

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HM 1531 Free Trade Agreement Between the United States and the United Kingdom

SPONSOR(S): Barnaby

TIED BILLS: IDEN./SIM. BILLS: CS/SM 174

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Tourism, Infrastructure & Energy Subcommittee	14 Y, 0 N	Neuffer	Keating
2) Commerce Committee	20 Y, 0 N	Neuffer	Hamon

SUMMARY ANALYSIS

The United Kingdom (UK) officially left the European Union (EU) Single Market and Customs Union on January 31, 2020.

Effective on its official departure from the EU, any EU trade agreements, including trade agreements with the United States (US), no longer applied to the UK. Three separate trade agreements were reached between the UK and EU prior to the UK's official exit from the EU.

As the sixth-largest economy in the world and a major financial center, the UK maintains a vital role in assuring economic stability across the globe. On December 31, 2020, the US and UK entered into the US-UK Trade and Investment Working Group to ensure no disruption to trade for specific products resulted from Brexit. Since its decision to leave the EU, the UK has conducted negotiations with the US in an effort to form new, broader free trade agreements, but negotiations have not been completed.

The US-UK bilateral investment relationship is the largest in the world. In 2019, the US foreign direct investment (FDI) in the UK was \$851.4 billion, and the UK FDI in the US was \$505.1 billion. More than 1.27 million Americans are employed by UK-owned firms based in the US. In 2019, US exports of goods and services to the UK was worth \$147.4 billion, and imports of goods and services from the UK was worth \$125.6 billion. In 2018, 67,800 citizens of Florida were employed by UK subsidiaries. The UK ranked as the third largest export market for Florida, with a total value of goods and services exports in 2019 of \$5.4 billion.

The memorial urges the Congress of the United States to reenact Trade Promotion Authority laws to guide the executive branch in pursuing trade agreements. Additionally, it urges the executive branch to complete a timely and successful free trade negotiation with the UK for Congress to ratify.

Legislative memorials are not subject to the Governor's veto power and are not presented to the Governor for review. Memorials have no force of law, as they are mechanisms for formally petitioning the federal government to act on a particular subject.

This memorial does not have a fiscal impact on state or local governments.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

Current Trade Situation

On June 23, 2016, the United Kingdom (UK) held a referendum on the issue of whether to leave the European Union (EU), which received support from 51.89% of the voters.¹ This referendum would later become known as Brexit.² The UK officially left the EU Single Market and Customs Union on January 31, 2020.³

Effective on its official departure from the EU, any EU trade agreements, including trade agreements with the US, no longer applied to the UK. Three separate trade agreements were reached between the UK and EU prior to the UK's official exit from the EU.

As the sixth-largest economy in the world and a major financial center, the UK maintains a vital role in assuring economic stability across the globe. The instability caused by Brexit meant the UK sought to reinforce its close ties with the United States (US).⁴ On December 31, 2020, the US and UK entered into the US-UK Trade and Investment Working Group to ensure Brexit did not disturb the trade of specific products.⁵ Since its decision to leave the EU, the UK has conducted negotiations with the US in an effort to form new, broader, free trade agreements. As the US and UK entered trade agreement negotiations, Congress expressed its awareness of the implications the UK's withdrawal from the EU will mean for the global economy, trade relations, and other political and security issues.⁶ That recognized, the US has expressed grave concern over the impact the 2020 Brexit treaty could have on the Belfast Agreement, commonly known as the Good Friday Agreement.

The Belfast Agreement was signed on April 10, 1998. It led to the establishment of a system of government in Northern Ireland and related institutions.⁷ The agreement created a political framework for Northern Ireland centered on power-sharing between competing groups.⁸ Of importance was the confirmation that Northern Ireland was part of the UK, but a stipulation set forth that Ireland could be united only if supported by a vote in both Northern Ireland and the Republic of Ireland.⁹ When the UK voted to leave the EU, the border between Northern Ireland and the Republic of Ireland caused concern. Since the Belfast Agreement, the border between these two countries, which was once heavily militarized, has become almost invisible. Following Brexit, an agreement was reached between

¹ See Government of the Netherlands, *Questions and Answers on Brexit*, <https://www.government.nl/topics/brexit/question-and-answer/what-is-brexit> (last visited January 28, 2022).

² See *Id.* (explaining the term is a combination of 'Britain' and 'exit').

³ See Alasdair Sanford, *Post-Brexit Guide: Where Are We Now – And How Did We Get Here?*, Euronews (January 17, 2022), <https://www.euronews.com/2021/06/23/brexit-draft-deal-first-of-many-hurdles-to-a-smooth-exit> (last visited January 28, 2022).

⁴ Congressional Research Service, *The United Kingdom: Background, Brexit, and Relations with the United States* (updated April 1, 2021).

⁵ See Office of the United States Trade Representative, *U.S.-UK Trade Agreement Negotiations*, <https://ustr.gov/countries-regions/europe-middle-east/europe/united-kingdom/us-uk-trade-agreement-negotiations> (last visited January 28, 2022).

⁶ *Id.*

⁷ See Citizens Information, *The Good Friday Agreement*, March 31, 2021, https://www.citizensinformation.ie/en/government_in_ireland/ireland_and_the_uk/good_friday_agreement.html (last visited January 25, 2022).

⁸ See Charles Landow and James McBride, *Moving Past the Troubles: The Future of Northern Ireland Peace*, Council on Foreign Relations, April 23, 2021, <https://www.cfr.org/backgrounder/moving-past-troubles-future-northern-ireland-peace> (last visited January 25, 2022).

⁹ *Id.*

the EU and UK to avoid the reappearance of a hard border.¹⁰ Stipulated in the agreement, there would be no new check on goods crossing the border between Northern Ireland and the Republic of Ireland.¹¹

The current US administration has made clear that a trade deal with the UK will only be considered if Brexit does not undermine the Belfast Agreement.¹² Additional sticking points of the trade agreement negotiations include the tariffs on steel and aluminum imposed during the previous US administration, as well as the UK's regulations on chicken washed in chlorine.¹³

US Trade Relations with the UK

The US-UK bilateral investment relationship is one of the largest in the world. In 2019, US foreign direct investment (FDI) in the UK was \$851.4 billion¹⁴, and UK FDI in the US was \$505.1 billion.¹⁵ More than 1.27 million Americans are employed by UK-owned firms based in the US.¹⁶ In 2019, US exports of goods and services to the UK was worth \$147.4 billion¹⁷, and imports of goods and services from the UK was worth \$125.6 billion.¹⁸

In 2018, 67,800 citizens of Florida were employed by UK subsidiaries.¹⁹ The UK ranked as the third largest export market for Florida, with a total value of exports of goods and services in 2019 reaching \$5.4 billion.²⁰

Trade Promotion Authority

The President of the US has the authority to negotiate treaties with foreign countries, but Congress has the sole authority to regulate international trade.²¹ Trade Promotion Authority (TPA) is a time-limited authority that Congress may use to establish trade negotiating objectives, notification and consultation requirements, and procedures to consider when implementing legislation for certain reciprocal trade agreements.²² TPA does not provide new power to the executive branch, but is a legislative procedure written by Congress, though which it defines US negotiating objectives and sets forth a detailed oversight and consultation process to be followed during trade negotiations.²³ TPA acts as a fast-track process made available by Congress to the President for limited periods to enable legislation to approve and implement certain international trade agreements to be considered under expedited

¹⁰ Nidirect, *EU Exit and the Northern Ireland Protocol*, nidirect government services, <https://www.nidirect.gov.uk/articles/eu-exit-and-northern-ireland-protocol> (last visited January 25, 2020).

¹¹ *Id.*

¹² Megan Boyanton, *How the Post-Brexit U.S.-U.K. Trade Deal Lost Momentum*, *The Washington Post*, October 14, 2021, https://www.washingtonpost.com/business/how-the-post-brexit-us-uk-trade-deal-lost-momentum/2021/10/14/8216a67c-2cc5-11ec-b17d-985c186de338_story.html (last visited January 25, 2022).

¹³ *Id.*

¹⁴ Office of the United States Trade Representative, *United Kingdom*, United States Government, <https://ustr.gov/countries-regions/europe-middle-east/europe/united-kingdom> (last visited January 28, 2022).

¹⁵ *Id.*

¹⁶ United States Department of State, *U.S. Relations with United Kingdom*, United States Government (February 6, 2020), <https://www.state.gov/u-s-relations-with-united-kingdom/> (last visited January 28, 2022).

¹⁷ Office of the United States Trade Representative, *supra* note 18.

¹⁸ *Id.*

¹⁹ Enterprise Florida, *United Kingdom*, <https://www.enterpriseflorida.com/for-international-companies/international-offices/uk/#:~:text=Florida%20DUK%20Bilateral%20Merchandise%20Trade,-Both%20the%20United&text=A%20Vital%20Trade%20Relationship%3A%20The,in%202019%20reaching%20%243.5%20billion> (last visited January 28, 2022).

²⁰ Gov.uk, *UK-Florida Trade and Investment Highlights*, Government Digital Service (updated June 25, 2021), <https://www.gov.uk/government/publications/uk-florida-trade-and-investment-highlights/uk-florida-trade-and-investment-highlights> (last visited January 28, 2022).

²¹ U.S. Const. art. 1, § 8.

²² Congressional Research Service, *Trade Promotion Authority (TPA)*, December 14, 2020.

²³ Office of the United States Trade Representative, *Trade Promotion Authority*, United States Government, <https://ustr.gov/trade-topics/trade-promotion-authority> (last visited January 28, 2022).

legislative procedures.²⁴ Under TPA, Congress retains the authority to review and decide whether any proposed US trade agreement will be implemented.²⁵

The most recent TPA was authorized through July 1, 2021, by the Bipartisan Congressional Trade Priorities Act of 2015.²⁶

Free Trade Agreements

A Free Trade Agreement (FTA) is an agreement between two or more countries where the signed parties agree on certain trade obligations for the purpose of reducing barriers to trade.²⁷ As a result of reduced barriers, a more stable and transparent trading environment is created for business actors.

The US currently has FTAs with 20 countries, of which the EU and UK are not included.²⁸ In 2013, the US and EU attempted negotiations for the Transatlantic Trade and Investment Partnership (TTIP) but ended in 2016 without conclusion.²⁹

Effect of the Memorial

The memorial urges:

- The Congress of the United States to reenact Trade Promotion Authority laws to guide the executive branch in pursuing trade agreements
- The executive branch to complete a timely and successful free trade negotiation with the UK
- The Congress of the United States to ratify the agreement

Copies of the memorial will be sent to the President of the United States, the President of the United States Senate, the Speaker of the United States House of Representatives, and each member of the Florida delegation to the United States Congress.

Legislative memorials are not subject to the Governor's veto power and are not presented to the Governor for review. Memorials have no force of law, as they are mechanisms for formally petitioning the federal government to act on a particular subject.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

²⁴ Congressional Research Center, *Trade Promotion Authority (TPA): Frequently Asked Questions* (updated June 21, 2019).

²⁵ *Id.*

²⁶ *Id.*

²⁷ International Trade Administration, *Free Trade Agreement Overview*, United States Department of Commerce, <https://www.trade.gov/free-trade-agreement-overview> (last visited January 28, 2022).

²⁸ *Id.*

²⁹ European Commission, *United States* (updated September 6, 2021), <https://ec.europa.eu/trade/policy/countries-and-regions/countries/united-states/#:~:text=Despite%20the%20US%20being%20the,at%20the%20end%20of%202016>. (last visited January 28, 2022).

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

This memorial does not require or authorize rulemaking.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

Not applicable.