



Department for Business, Innovation & Skills

A world map rendered in a dotted or halftone style, centered behind the main title text.

Trade trends and trade policy developments

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The big picture

- UK earnings from exports of goods exceeded earnings from exports of services and FDI abroad in 2012. It's a myth that we don't export goods!
- Goods exports rose by only 0.5% between 2011 and 2012.
- Services exports and earnings from UK FDI abroad fell between 2011 and 2012 (2.8%, 19.9%)
- In services we normally have a trade surplus and in goods a trade deficit, which in total leads to a deficit

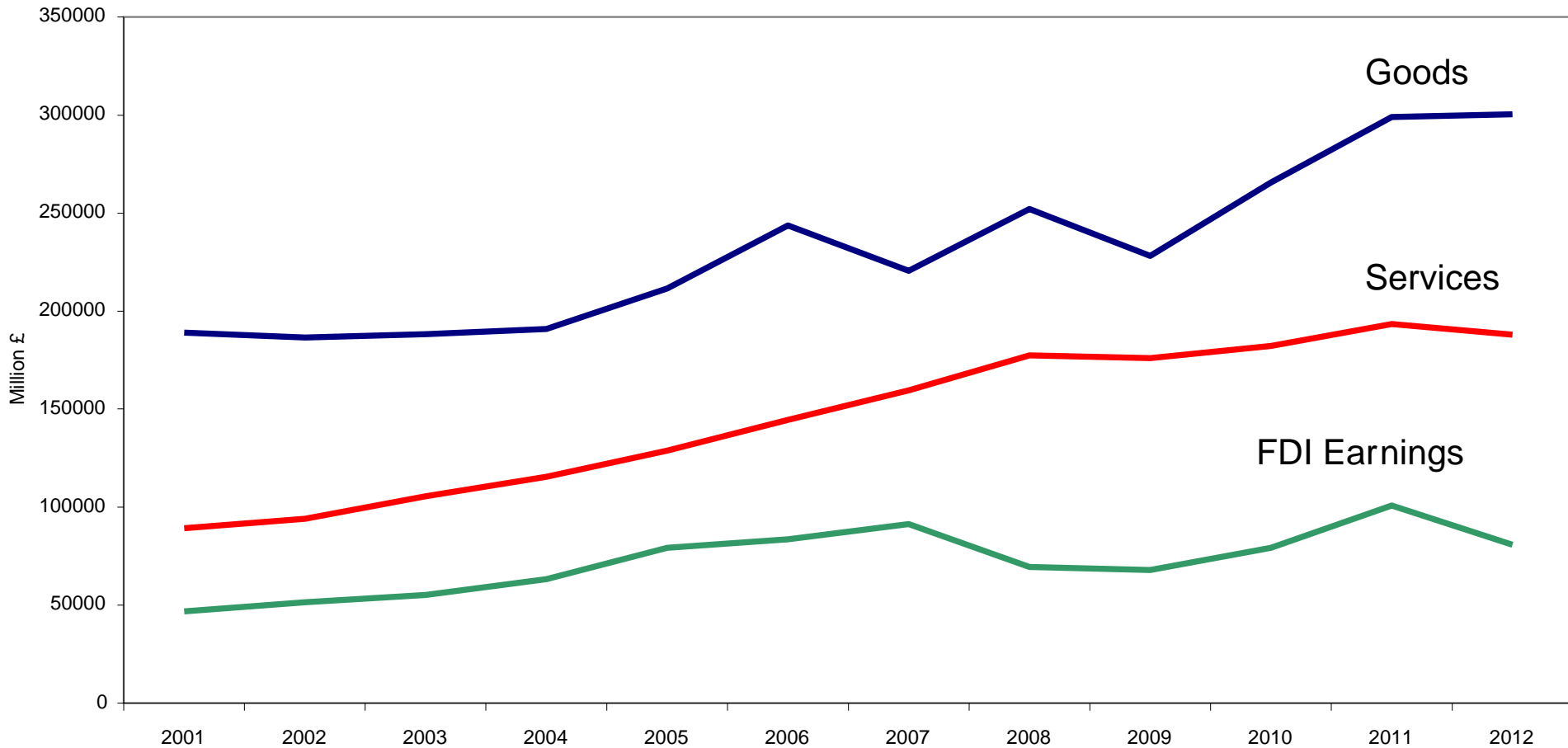
Big picture (2)

- UK is world's 10th largest exporter of goods
- China the largest exporter of goods in 2011, followed by Germany and the USA.
- UK goods exports to most countries increased over recent years, with markets such as Russia, China, India, Indonesia and Colombia seeing growth of over 70% since 2009.
- But the UK has lost market share in many of these countries.

Why this matters at the macro and political level

- Growth from exports and inward investment
- It was these that took the UK out of recession during the small peak between the latest dips
- Chancellor set the aim of increasing annual exports to £1 trillion by 2020 = 1 in 4 SMEs exporting?
- UKTI – one of the few parts of government not cut
- Trade liberalisation a top priority for Government, e.g. at G8 Summit and in our influencing of the EU. Link to future EU referendum?

UK earnings from exports of goods and services and FDI abroad



**2012 total: £569.2 billion, of which:
52.8% Goods, 33.0% Services, 14.2% FDI earnings**

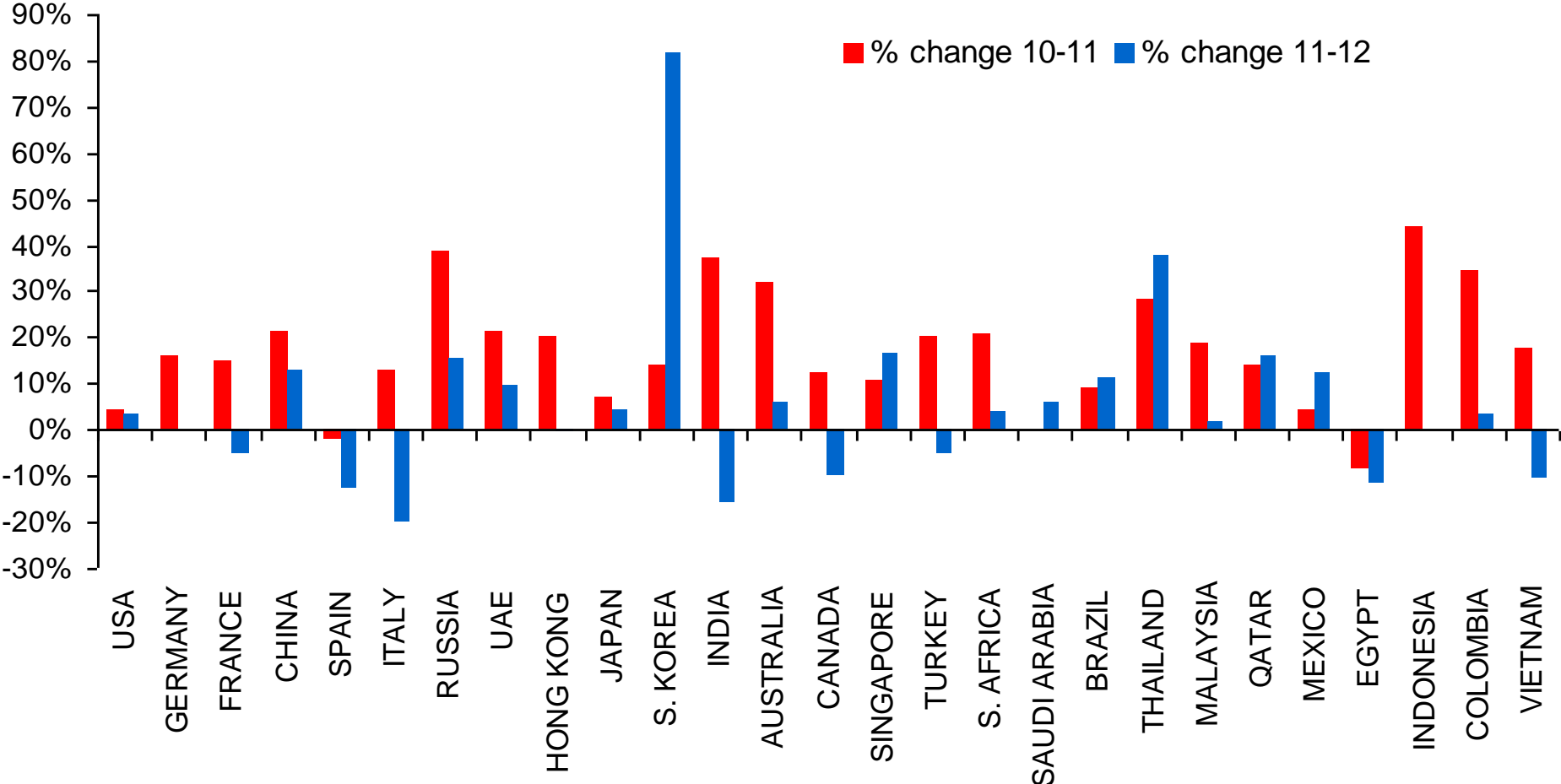
Source: UK Balance of Payments 2012Q4

Note: 2012 figures are provisional and subject to revision when final estimates are published by the ONS in its Pink Book publication in July 2013.

Footnote – reliability of data and “trade in value added”

- When is a goods export not a goods export? Think iPhone – made in China but most of the value goes to the USA. Second largest amount is in the UK (Carphone Warehouse and Vodafone). Or the wings and engine on an Airbus sold to Asia?
- OECD / WTO research on “trade in value added”. In value added terms, the US remains the UK’s leading individual trading partner, both for imports and exports. The 2009 UK-US trade surplus is higher in value added terms.
- In 2009, the UK trade deficit with France, Norway and China are lower in value added terms than in gross terms
- The UK’s trade deficit is higher in these terms with Germany and Netherlands

**Chart D.1: Growth in UK goods exports 2010-11 and 2011-12
(in order of 2012 export value)**



Source: HMRC OTS

The UK's top 10 trading partners

Exports

Goods

Services

Imports

Goods

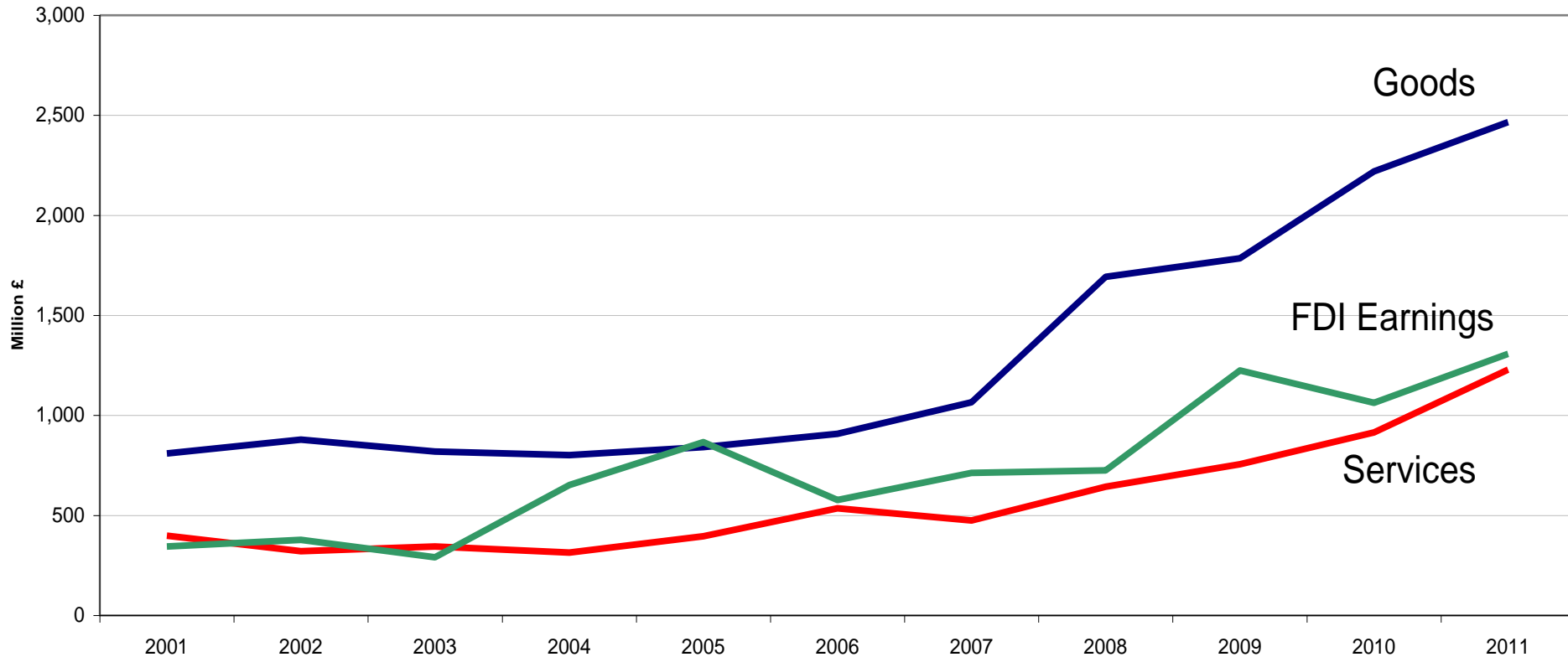
Services

1	USA ¹	USA ¹	Germany	USA ¹
2	Germany	Germany	China	France
3	Netherlands	Netherlands	USA ¹	Spain
4	France	France	Netherlands	Germany
5	Irish Republic	Ireland	Norway	Japan
6	Belgium/Luxembourg	Switzerland	France	Italy
7	Italy	Australia	Belgium/Luxembourg	Ireland
8	Spain	Italy	Italy	Netherlands
9	China	Spain	Irish Republic	Switzerland
10	Sweden	Japan	Spain	India

Future trends

- Import demand in large emerging markets such as China, India, Russia, and Brazil is expected to grow much faster than in the Eurozone and other developed markets between 2010 and 2020.
- Vietnamese import demand is expected to grow by around 250% between 2010 and 2020 - faster than any other emerging power, including China.
- Several markets are expected to see the size of their import market more than double between 2010 and 2020. These are Vietnam, China, South Korea, Indonesia, Thailand, Russia, India, Malaysia, Japan, Mexico, Turkey, Brazil and Taiwan.

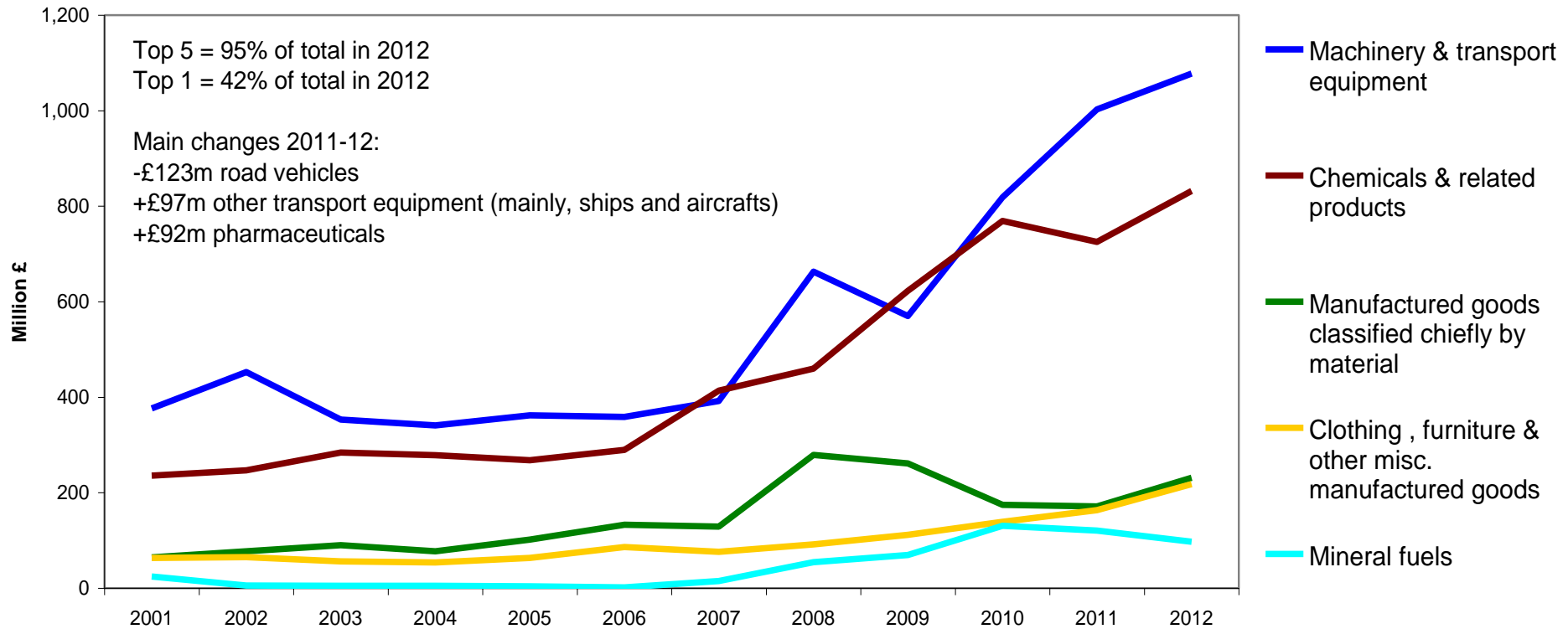
UK earnings from exports of goods and services and FDI - Brazil



**2011 total: £5,002 million, of which:
49.3% Goods, 24.6% Services, 26.1% FDI Earnings**

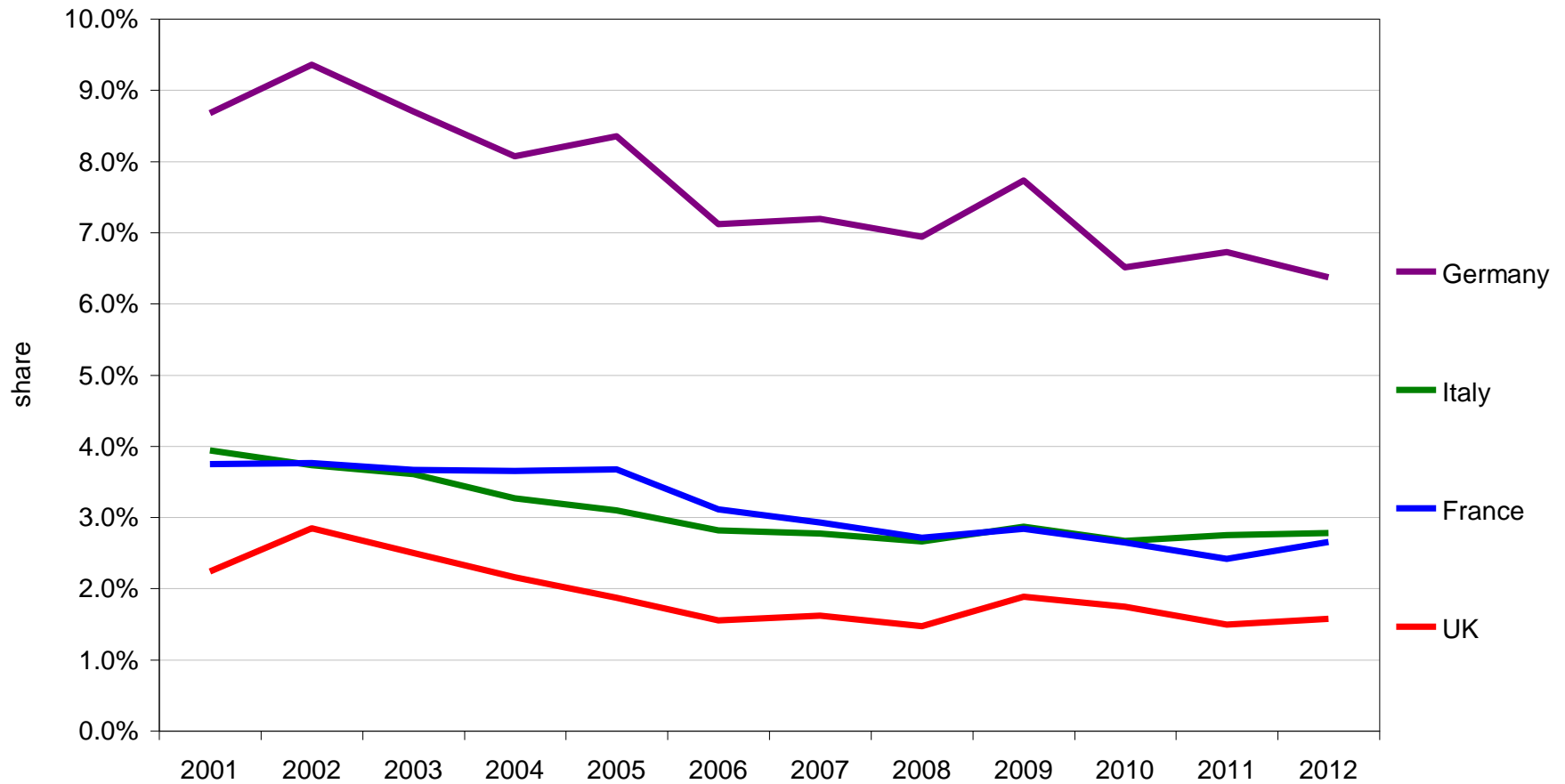
Source: ONS Balance of Payments (Pink Book) and ONS FDI MA4

Top-5 UK commodities exported to Brazil



Source: HMRC Overseas Trade Statistics

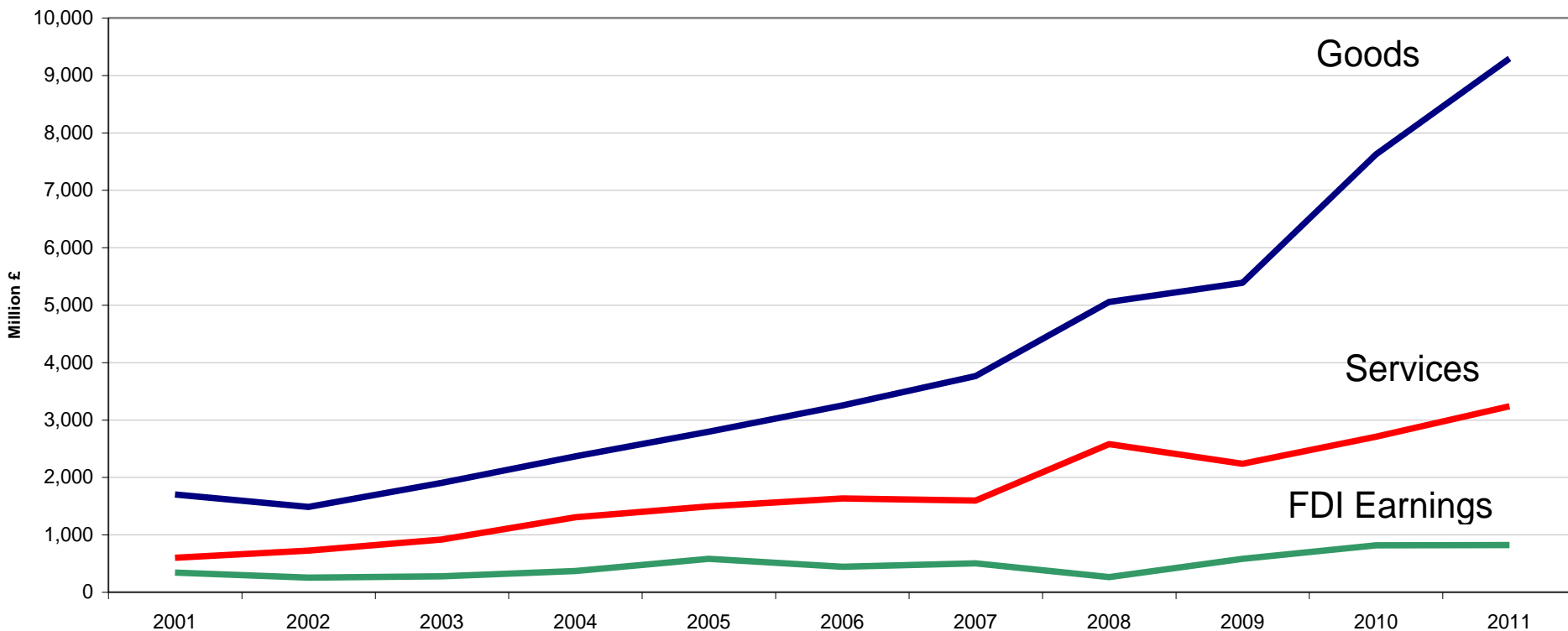
Market share of goods imports into Brazil



Top 3 import sources in 2012: China 15.3%; USA 14.6%; Argentina 7.4%

Source: BIS analysis of UN Comtrade data

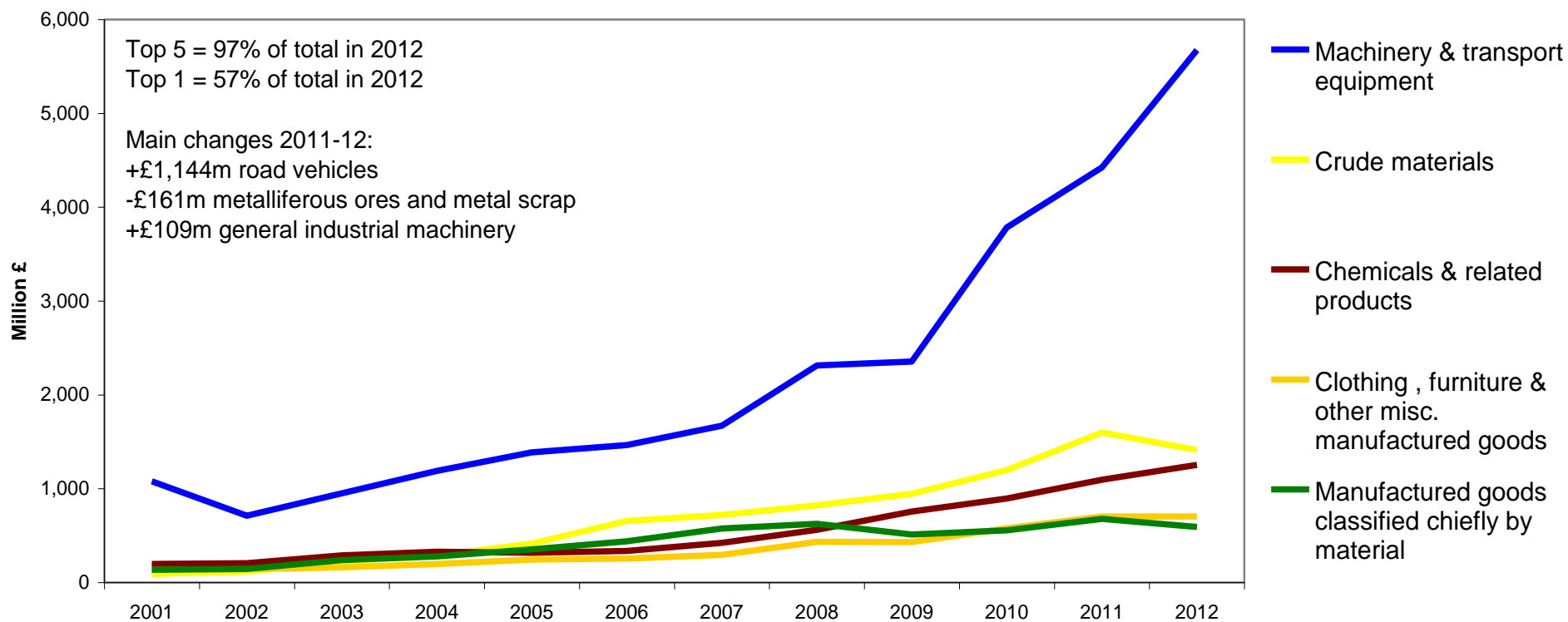
UK earnings from exports of goods and services and FDI - China



**2011 total: £13,349 million, of which:
69.6% Goods, 24.3% Services, 6.1% FDI Earnings**

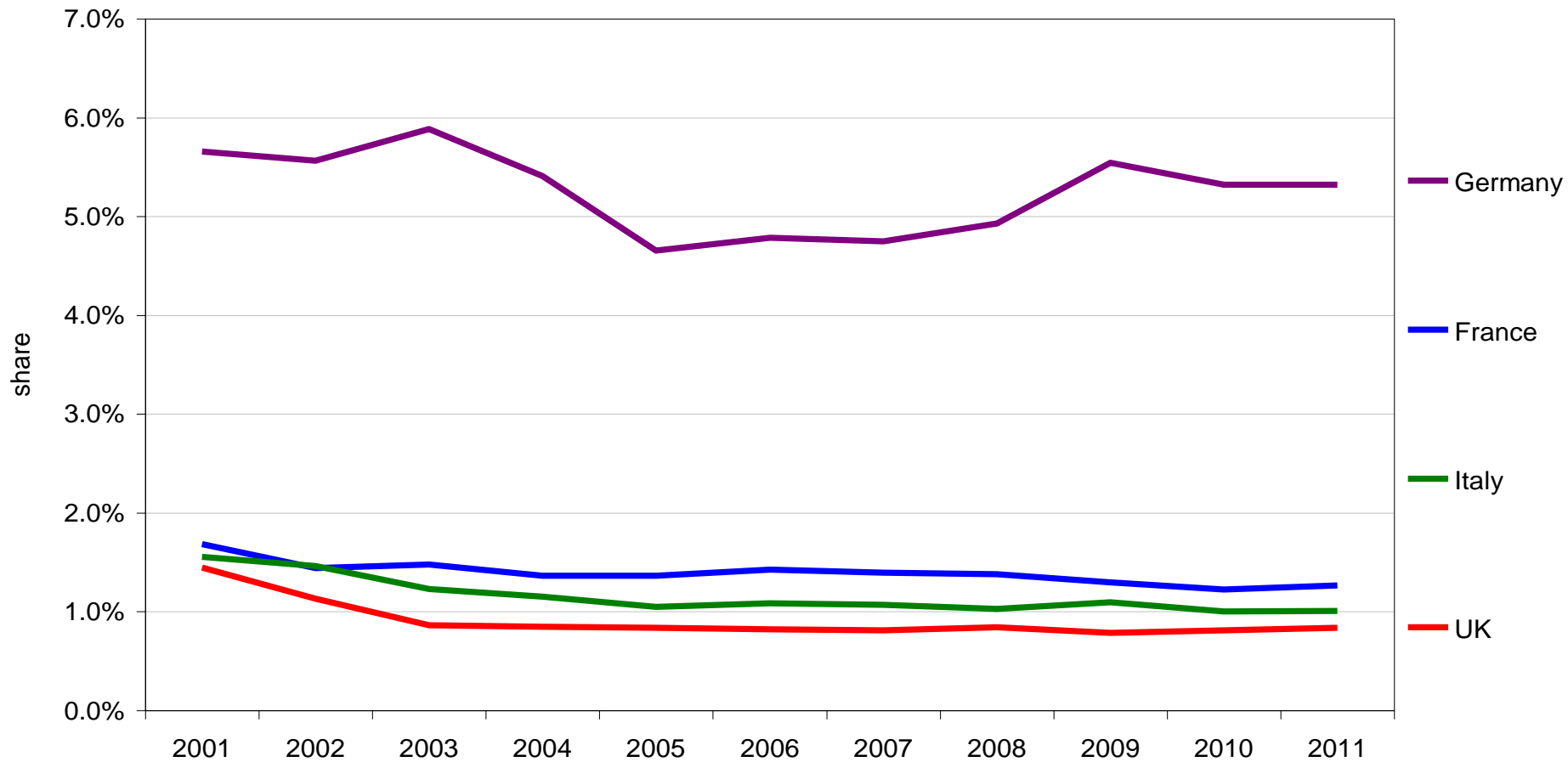
Source: ONS Balance of Payments (Pink Book) and ONS FDI MA4

Top-5 UK commodities exported to China



Source: HMRC Overseas Trade Statistics

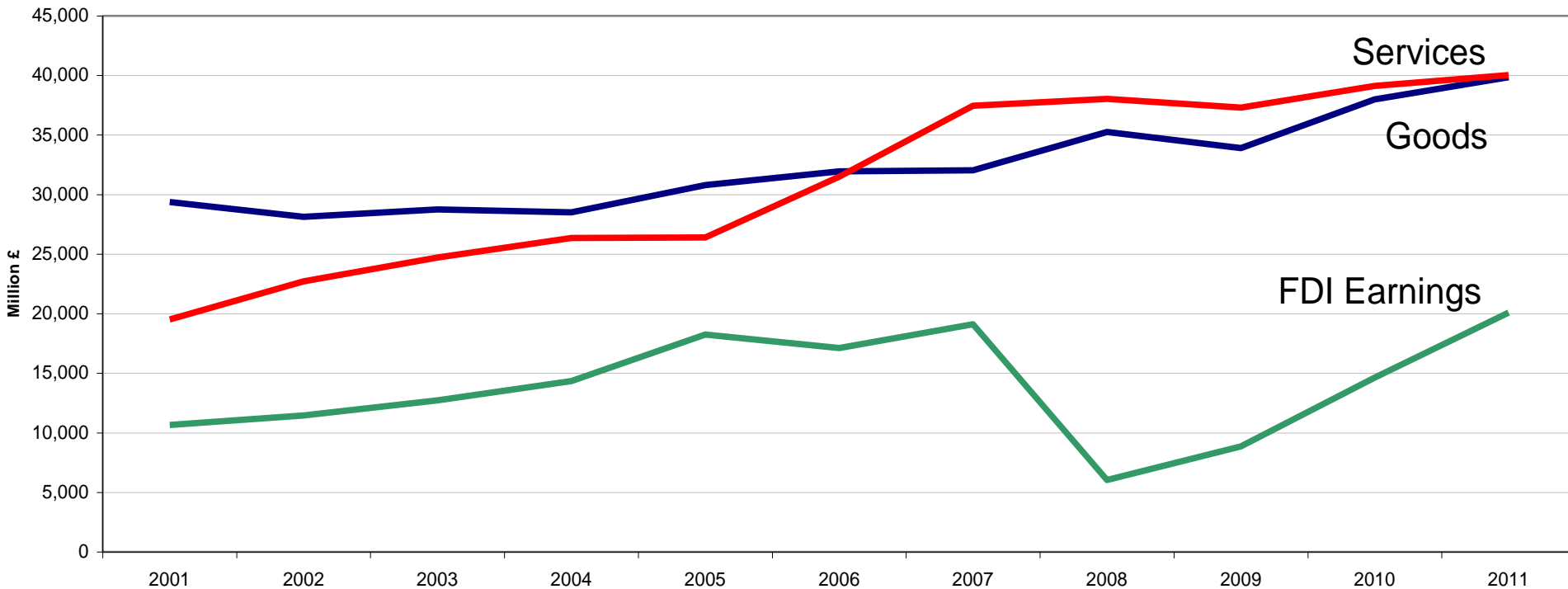
Market share of goods imports into China



Top 3 import sources in 2011: Japan 11.2%; South Korea 9.3%; Other Asia, nes 7.2%

Source: BIS analysis of UN Comtrade data

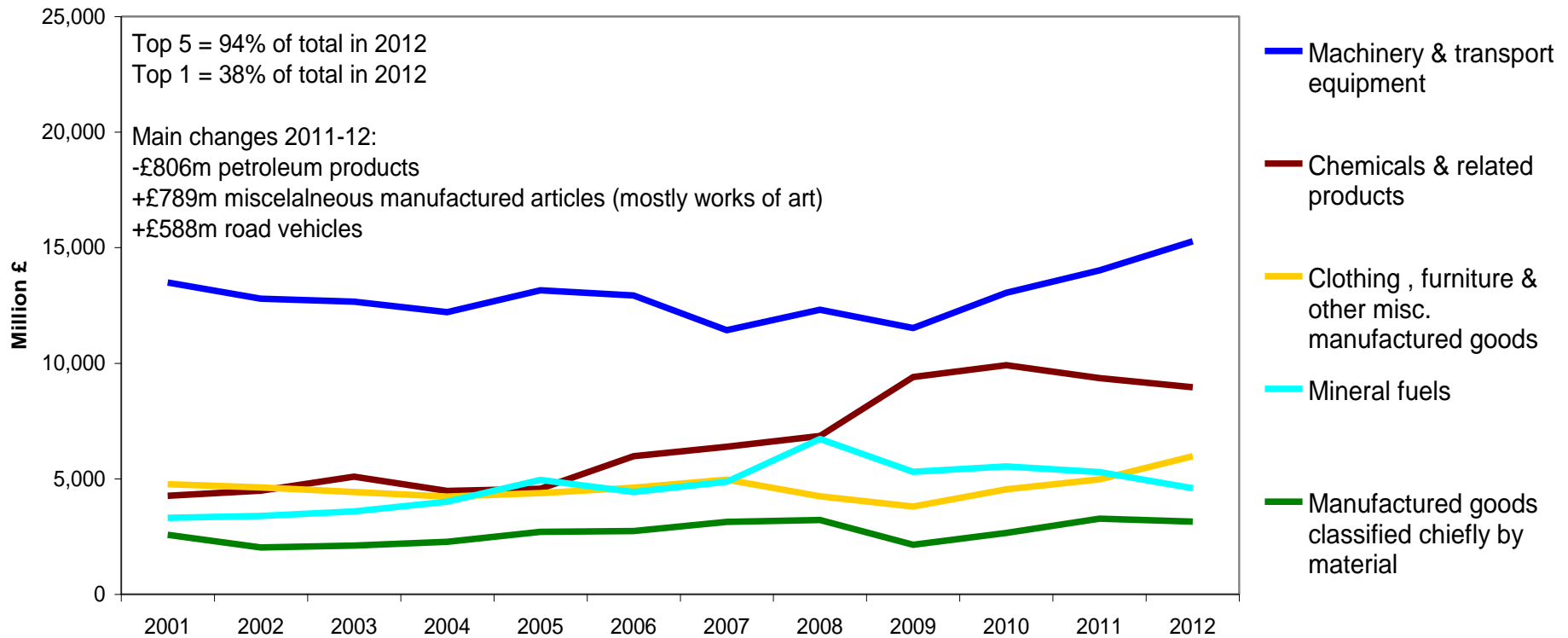
UK earnings from exports of goods and services and FDI - USA



2011 total: £99,975 million, of which:
39.9% Goods, 40.0% Services, 20.1% FDI Earnings
UK was the largest inward investor in 2011 (17.4% of total stock)

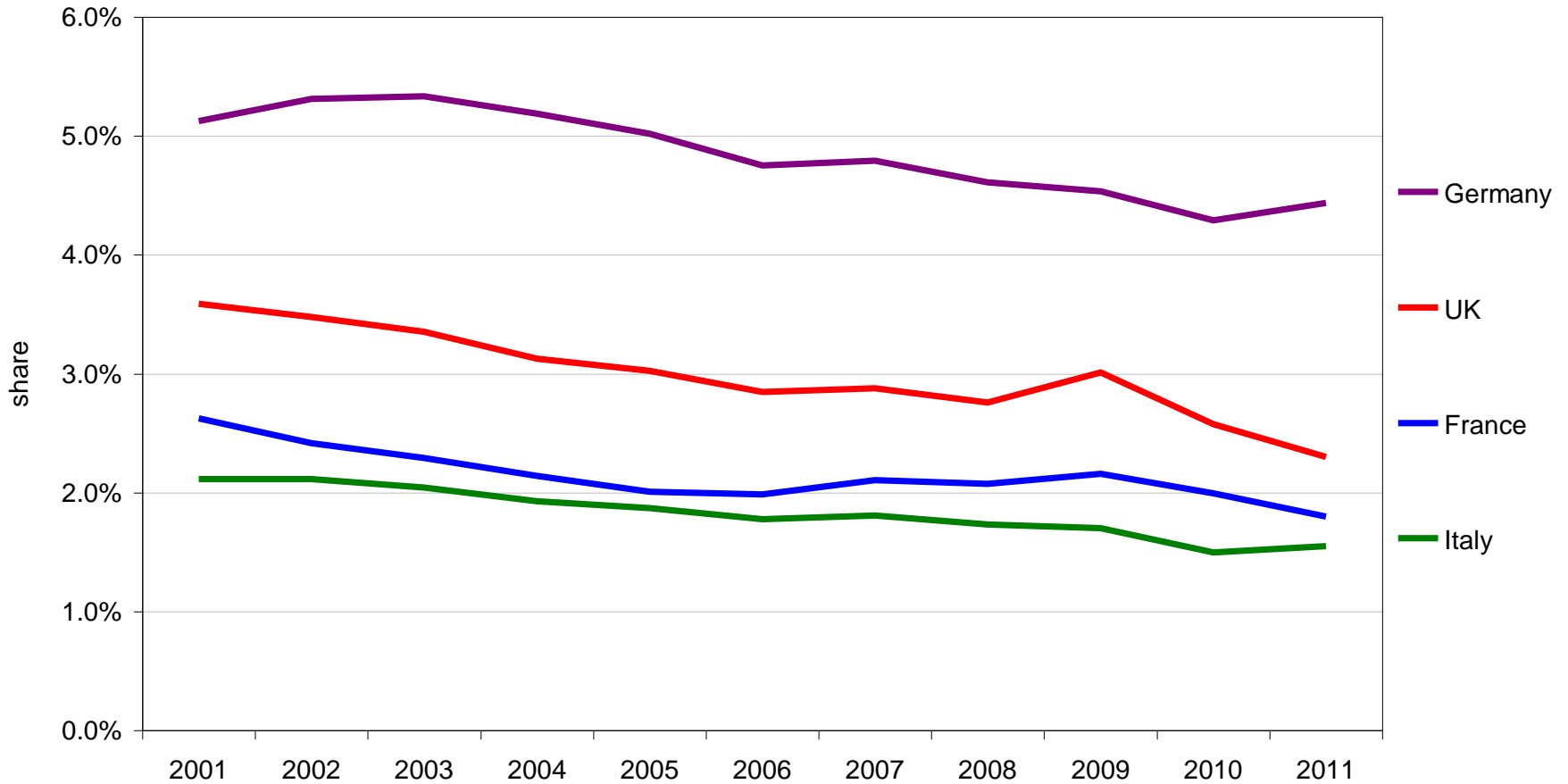
Source: ONS Balance of Payments (Pink Book), ONS FDI MA4 and OECD FDI Positions by Partner Country

Top-5 UK commodities exported to the USA



Source: HMRC Overseas Trade Statistics

Market share of goods imports into USA



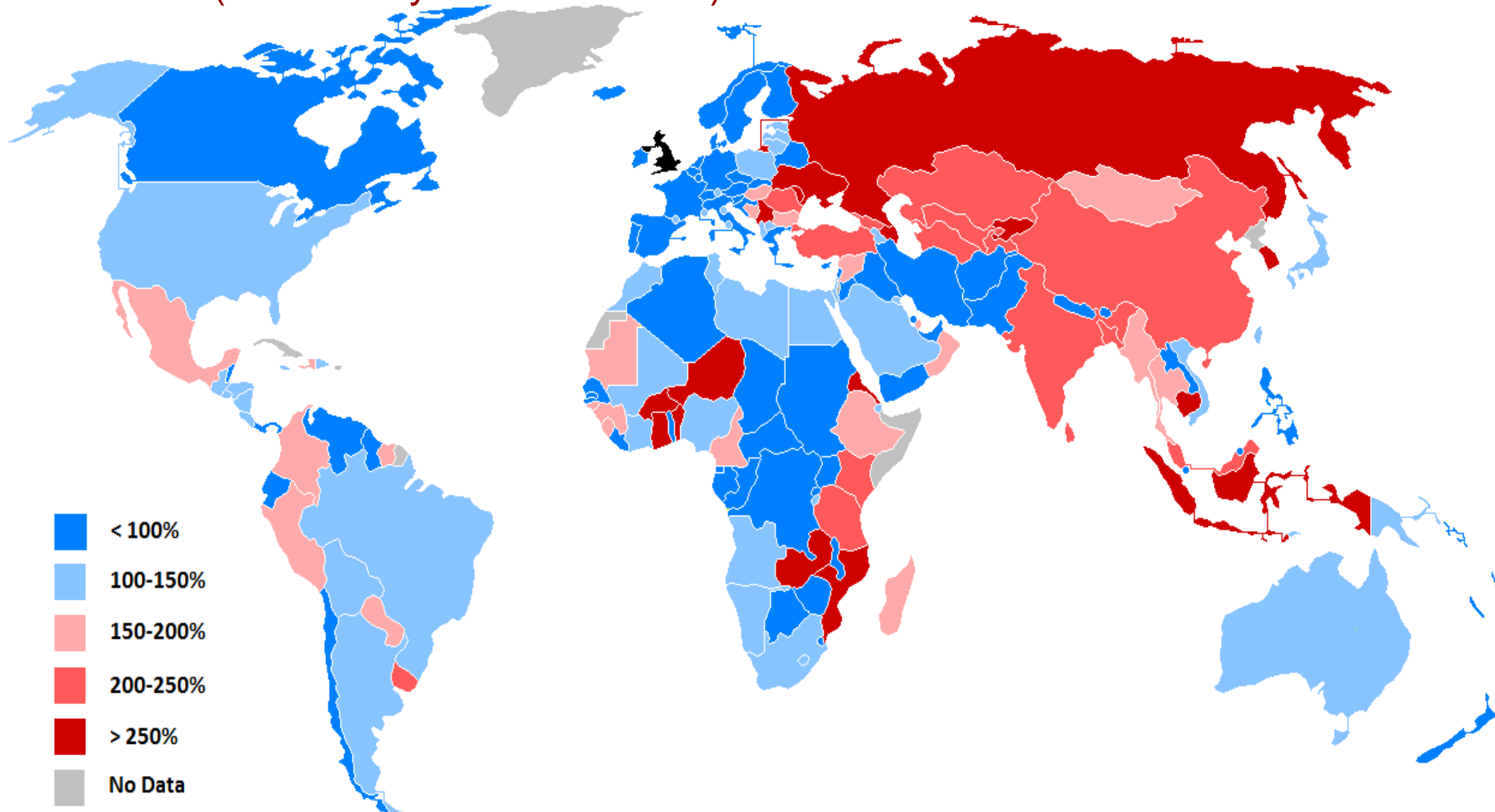
Top 3 import sources in 2011: China 18.4%; Canada 14.1%; Mexico 11.7%

Source: BIS analysis of UN Comtrade data

Future trends

- Import demand in large markets such as China, India, Russia, and Brazil is expected to grow much faster than in developed markets.
- Russian demand for imports is expected to grow by almost 160% between 2010 and 2015 - faster than any other emerging power, including China.
- Five emerging markets are expected to more than double in size between 2010 and 2015 - India, Vietnam, Korea, China and Russia.

Expected % change in import demand, 2010-2020 (FCO analysis of IMF data)



Policy work to improve market access

- An EU competence. Trade FAC and TPC.
- Ambitious EU programme of bilateral trade negotiations with developed and emerging markets. UK the main champion. European Commission closer to our view than to the centre of gravity among EU Member States
- EU Free Trade Agreements (FTAs) should eliminate most tariffs and quotas placed on our goods exports *and* imports

Policy work to improve market access (2)

- EU FTAs can address many “non-tariff barriers” – harmonised standards / mutual recognition, address discriminatory practices, open up public procurement and tightly regulated sectors, etc.
- FTAs can give greater security, e.g. bilateral investment protection provisions, intellectual property protection, etc.
- BIS lead. Input from No.10, CO, FCO, ministries – whole of Government approach. Lord Green and Vince Cable lead. Ken Clarke role too.

Progress on EU FTAs

- **EU-Korea** FTA in place – biggest deal yet.
- **EU-Singapore** virtually concluded
- **EU-Andean (Colombia and Peru)** coming in this year
- **EU-Japan** negotiations launched March 2013. Could lead to increase in EU GDP amounting to €42 billion
- **EU-ASEAN** (once all completed and stitched back together) worth up to €29.5 billion per year to the EU

Progress on EU FTAs (2)

- **EU-Canada** to conclude soon?
- **EU-Mercosur** – issues around protectionism and cohesiveness of the bloc? Fresh momentum in response to start of EU/US negotiations
- **EU-India** – something achievable this year?
- **EU-Japan** – launched in March 2013

Progress on EU FTAs (3)

- **EU-US** FTA (or Transatlantic Trade and Investment Partnership – TTIP) – biggest deal in the world. Negotiations launched at G8 Summit in Northern Ireland
- £10bn annually to the UK
- Like doing the Single Market again but across the Atlantic?
- “One tank of gas” / a “living agreement”?
- Government needs to know urgently what barriers UK firms face when doing business in the US in order to work up UK priorities and a shopping list.

Meanwhile in Geneva...

- Real pick-up in bilateral negotiations worldwide given the stalling of the Doha round
- But a deal on trade facilitation could be possible this year
- All WTO members would benefit. It could add \$70bn annually to global GDP, but EU, China and sub-Saharan Africa will be particular beneficiaries. Half the Doha benefits.
- Closing this deal will give the WTO a much needed credibility boost. G8 support for the incoming WTO Director General, Azevedo.

The role of business in trade policy

- We need intel on what it is like doing business with different countries – what are the barriers, where are markets not as open as they might be?
- Company papers, trade association papers, EU-level papers, joint papers with counterparts in third countries...
- We need business to help keep the momentum up on the bigger negotiations, especially when they get difficult

Thank you

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