

BLACK COUNTRY INTERNATIONAL

Export Explained: The UK – US
Free Trade Agreement



Black Country
Chamber of
Commerce

blackcountrychamber.co.uk



About Black Country International

At the Black Country Chamber of Commerce, we are committed to helping our members and businesses across the region with the smooth transition of goods and services across international borders.

Our Black Country International services can help you with export documentation, train and develop your teams and keep you up to date with trends and topics which impact how you export and import.

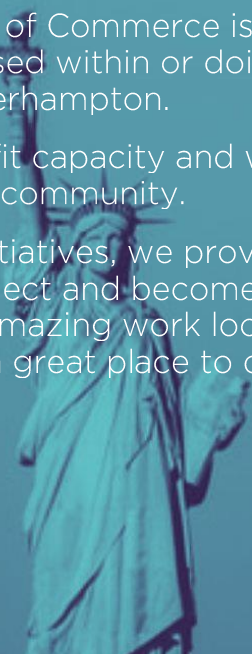
Whether you are new to trading internationally or an experienced exporter, we can help you develop a strategy that is right for you and help make the process of doing business easier.

About Black Country Chamber of Commerce

The Black Country Chamber of Commerce is the leading regional business support agency for firms based within or doing business across Dudley, Sandwell, Walsall, and Wolverhampton.

We operate in a not-for-profit capacity and work hard for our members across the region's business community.

Through our services and initiatives, we provide platforms and opportunities for businesses to grow, connect and become part of a thriving network, shining a spotlight on the amazing work local companies are doing and helping to make the region a great place to do business.



Introduction

In March 2020, the United Kingdom (UK) started negotiations with United States of America (USA/US) to secure a comprehensive Free Trade Agreement (FTA). The UK and the US share the world's largest bilateral trade and investment relationship which creates over one million jobs in both countries and represents one trillion dollars of combined foreign direct investment (FDI).

This report sets out to explain the UK - US Free Trade Agreement and why it is important for businesses in the Black Country.

19.9% of the West Midlands exports in 2018 were destined for the US market and in 2019/20 the Black Country region exported £181 million worth of goods to the US making the US the largest export market for our region.

What is a Free Trade Agreement (FTA)?

A Free Trade Agreement (FTA) is an international agreement that aims to encourage trade by removing or reducing the tariff (a duty or tax imposed by the government of a country on goods as they cross national boundaries) and non-tariff barriers to trade and investment between partner countries.

The barriers to trade and investment can make it harder and costly to trade or invest overseas so by removing them with an FTA it makes it easier for business to export, import and invest.

Trade agreements also aim to remove quotas and can benefit consumers by providing a wider range of affordable imported products.



Snapshot: The US Economy

The US is the largest economy in the world and is forecast to grow by around 11% by 2024 ¹. It is the third most populated country in the world (after China and India) with its population expected to grow to over 340 million people in the next five years ².

The US is a developed, high-wage economy with high standards. The US is the UK's top source of FDI and both countries have over £700 billion invested in each other's economies ³. There are over 155 million people working in the US who spend their income on household goods and services ⁴. The average US consumer spent \$60,100 (£46,600) on these goods and services in 2017 ⁵. According to the Statistics of US Businesses (SUSB) there were around 6 million firms in the US, employing over 126 million people in 2016 ⁶. The service sector contributes around 81% of the value of the US economy. The main service sectors are real estate, rental and leasing, and Government services ⁷. The manufacturing sector contributes around 11% to the US economy.

US		United Kingdom	
GDP:	\$20.54 trillion	\$2.85 trillion	GDP:
GDP per capita:	\$62,795	\$42,962	GDP per capita:
Trade (% GDP)	27.54%	61.78%	Trade (% GDP)
Population:	326.6 million	66.6 million	Population:
Agriculture, value added (% of GDP)	0.9%	0.6%	Agriculture, value added (% of GDP)
Industry, value added (% of GDP)	18.2%	17.5%	Industry, value added (% of GDP)
Services, value added (% GDP)	77.4%	71%	Services, value added (% GDP)

Source: World Bank Development Indicators 2018 & 2017

¹ GDP Forecast (Constant Prices), IMF World Economic Outlook Database, April 2019

² IMF World Economic Outlook Database, 2024 total population, April 2019.

³ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/869592/UK_US_FTA_negotiations.pdf

⁴ US Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, 2018

⁵ Ibid.

⁶ US Census Bureau, Statistics of US Businesses (SUSB), 2018.

⁷ US Bureau of Economic Analysis, 2019

The Existing Trading relationship between the UK and the US

The UK and the US have the largest bilateral trading and investment relationship in the world today, worth more than one trillion dollars and supports the employment of more than one million people in each other's countries.

The UK-US total trade was valued at £220.9 billion last year, accounting for 15% of all UK trade and UK exports to the US accounted for 19.8% of all UK exports in 2018.

Services represent a particularly important and growing part of the trading relationship. Total services trade with the US has almost doubled in the last decade, from £49 billion in 2007 to £94 billion in 2018, representing around half of all bilateral trade⁸. According to US statistics, in 2017 1.7 million people worked for US majority-owned companies operating in the UK and 1.3 million people worked for UK majority-owned companies based in the US.

Main goods traded across the UK and US include machinery and electrical equipment, vehicles and aircraft and chemicals⁹.

What do we export to the US?

The top three goods exports to the US (annual average between 2016-18) were:

- Vehicles and aircraft
- Machinery and electrical equipment
- Chemicals

More than half of UK exports to the US are in services. The UK's total services trade with the US (imports plus exports) has almost doubled in the last decade from £49 billion in 2007 to £94 billion in 2018.

The most important services for bilateral trade between the UK and US are 'other business services', finance and transportation services. 'Other business services' captures professional services including architecture and engineering.

⁸ ONS (2019) UK total trade: all countries, non-seasonally adjusted.

⁹ HMRC trade statistics by commodity code. Sectors classified according to Harmonised System Sections. Data uses an average from 2016 to 2018.

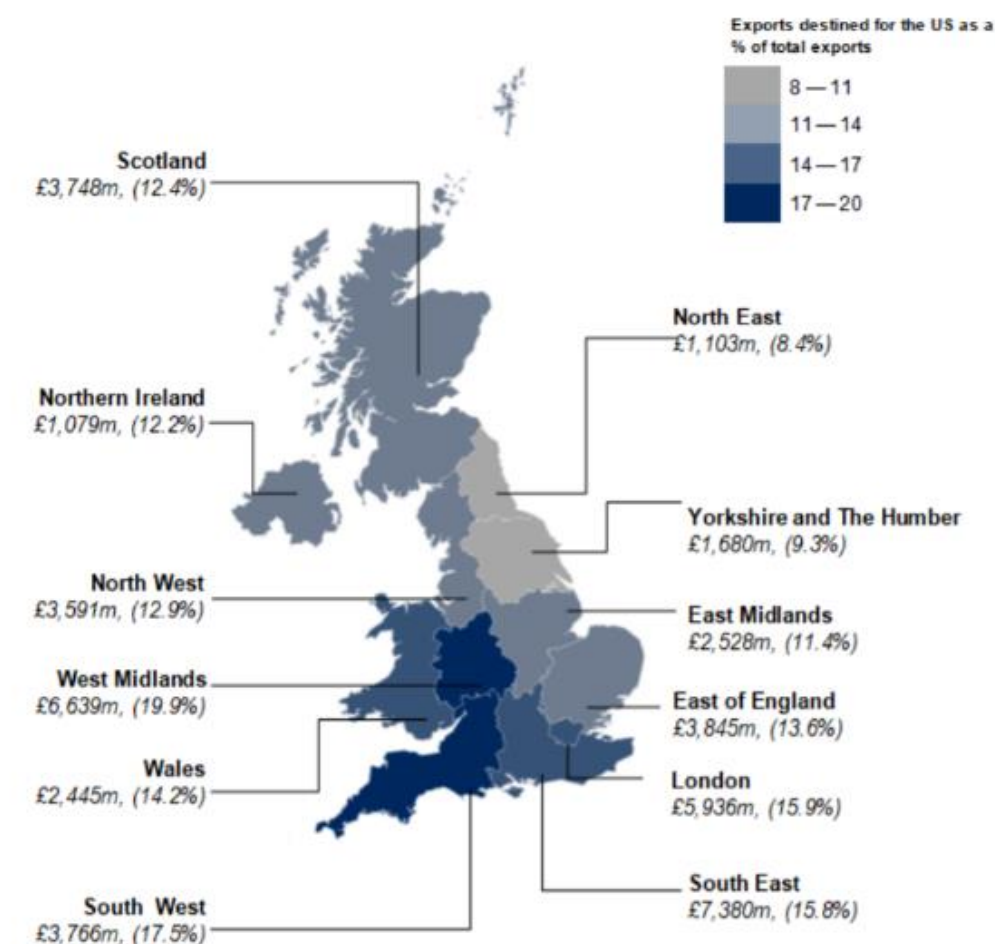
UK Regional Exports to the US

In 2018, the regions with the highest proportion of their goods exports destined for the US were the West Midlands, the South West, London, and the South East.

The Chart below displays the percentage of each region's goods exports that were destined for the US. For the four regions listed above, the US accounted for between 16% and 20% of the region's total goods exports.

In 2019/20 the Black Country region exported £181 million worth of goods to the US making the US the largest export market for our region.

UK nations and regions goods exports to the US as a share of total goods exports, 2018



Source: HMRC regional trade statistics.

Our Position

The launch of the UK-US FTA negotiations is a significant step forward in growing international trade between the two countries and the Black Country Chamber welcomes this new focus supporting exporters in the West Midlands.

The US is the UK's biggest single country export market for services. The two countries are the world's largest service exporters and leaders in service industries such as finance and tech with UK investment in American professional, technical, and scientific services jumped from \$10.8 billion in 2015 to \$22.8 billion in 2018 ¹⁰.

The UK government's figures show that total UK-US services trade all but doubled between 2007 and 2018. However, only 20% of UK service companies which export sell to the US.

It is a market that offers significant potential for this figure to increase. A future trade deal is an opportunity to increase cross-border trade, including by encouraging greater mobility and developing regulatory dialogues that can help increase market access and shape industries of the future.

The trade and investment relationship between the UK and US is thriving thanks to our cohesive and diverse economies. The US offers enormous potential for two-way trade and investment and we believe that the West Midlands economy could benefit substantially from an FTA which supports those firms seeking to export their goods and reach the Japanese markets, removing barriers to trade and developing trading relationships.

The Black Country business community is prepared to work with government both here and overseas to shape a deal that works for our economy, building stronger links and connections to the United States.

¹⁰ <https://www.cbi.org.uk/media/4614/a-roaring-trade-capitalising-on-the-opportunities-of-a-uk-us-fta.pdf>

**To share your views on this topic or ask us a question,
contact:**

Chamber's International Trade Team:

By telephone at:
0330 024 0820

export@blackcountrychamber.co.uk

Policy & Public Affairs Team:

policy@blackcountrychamber.co.uk



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