



# Demystifying the World Trade Organisation (WTO)

An essential guide to trading with  
the UK under WTO rules



# WTO: An introduction

## What is the WTO?

Established in 1995, the World Trade Organisation (WTO) is a global body made up of governments and customs territories that sets out rules for trading between nations.<sup>1</sup>

## The WTO's main roles and responsibilities include:



- Negotiating agreements that reduce obstacles to international trade
- Providing a legal and institutional framework to implement and monitor trade agreements
- Settling trade disputes between countries.<sup>2</sup>

## Which other countries are WTO members?

There are 164 members in the WTO, represented in the following map.<sup>3</sup> As you can see, the majority of countries are already WTO members – including the UK.

## World Trade Organisation

Membership status:

-  WTO Member
-  Observer negotiating accession

## Value of exports in 2018 from the leading WTO reporters

The country markers to the right show how much trade currently operates in some of the major worldwide markets under the WTO.<sup>4</sup>

## Why do you need to know about it?

In June 2016, the UK voted to leave the European Union. Since then, the UK government and the EU have been working together to negotiate the terms under which the UK leaves – which, as it stands, is currently scheduled to happen on January 31, 2020.

As a result, there may be some changes in processes between you and your UK partners – and to the way you import from and export to the UK.

This is because if the UK leaves the EU without a Withdrawal Agreement being finalised, both EU and non-EU countries will need to trade with the UK under WTO terms. The UK would no longer benefit from EU trade agreements with non-EU countries (although some of these have already been renegotiated to

provide a continuation of the current terms), and trade with non-EU countries that the UK hasn't renegotiated terms with would take place under WTO rules.

We understand this may create some uncertainty around the future of your relationship with the UK. But don't worry, because at FedEx, we've been working hard to make sure that however the situation progresses, we'll be able to help you to ship simply and conveniently. We hope that this guide will help you to feel more confident going forward, whatever the outcome of Brexit.

## How does trading under WTO rules work?

WTO members that don't have free trade agreements set up with one another trade under WTO rules. These rules set out how far and in what ways each member guarantees to keep its markets open to other members.

## WTO rules are centred on two key principles:<sup>5</sup>

- **Most Favoured Nation:** this states that a member country is not allowed to discriminate between trade partners. So, if a member grants a special status to one country, it is required to extend it to all members of the WTO.
- **National Treatment:** under this principle, imported goods and locally produced goods should be treated equally. This rule applies as soon as a product, service or item of intellectual property enters the country.

## WTO schedules

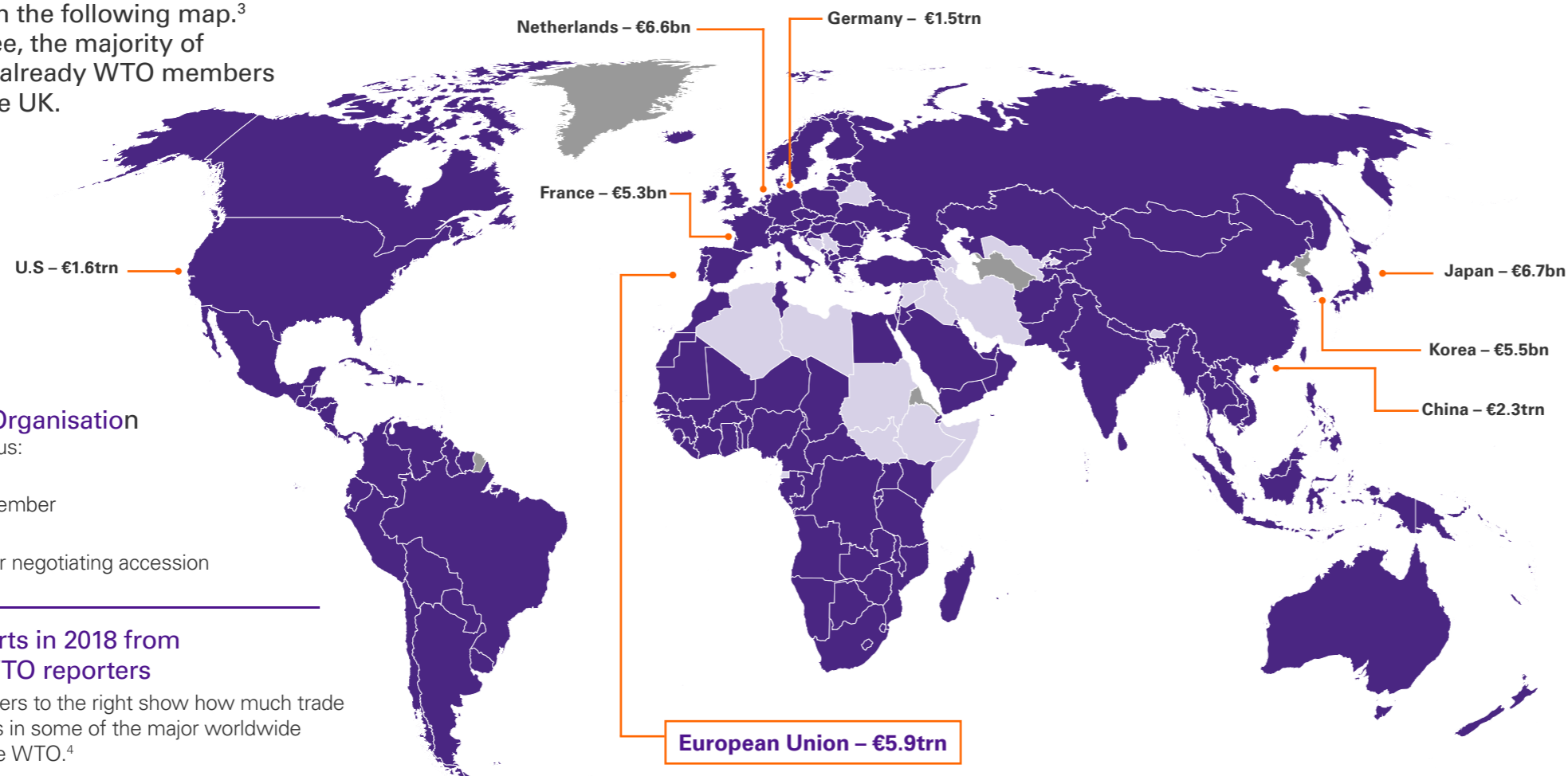
Every WTO member also has a list of tariffs (taxes on imports of goods) and quotas (limits on the number of goods) that they apply to other countries, known as WTO schedules.

In the majority of cases, tariffs are applied to imported goods by the country importing them. But there can also be tariffs on exported goods.

## Resolving disputes

When it comes to disputes, the WTO encourages members to settle these through consultation with each other. If this is unsuccessful, governments take the disputes to the WTO if they believe their rights under WTO agreements are being infringed.

Specially appointed independent experts then make a judgment based on their interpretations of the agreements and individual members' commitments.



<sup>1</sup>Data subject to change – all details were correct at time of writing.

# Understanding the UK government's tariff schedule in the event of a No Deal

If the UK leaves the EU without a deal, it would no longer be a part of the EU's tariff schedule. Instead, it would lodge its own tariff schedule with the WTO and previous tariffs would no longer apply.

The EU would trade with the UK on the same basis as other 'third countries' (all those that are not in the EU or European Free Trade Association), while non-EU countries would trade with the UK on its own WTO terms rather than those of the EU.

As a result, businesses across the EU and the world could see tariffs applied to goods exported to/imported from the UK. Non-EU businesses could see a change in the levels of import tariffs that are currently applied to their products in the UK.

In preparation for a possible No Deal Brexit, the UK government has published a temporary plan for import tariffs, designed to protect its businesses, consumers and vulnerable industries. This would be in place for up to 12 months while the UK government finalises a permanent schedule.

According to the new tariff schedule, 82% of UK imports from the EU would be tariff-free after Brexit, down from 100% now. In addition, 92% of the UK's imports from the rest of the world would pay no import duty, up from 56%.<sup>6</sup>

Here are some of the import tariff rates UK businesses may have to pay in the event of a No Deal Brexit:\*

\*Products have been selected to show tariffs across a broad range of sectors. Please note these rates are subject to change, but were correct at the time of writing.

Goods	Tariff rate <sup>7</sup>
Motor vehicles (for under 10 people)	10%
White sugar	15 euros /100kg
Fresh bananas	114 euros /1000kg
Porcelain/china tableware and kitchenware	12%
Polyethylene	6.5%
Cotton bed linen	12%
Pneumatic tyres	4.5%
Ceramic flags and paving, hearth or wall tiles	5%

You can see all current temporary tariff rates and get more detailed information on these plans on the government website [here](#).

## Find information on your own tariff schedule

More details on how the changes will affect your tariffs will become available on your country's government website. If you're based in the EU, make sure you also check out the [EU's Trade Helpdesk](#) – this is a great resource for businesses that can tell you more about the EU's rates and taxes.



## Key changes this could bring to your business

### Changes to duties and tax

A No Deal Brexit could mean changes to the duties and tax applied to your imports from and exports to the UK.

#### • If your business is based in the EU...

Goods will no longer move freely between your country and the UK. Therefore, you may need to pay customs duty on your imports from the UK, and your exports may also be subject to import duty when they enter the UK. As your goods would be subject to the WTO's Most Favoured Nation rule, from January 31, 2020 you would need to pay the same duties and tax on your imports from and exports to the UK as all other WTO members.<sup>8</sup>

#### • If your business is based outside of the EU...

Again, the WTO's Most Favoured Nation rule will apply. This means the duties and tax that are applied to your goods in the UK may change to reflect any new tariffs set.<sup>9</sup>

However, if the UK has a Free Trade Agreement or Economic Partnership Agreement with your country, this may enable preferential importing and exporting conditions. Find out which new trade agreements have already been set up between the UK and other nations ahead of a No Deal Brexit [here](#).

The [UK Trade Tariff](#) tool will be updated with all necessary information on tariffs. You can look up the temporary rates your UK partners will need to pay [here](#).

### Changes to customs/ shipping documentation

Under a No Deal Brexit, the paperwork you fill out in order to get your shipments processed efficiently at customs may change, and you may be required to provide more details. EU businesses will be subject to the same customs formalities as non-EU businesses. These may be subject to change, depending on what agreements are put in place.

All businesses will need to make customs declarations, and import/export licences may be required depending on where you're shipping to and from.

Read the advice from the European Commission in full [here](#). If you're based outside of the EU, more information should be available on your local government website.

### Changes to border control processes and transit times

There could also be changes to the way the UK border operates at ports and airports.<sup>10</sup> Your goods could face more checks when arriving in the UK, or when they cross your own border, to ensure they comply with any new standards or customs requirements.

It is therefore essential to ensure you provide the correct paperwork to minimise the risk of delays.



## How FedEx and TNT can support you

Times of change call for services you can trust. With our decades of trade expertise, reliable services and customs knowledge, FedEx and TNT are the partners you need to help you navigate the road ahead.

### Count on us for your global shipping needs

We'll make sure that whatever happens, you continue to offer great service not just to your customers in the UK, but across the world, with:

Deliver to the UK in  
**1-2 days**  
from the  
Middle East



**Customs clearance**  
abilities with 1,000s  
of experts



**AEO status**  
to 'fast-track' shipments  
through customs

Reach the UK in  
**1-2 days**  
from the U.S. and Asia

**Unrivalled**  
knowledge of  
international trade

**117 years'**  
combined experience



## 5 steps to becoming Brexit-ready

While negotiations between the UK and EU continue, you can prepare your business by taking the following steps.<sup>9</sup> These will help you to prevent delays at customs and get your goods to customers quickly in the event of a No Deal.

### 1. Make sure you have an EORI number

If you're based in the EU and don't already have one, you'll need an Economic Operator Registration and Identification (EORI) number to continue trading with the UK. You can get this from the government website in your country, and it should only take around 10 minutes to register.

Non-EU businesses may also need an EORI number in certain situations when trading with the UK – find out what these are [here](#).

### 2. Decide who will make import/export declarations

If you don't want to make your own customs declarations, you can hire someone else to do them, such as a customs agent or FedEx – which completes import and export declarations as part of the door-to-door service it offers.

### 3. Check the rate of customs duty and tax you need to pay

You may need to pay customs duties and tax on your imports and exports – this will depend on the classification of your goods, and any rates set in accordance with WTO rules. You should be able to find out the rate of customs duties and check when you'll need to account for and pay tax on your country's government website.

### 4. Check the actions needed for your specific type of goods

Depending on what you're importing or exporting, there may be other steps you need to take to get your business ready.

For example, changing the labelling on your goods, applying for licences, or finding an approved UK border inspection post where your goods can enter the UK. Look for more details on the government website in your country.

### 5. Talk to your partners and suppliers

One of the best things you can do is reach out to all of your business partners – including your suppliers and couriers – to make sure they're also aware of WTO rules and how they may change the way you trade with the UK.

Keep communication regular between you to guarantee your supply chain continues to run smoothly and you're all on the same page.

You can find out all official government advice for preparing to import after Brexit [here](#), and preparing to export [here](#).

### Guiding you through Brexit

We're well-positioned to support your business through Brexit. We continue to follow developments closely and, whatever the outcome, you can be confident we'll be able to help you to implement any new processes and regulations.

What's more, our multi-hub network in Europe gives us flexibility in the crossings we choose and agility in our decision-making, while our expertise and experience will help ensure your shipments navigate borders seamlessly.

Check out some of our other essential resources:

- Take a look at our [Brexit Checklist](#) for all the information you need to prepare your business.
- Get all the answers on how a No Deal Brexit could affect imports and exports in our [No Deal Need-to-Know guide](#).
- Drive efficiency with [FedEx® Electronic Trade Documents](#), our simple, reliable online tool that reduces paperwork and helps to prevent customs delays to ensure the timely delivery of your international packages.

# Want to get in touch?

Feel free to email us at [brexitquestions@fedex.com](mailto:brexitquestions@fedex.com) for any questions you may have.



## Sources

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Please note: All information provided in this guide was correct at the time of writing. Details are subject to change as the situation with Brexit progresses.

