

Ministerial Submission

From: Jonathan Bayliss

To: Baron Mark Price

Title: Trading Places: Future Trade options for Britain Post Brexit.

Issue

The Brexit referendum has clearly affected the way the UK has to think about trade. A change in the UK-EU relationship is immanent and this could involve the introduction of new tariffs and other costly changes. The recent American presidential election has also cast a shadow over the US-UK relationship and we must be careful not to become over reliant on the volatile administration. It is important for the UK to consider alternative options for trade and identify countries where we can exploit or develop special links. Countries such as those in the commonwealth and the far east present fruitful opportunities for investment and trade.

Recommendation

1. Talk to business leaders to find out what kind of deal they want for out of the EU regarding tariffs. Focus on those in the FTSE 100 to acknowledge the UK government values their interests and is looking to support them post-Brexit. Decide on a plan of action regarding tariffs and investment structure for UK outside of the EU.
2. Liaise with Trade Ministers from China, Gulf Arabian Countries (except Qatar, highly volatile situation), Japan, Hong Kong, India, Brazil. They are some of the UK'S biggest trading partners and many are large economies we can work closely with. Pursue the potential for a commonwealth trading bloc and outline how that would look for the UK. Forward potential pitfalls uncovered in talks to Prime Minister May. Make sure to note countries particularly open to trade and those who are reluctant.

Timing

Recommendation 1 – URGENT

Need to define a plan of action and understand business attitudes prior to upcoming election. Outlining a plan and informing the public is an area of interest in the election campaign.

Recommendation 2 – ROUTINE

Begin communication through backchanneling and then step up meetings as Brexit deadline approaches. Meetings and liaisons should be spread out over the next few years until 2019 where more formal meetings can take place and rough plans can be outlined.

Discussion

My recommendations focus both on a national and an international level but the two are heavily linked. It is imperative that we focus on businesses in the UK but not just British businesses. The FTSE100 companies are some of the largest and fastest growing companies in the UK and they support the national economy but many of them have foreign origins. It is important for us to consider all of these businesses when thinking of new tariff and tax agreements after Brexit.

The FTSE100 contains businesses from all sectors from the UK from Personal and Household Goods to Telecommunications to Oil and Gas. Household names such as HSBC, Coca Cola, Exxon and ITV all hold FTSE100 status. These companies employ 6.3million people world-wide and range from companies of around 250 employees to those over 650,000. Consumer and business uncertainty can be detrimental to economic growth and can lead to serious problems in the economy. The fluctuation of the pound has generated a lot of indecision in numerous industries and has caused problems both domestically and internationally regarding trade. 2016 saw a fall of around £6million in the UK balance of payments. I recommend gaining an understanding of what the leading companies from a diverse range of

We are in a tumultuous position in Britain today. Leaving the EU will change our position and our power as an international trader. Currently our largest trading partner is the United States but the relationship with America is coming under strain and the special relationship once shared was slightly weakened. This is why I believe now is a good time to explore our options and consider potential suitors for new trade deals.

My recommendation is to strengthen ties with those countries we currently have trading relationships and shared histories with. China is currently the UK's second largest importer and exporter and in 2015 we imported £38.4million and exported £16.7million. Recently the Belt Road Initiative has become fully operational and allows goods to be transported between China and the UK in 16days. Previous transportation normally takes 46days, around a month longer. China are keen to work closely with Britain on this initiative and we have committed £40million in capital

to the project. This is a relationship that can be built on in the future and I recommend securing a deal with China takes priority in your talks.

The Gulf Cooperation Council Countries also offer Britain with possibly investment opportunities. The situation in this group of countries is volatile at the moment, especially with the sanctioning of Qatar. Prime Minister May has already outlined her desire to increase trade amongst these countries and they have responded. Currently, trade with the GCC totals £30Billion annually. Interestingly the GCC are looking to diversify from traditional oil markets which allows the UK to offer services and support in developing these markets.

I also recommend you also exploit Britain's historical ties with our commonwealth partners. The commonwealth currently makes up a very small portion of the UK's trade, only 9%, but the size of the economies in the commonwealth suggest more could be done. Australia has a GDP of \$1.34 trillion and India \$2.09 trillion but they play a very small part in UK trading. This is a common theme in the commonwealth-UK relationship. The 52 countries that are members of the commonwealth import £45,62 million and export £47,395 million of UK goods and services while the US alone imports £59,258 million and exports £96,435 million. While many of the countries in the Commonwealth are small in size they offer a great potential for growth. India has the highest GDP growth in the commonwealth at +7.934%, followed by Tanzania at +7.0%, Bangladesh at +6.6%, Grenada at +6.2% and Malta at +6.2%. Therefore, the development of a commonwealth trading bloc is an appetising prospect. You need to carefully consider how this may manifest itself. Current talks concern a free trade agreement with the commonwealth but it is important to maintain British interests, the movement of people, tariffs and other costs and compromises must be deliberated. Membership of this trading bloc must also be well thought out. This entails the need for a structure and hierarchy within the bloc. You will have to discuss this with the potential suitors and the prime minister to establish the best deal for those involved.