

RESEARCH SUMMARY

Improving an Already-Strong Trading Relationship: What a US-UK Free Trade Agreement Should Look Like

The United States and the United Kingdom recently announced plans to pursue a bilateral free trade agreement (FTA) after the latter's expected March 2019 exit from the European Union. If done right, a US-UK FTA between the world's largest and fifth-largest economies could unlock new opportunities for trade and investment and boost the economic welfare of both nations. So argues Daniel Griswold in "[Leading the Way with a US-UK Free Trade Agreement.](#)"

HOW DOES THE UNITED KINGDOM RANK?

By most measures, the United Kingdom is a key commercial partner of the United States:

- It is the seventh-largest partner in two-way goods trade.
- It is the third-largest source of tourists—bigger than Germany, France, and Italy combined.
- It is the leading partner in services trade and foreign direct investment.
- It is the fifth-largest market for US exports—behind only Canada, Mexico, China, and Japan.

Griswold argues that, once the United Kingdom leaves the European Union, a US-UK FTA has the potential of enhancing the value of the partnership between the two countries.

GOALS OF A US-UK FTA

- *Elimination of duties on all agricultural and manufactured goods.* While the United States and the European Union impose relatively low average tariff rates on each other's manufactured goods, tariffs remain a significant barrier to agricultural trade. The agreement should seek to eliminate all duties on agricultural and manufactured goods, including automobiles.
- *Reduction in nontariff barriers.* Sanitary and phytosanitary standards, such as food safety regulations, can be used for the purpose of protecting domestic producers rather than for legitimate reasons of public health—an allegation the United States has leveled at the European Union. A US-UK FTA should strive to remove all such unnecessary impediments to trade, expanding opportunities for both businesses and consumers.
- *Liberalization of services trade.* An FTA should harmonize financial services standards in the two nations to facilitate already-robust trade in banking, insurance, and accounting.

- *Freer movement of labor.* By enabling workers to move where their skills are most in demand, the agreement can facilitate a more productive matching of labor and demand within the two nations.
- *A club others can join.* A US-UK FTA would potentially be open to other nations seeking to promote more trade, growth, and opportunity for the benefit of their citizens. The FTA can be written in such a way that other nations can join the existing agreement with few, if any, modifications.