (BRC) is the UK trade association for retailers. Our members include online and non-food retailers, including household furniture and home improvements, clothing, footwear, textiles, medicines, cosmetics, and all of the major food retailers, who between them account for over 90% of the UK's grocery sales, as well as a number of food to go companies.
2. Retail is an exciting, diverse and dynamic industry undergoing transformational change. The BRC is at the forefront – enhancing, assisting, informing and shaping. Our mission is to make a positive difference to the retail industry and to the customers it serves. Our broad range of stakeholders demonstrates how retailing touches almost every aspect of our society. The BRC leads the industry and works with our members to shape debates and influence issues and opportunities that will help make that positive difference.
3. We care about the careers of people who work in our industry, the communities retail touches and competitiveness as a fundamental principle of the industry's success – our 3Cs.
4. In addition to publishing leading economic indicators on UK retail sales, footfall and shop vacancies in town centres, our policy positions are informed by our 200-strong membership and determined by the BRC Policy Board.
5. We welcome the opportunity to contribute to the House of Commons Public Bill Committee's consideration of the Trade Bill at Committee Stage. The BRC's focus through

our campaign A Fair Brexit for Consumers has been to ensure UK consumers, prices, quality and availability are at the heart of the negotiations on Brexit. Our research demonstrates why achieving a satisfactory Brexit deal is vital for consumers served by the retail industry.

Priorities for the Trade Bill

6. The key issues for the BRC and its members from the Trade Bill are the powers on transitioning the more than 60 bilateral customs union, trade, association, partnership and economic co-operation agreements the EU has made with third countries, to which the UK is party as a member state. Together these agreements cover some 13% of current UK trade, including 6% of retail imports.

7. The other important areas in the Bill are around the operation of the new Trade Remedies Authority, which will investigate and advise upon suggested action in the event of a trade dispute involving goods from third countries within the UK market. The Bill also provides for the UK to become an independent contracting party to the WTO Agreement on Government Procurement (GPA), and deals with the powers of the devolved administrations in terms of their roles in implementing trade agreements in those areas where they have legislative and executive responsibilities under the devolution legislation.

8. The division of legislative powers on trade issues between the Trade and Taxation (Cross-border Trade) Bills is as follows:

Trade Bill	Taxation (Cross-Border Trade) Bill
Implementation of transitioned EU FTAs and other agreements with 60+ countries	Provides for new UK customs, VAT, excise and tariff systems
Creation of new Trade Remedies Authority at arms length to UK Government	Creates legal authority for imposition of customs duties and tariffs to other countries' products
Implementation of WTO Agreement on Government Procurement	Gives powers for adoption of UK tariff rate quotas for third countries
Provides for role of devolved administrations in implementation of trade agreements	Provides authority for unilateral setting of preferential tariffs, or tariff-free rates for over 70 developing countries
	Legal powers for applying additional duties or tariffs in the form of trade remedies instruments after investigation by the Trade Remedies Authority and approved by ministers
	Powers to make preferential tariff and other trade agreements with other countries outside the unilateral arrangements for developing countries

Bilateral EU Trade Agreements

9. The BRC has recently published research on the implications of the UK falling out of the bilateral preferential trade and trade-related deals negotiated by the EU covering 73 third countries and territories on 29 March 2019. If the UK does not remain within the EU Common External Tariff for transition, ie. it has an alternative legal form of common tariff, or if the UK exits the EU in 2019 without a transitional deal, the result would be higher tariffs on everyday imported goods such as fruit from Peru and Chile, wine from South Africa, clothing from Turkey, and fish from Norway and Iceland. This reversion to MFN tariffs would contribute to an increase in price pressures for UK consumers¹. The UK should be reviewing all options to ensure the transitioning of these agreements on exit day to ensure no gaps in trading conditions for businesses or consumers.
10. Losing access to these agreements would also see the UK lose access to the trade facilitation measures contained within. This would also have the effect of raising liability to import VAT payable through raising the inclusive value of the goods.
11. The Trade Bill creates a five year legal power (renewable for a further five years) for UK Ministers to make regulations to translate these agreements into UK law. The BRC would seek clarification that the Trade Bill is capable of translating all of the current bilateral agreements into UK law without exception, and that no further legal authority is required, which would further delay the process.
12. These powers only apply to EU FTAs or connected agreements made prior to exit day in March 2019. What would be the status in the UK of any bilateral agreements negotiated during the transition by the EU is uncertain, and clarity would be welcome on this point.
13. Losing access to these bilateral trade agreements would also see the UK lose access to the trade facilitation measures contained within. This would have the effect of raising liability to import VAT payable through raising the inclusive value of the goods.

¹ <https://brc.org.uk/media/232834/the-bilateral-trade-deals-that-matter-to-consumers.pdf>

14. Using data gathered from UK retailers the BRC identified those countries where transitioning bilateral trade agreements will be the most important, to avoid UK consumers paying more for goods. Products such as clothing, wine, fruit, vegetables and fish will be particularly affected if the agreements are not timeously transitioned as shown in the table below²:

Country	Product Category	Tariff now	average	Tariff MFN	Average
South Africa	Wine	2.4%		4.0%	
Turkey	Clothing	0.0%		12.0%	
Chile	Fruit	1.7%		13.0%	
Morocco	Vegetables	0.8%		13.0%	
Tunisia	Clothing	0.0%		12.0%	
Peru	Fruit	1.5%		13.0%	
Iceland	Fish	3.4%		11.0%	
Egypt	Fruit	2.6%		13.0%	
Switzerland	Sauces	0.4%		9.0%	
Seychelles	Prepared Fish	0.0%		27.0%	

Trade Remedies Authority

15. The relationship between the UK and the EU Common Commercial Policy post-transition will be determined by negotiations on the end status framework. If there is no common commercial or competition policy in place in the end status agreement, the potential UK trade remedies in terms of anti-dumping duties or countervailable duties would become activated via the Taxation (Cross-border Trade) Bill.
16. Any end status agreement will determine the overall context within which any distinct UK trade remedies policy operates given that the EU is keen on securing a level playing field on competition policy and other areas of commercial policy. The BRC would endorse that the appropriate balance between consumer interests and producer interests is reached as part of future trade remedies policy. Consumer interests include issues such as prices, quality and choice, but also environmental, social and labour standards, for example ethical sourcing.

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² Source: BRC, ITC

ANNEX A – LIST OF EU BILATERAL TRADE AND TRADE-RELATED AGREEMENTS

1. The first part of the Trade Bill confers the legal powers upon UK Ministers (and devolved administration Ministers where appropriate) to implement defined categories of trade agreements. These are: first, the Agreement and Revised Agreement on Government Procurement (GPA), under the auspices of the WTO; and second, the transitioning of more than 60 bilateral agreements the EU has struck with countries from the Caribbean to the European neighbourhood, from Jamaica to Ukraine. Together such agreements constitute preferential trade terms which covered 13% of UK trade in 2016.
2. Here is the list of the EU FTAs and other trade-related agreements currently, wholly or partly in force:

Country	Type of Agreement	Wholly/Partly in force (Jan 2018)?
Turkey	Customs Union	Wholly in force since 31/12/1995
San Marino	Customs Union	Wholly in force since 01/04/2002
Andorra	Customs Union	Wholly in force since 01/01/1991
Switzerland	Bilateral trade and co-operation agreement	Wholly in force since 01/01/1973
Norway	European Economic Area agreement	Wholly in force since 1994
Iceland	European Economic Area agreement	Wholly in force since 1994
Liechtenstein	European Economic Area agreement	Wholly in force since 1994
Algeria	Association Agreement	Wholly in force since 01/09/2005
Egypt	Association Agreement	Wholly in force since 01/06/2004
Chile	Association Agreement and Additional Protocol	Wholly in force since 01/03/2005
Georgia	Association Agreement	Wholly in force since 01/07/2016
Israel	Association Agreement	Wholly in force since 01/06/2000

Jordan	Association Agreement	Wholly in force since 01/05/2002
Lebanon	Association Agreement	Wholly in force since 01/04/2006
Moldova	Association Agreement	Wholly in force since 01/07/2016
Morocco	Association Agreement	Wholly in force since 01/03/2000
Tunisia	Association Agreement	Wholly in force since 01/03/1998
Costa Rica	Association Agreement with strong trade component	Provisionally in force since 2013
El Salvador	Association Agreement with strong trade component	Provisionally in force since 2013
Guatemala	Association Agreement with strong trade component	Provisionally in force since 2013
Honduras	Association Agreement with strong trade component	Provisionally in force since 2013
Nicaragua	Association Agreement with strong trade component	Provisionally in force since 2013
Panama	Association Agreement with strong trade component	Provisionally in force since 2013
Canada	Comprehensive Economic and Trade Agreement	Provisionally in force since 21/09/17
Ukraine	Deep and Comprehensive Free Trade Agreement & Association Agreement	Provisionally in force since 01/01/2016
South Korea	Free Trade Agreement	Wholly in force since 01/07/2016
Mexico	Global Agreement	Wholly in force since 01/10/2000
Faroe Islands	Agreement	Wholly in force since 01/01/1997

South Africa	Interim Trade, Development and Co-operation Agreement & Economic Partnership Agreement	Wholly in force since 01/05/2004 (EPA provisionally in force since 10/10/2016)
Colombia	Trade Agreement	Provisionally in force since 2013
Ecuador	Trade Agreement	Provisionally in force since 2013
Peru	Trade Agreement	Provisionally in force since 2013
Singapore	Free Trade Agreement	Not applied – subject to CJEU opinion 2/15
Fiji	Interim Partnership Agreement	Ratified by Papua New Guinea in 2011
Papua New Guinea	Interim Partnership Agreement	Ratified by Papua New Guinea in 2011
Albania	Stabilisation and Association Agreement	Wholly in force since 2009
Bosnia & Hercegovina	Stabilisation and Association Agreement	Wholly in force since 01/06/2015
Kosovo	Stabilisation and Association Agreement	Wholly in force since 01/04/2016
Macedonia, former Yugoslav Republic of	Stabilisation and Association Agreement	Wholly in force since 01/04/2004
Montenegro	Stabilisation and Association Agreement	Wholly in force since 01/05/2010
Serbia	Stabilisation and Association Agreement	Wholly in force since 01/09/2013
Russia	Partnership and Co-operation Agreement	Wholly in force since 01/12/1997
Syria	Co-operation Agreement	Wholly in force since 01/07/1997
Palestinian Authority	Interim Association Agreement	Wholly in force since 01/07/1977

Armenia	Partnership and Co-operation Agreement	Wholly in force since 09/09/1999
Azerbaijan	Partnership and Co-operation Agreement	Wholly in force since 1999
Kazakhstan	Partnership and Co-operation Agreement	Wholly in force since 1999
Antigua and Barbuda	Economic Partnership Agreement	Provisionally in force since 2008
Bahamas	Economic Partnership Agreement	Provisionally in force since 2008
Barbados	Economic Partnership Agreement	Provisionally in force since 2008
Belize	Economic Partnership Agreement	Provisionally in force since 2008
Botswana	Economic Partnership Agreement	Provisionally in force since 10/10/2016
Dominica	Economic Partnership Agreement	Provisionally in force since 2008
Dominican Republic	Economic Partnership Agreement	Provisionally in force since 2008
Grenada	Economic Partnership Agreement	Provisionally in force since 2008
Guyana	Economic Partnership Agreement	Provisionally in force since 2008
Haiti	Economic Partnership Agreement	Provisionally in force since 2008
Jamaica	Economic Partnership Agreement	Provisionally in force since 2008
Lesotho	Economic Partnership Agreement	Provisionally in force since 10/10/2016
Madagascar	Economic Partnership Agreement	Provisionally in force since 2012
Mauritius	Economic Partnership Agreement	Provisionally in force since 2012
Mozambique	Economic Partnership Agreement	Provisionally in force since 10/10/2016

Namibia	Economic Partnership Agreement	Provisionally in force since 10/10/2016
Seychelles	Economic Partnership Agreement	Provisionally in force since 2012
St Kitts & Nevis	Economic Partnership Agreement	Provisionally in force since 2008
St Lucia	Economic Partnership Agreement	Provisionally in force since 2008
St Vincent & The Grenadines	Economic Partnership Agreement	Provisionally in force since 2008
Suriname	Economic Partnership Agreement	Provisionally in force since 2008
Swaziland	Economic Partnership Agreement	Provisionally in force since 10/10/2016
Trinidad & Tobago	Economic Partnership Agreement	Provisionally in force since 2008
Ivory Coast	Stepping stone Economic Partnership Agreement	Provisionally in force since 03/09/2016
Ghana	Stepping stone Economic Partnership Agreement	Provisionally in force since 15/12/2016
Cameroon	Interim Economic Partnership Agreement	Provisionally in force since 2014