

Free Trade Agreements, what and where?



Mike Court BSc, MEx | International Trade Consultant
E mail address: m.court@internationaltradematters.com

May 2025



INTERNATIONAL
TRADE MATTERS

unlock your global potential

LONDON CHAMBER
of
COMMERCE AND INDUSTRY

CONNECT. CHAMPION. SUPPORT.

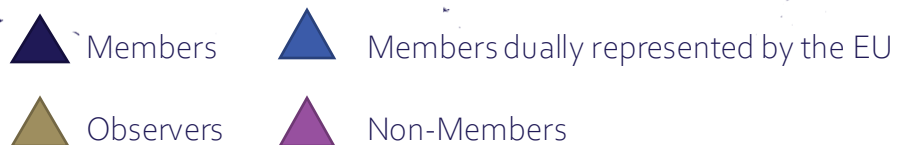
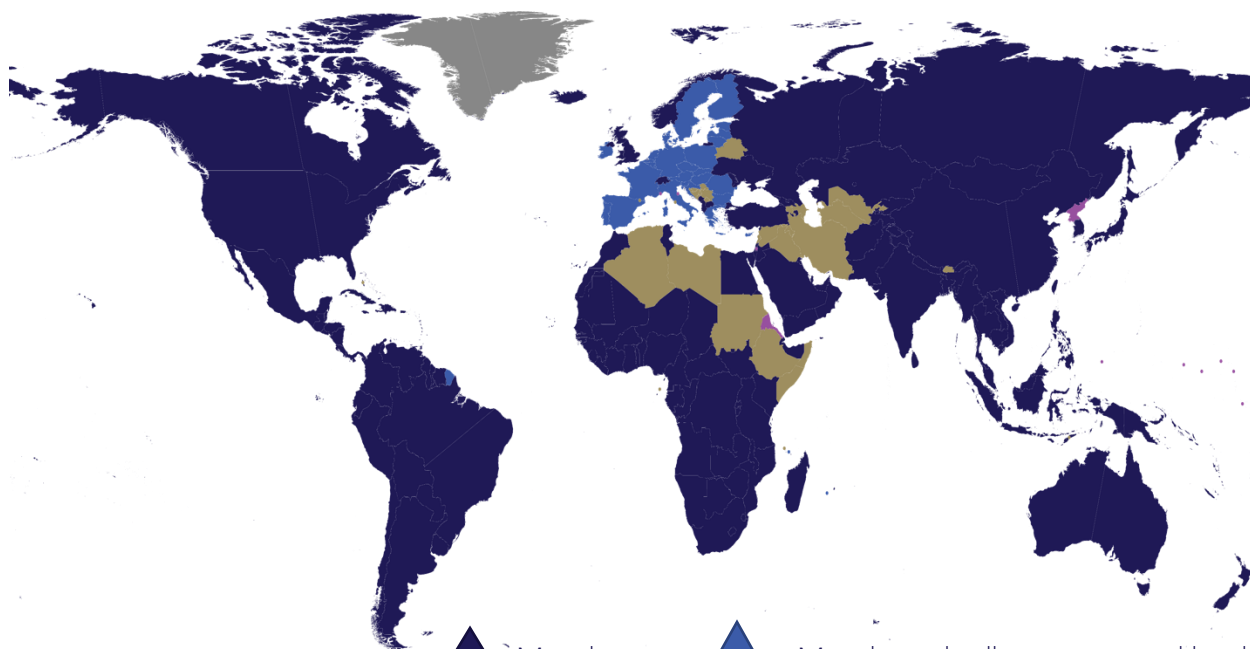
internationaltradematters.com

About International Trade Matters

- Tailored support for SMEs and micro businesses
- Highly experienced, multi-disciplinary specialists
- Regional, industry sector and export-function expertise



WTO Member Countries



164

Members

98
%

World Trade

internationaltradematters.com

What is a Free Trade Agreement?

Unilateral Agreement

Trade restrictions without reciprocal action from another country

Bilateral Agreement

Trade agreement between two countries

Multilateral Agreement

Trade agreement between three or more countries

Imports - products entering the UK from 3rd party countries with which the UK has a preferential trade agreement may benefit from lower or zero rates import duty as set out in the agreement provided, they qualify as originating in that 3rd country for preferential origin purpose

Exports - Similarly products leaving the UK for another country (with which the UK has a reciprocal preferential trade agreement) may benefit from lower or zero rates of duty import into that other country provided they qualify as originating in the UK for preferential origin purposes



Advantages and Disadvantages of Free Trade - Rapid Development

Free trade has enabled many countries to achieve rapid economic growth



By focusing on exports and leveraging their comparative advantages, these countries have successfully attracted foreign investment capital and provided relatively high-paying jobs for local workers



Economic growth is typically measured by gross domestic product (GDP)



Free Trade Pros and Cons

Pros

Allows consumers to access the cheapest goods on the world market

Allows countries with relatively cheap labour or resources to benefit from foreign exports

Under Ricardo's theory, countries can produce more goods collectively by trading on their respective advantages

Cons

Competition with foreign exports may cause local unemployment and business failures

Industries may Relocate to jurisdictions with lax regulations, causing environmental damage or abusive labour practices

Countries may Become reliant on the global market for key goods, leaving them at a strategic disadvantage in times of crisis



Expanding Market Access

Increased Access to New Markets:

FTAs can provide businesses with access to new markets that were previously difficult to reach due to trade barriers, such as tariffs or quotas

Greater Reach for Exporters:

By reducing trade barriers, FTAs allow exporters to reach a wider customer base and increase their sales potential

Strategic Advantage

Optimised Supply Chains:

Businesses can use FTAs to optimize their supply chains by sourcing materials and components from member countries that offer preferential tariff rates or lower overall costs

Investment and Expansion:

The increased stability and reduced risks associated with FTAs can encourage businesses to make strategic investments and expand their operations in overseas markets

Comparative Advantage and Free Trade

Economists have been uncommonly uniform in advocating free trade policies for centuries

The theory suggests that total economic welfare in all countries is improved when countries focus on those industries where they have the highest expertise and success, and the lowest opportunity costs

Competitive Environment:

Enhanced Competition:

FTAs can foster a more competitive environment as businesses from member countries compete for market share in each other's territories

Innovation and Growth:

The competitive pressure created by FTAs can encourage innovation and growth as businesses strive to improve their products and services to remain competitive



Lower Global Prices



For consumers, free trade creates a competitive environment where countries strive to provide the lowest possible prices for their resources



This in turn allows manufacturers to provide lower prices for finished goods, ultimately increasing the buying power for all consumers

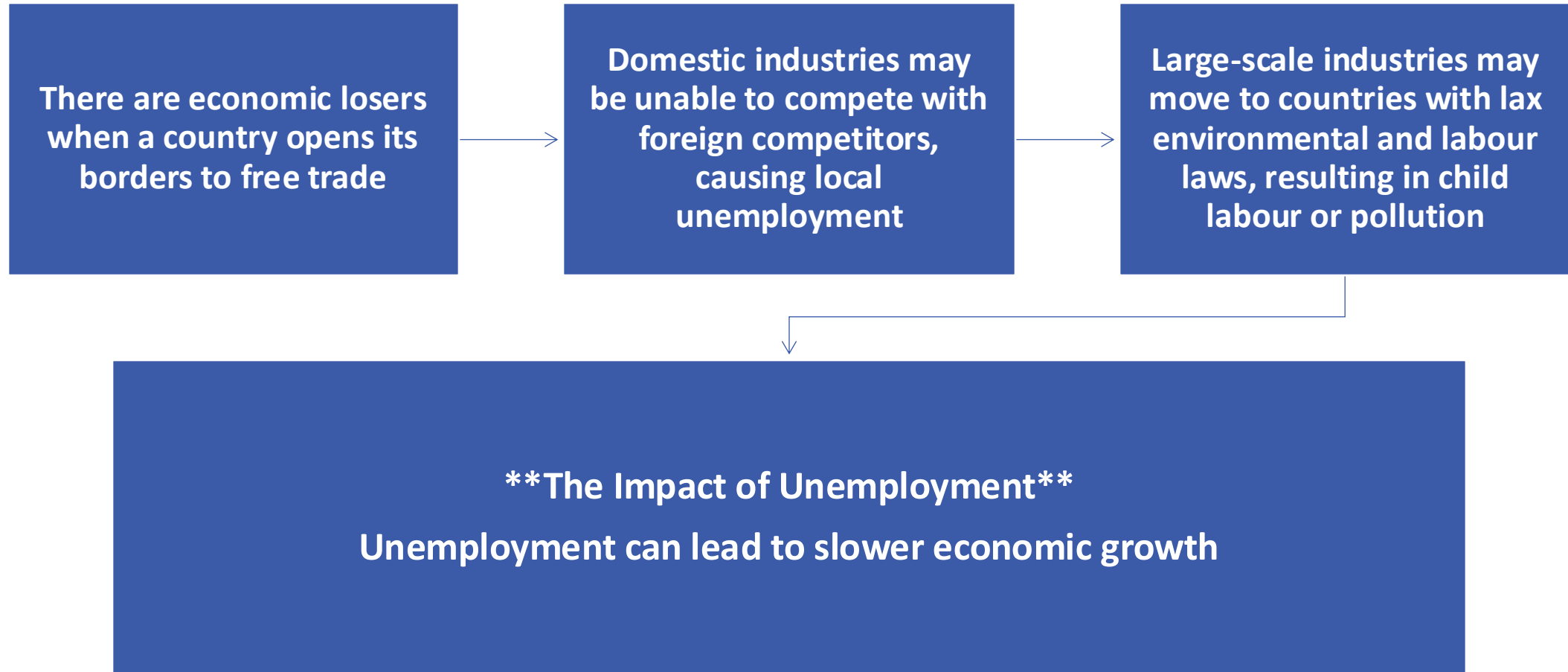


Globalisation enables goods to be produced in different parts of the world



This greater specialisation enables lower average costs and lower prices for consumers

Unemployment and Business Losses



Increased Dependency on the Global Market

Free trade can also make countries more dependent on the global market

For example, while the prices of some goods may be lower in the world market, there are strategic benefits for a country that produces those goods domestically

In the event of a war or crisis, the country may be forced to rebuild these industries from scratch

Global dependency exists when customers in one country begin to demand items that are created in another country

These customers become aware of the products because of global communications

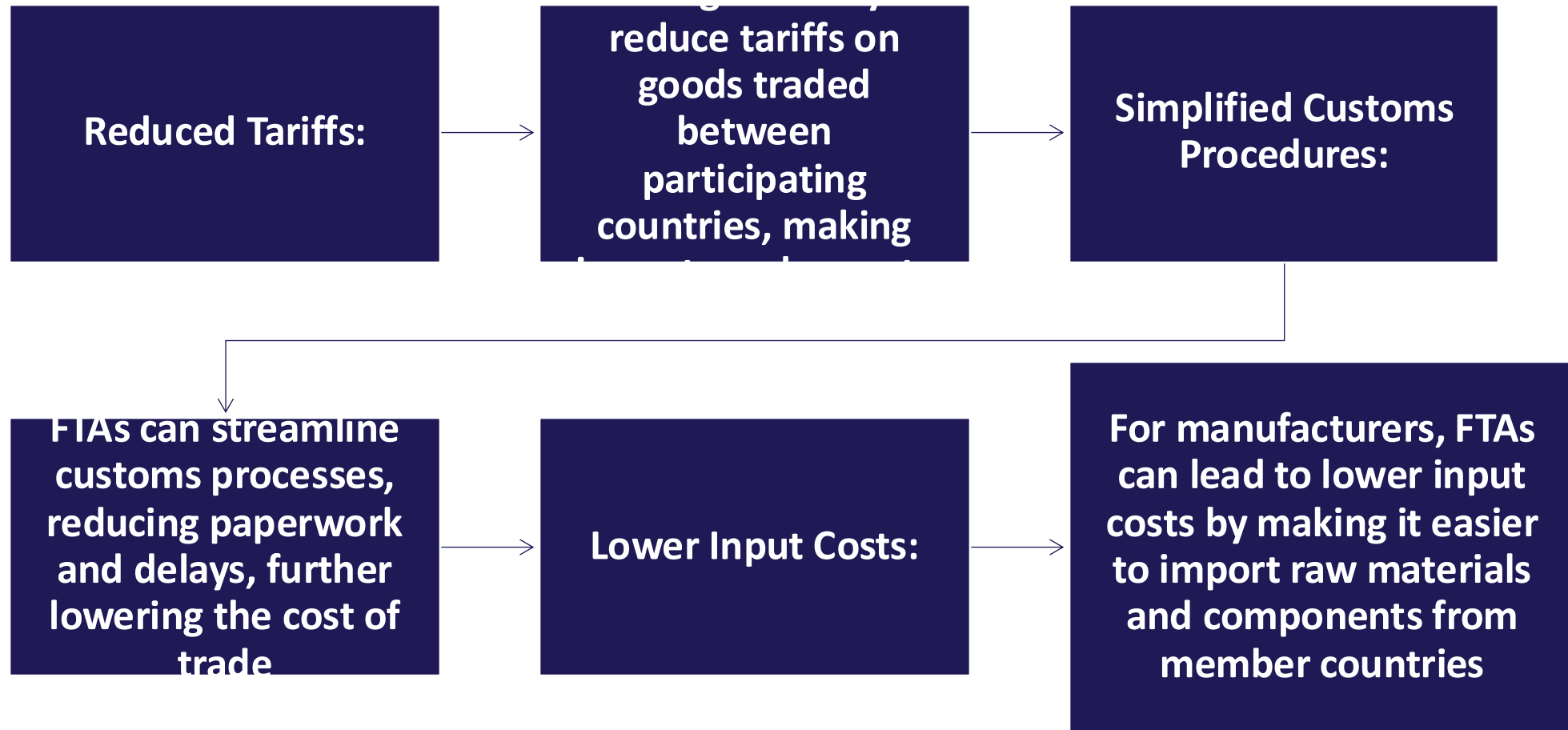
Over time, the products are incorporated into the culture of the people who buy them

FTAs can be used to gain a competitive edge:

Free Trade Agreements (FTAs) can create a competitive advantage in overseas markets by lowering trade barriers, reducing costs, and expanding market access. This allows businesses to export goods more competitively, increase profitability, and potentially expand their customer base

Here's a more detailed look at how FTAs can be used to gain a competitive edge:

Lowering Trade Barriers and Costs



How does FT work in practice?

In the modern world FTA are implemented by means of a formal agreement between the nations involved

Governments do not need to take specific actions to promote Free Trade

If Governments adopt a “hands-off” approach, it is known globally as the “Laissez-faire trade” or “trade liberalisation” approach

Economics of Free Trade



01

In principle Free Trade on the international level is no different from trading between neighbours, towns etc., in the domestic market-place

02

Free international trade is just like trading with neighbors!

It empowers businesses to specialize in what they do best while bringing in rare or unavailable items from abroad

03

The mix of local products and foreign goods allows countries to experience faster growth while better meeting the needs of their consumers



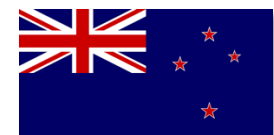
The UK



UK-Australia Free Trade Agreement
UK-New Zealand Free Trade Agreement
Singapore Digital Economy Agreement
Japan Comprehensive Economic Partnership Agreement
Norway, Iceland and Liechtenstein Free Trade Agreement
The UK-EU Trade and Cooperation Agreement treaty covers all UK trade with the EU



Over **70**
trade agreements in place



unlock your global potential

internationaltradematters.com

Examples of Free Trade Agreements

European Union

- The European Union is a notable example of free trade today
- The 26 member nations form an essentially borderless single entity for the purposes of trade, and the adoption of the Euro by most of those nations smooths the way
- It should be noted that this system is regulated by a central bureaucracy that must manage the many trade-related issues that come up between representatives of member nations



European
Union

Two types of Origin

Preferential Origin

Based on rules set out in preferential trade agreements between the UK and other countries

Allows for reduction in duty rates in the country of import where the Rules of Origin are met

Non-preferential Origin

Important for non-tariff measures such as anti-dumping duties and other commercial measures, quantitative restrictions etc.

Rules of Origin

How to work out if products are ‘originating’

Following the steps introduced in the course, will help you work out if products to be exported to, or imported from a preference giving country, qualify as *originating*

Use the UKGT

to look up commodity codes, duty and VAT rates to find out if a preferential rate of duty is available for the goods that you are importing

Visit DIT website

To find out if a preference is available for the goods that you are exporting you should either ask your overseas customer or visit the Department for International Trade’s website

Check the duties

that apply to your goods in the country you’re sending them to

Ask HMRC

for help classifying your goods

Why Isn't There Complete Free Trade?

Rent-seeking occurs when one group organizes and lobbies the government to protect its interests

Rent-Seeking, Crony Capitalism, and the Crony Constituon." *Supreme Court Economic Review*, vol. 23, 2015

Say, for example, the producers of UK shoes understand and agree with the free-trade argument – but they also know that their narrow interests would be negatively impacted by cheaper foreign shoes

KEY TAKEAWAYS



Free trade agreements reduce or eliminate barriers to trade across international borders



Free trade is the opposite of trade protectionism



In the U.S. and the E.U., free trade agreements do not come without regulations and oversight



Thank you

Want to find out more?

Visit our website for updates on forthcoming courses, topical articles and international trade resources

internationaltradematters.com

Don't forget to follow us on LinkedIn and Twitter!



@international-trade-matters



@inttradematters