

FAIR DEAL FOR CONSUMERS

WHY TARIFFS ARE BAD
NEWS FOR UK CONSUMERS

July 2020



CONTENTS

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WHAT WOULD A UK DEAL WITH THE EU MEAN FOR CONSUMERS?	3
WHY ARE TARIFFS ON EU IMPORTS SO IMPORTANT?	3
RISKS AND OPPORTUNITIES FOOD IMPORTS	4
RISKS AND OPPORTUNITIES NON-FOOD IMPORTS	5
SO WHAT DOES THIS MEAN FOR CONSUMERS SHOPPING IN 2021 WITHOUT A DEAL WITH THE EU?	6
IS IT ONLY TARIFFS THAT ARE THE PROBLEM?	7
WHAT IS BEST FOR CONSUMERS?	7

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WHAT WOULD A UK DEAL WITH THE EU MEAN FOR CONSUMERS?

The UK left the EU on 31 January this year. During the transition period it stays effectively in the EU single market and customs union. This comes to an end on 31 December. To ensure consumers do not face higher prices for goods, we need a trade deal with the EU which ensures no tariffs (import taxes) are applied to the products we import and sell in our stores and online. The UK has now published its applied tariffs which will operate from January. This makes clear how much more expensive goods will be if there is no trade deal with the EU. Retailing is already incredibly competitive so it is inevitable that these extra duties will be passed on to the UK consumer. We need a deal which also keeps the impact of new regulatory checks and increased red tape (from non-tariff barriers) as low as possible to ensure maximum choice, availability and quality for consumers while not increasing prices.

WHY ARE TARIFFS ON EU IMPORTS SO IMPORTANT?

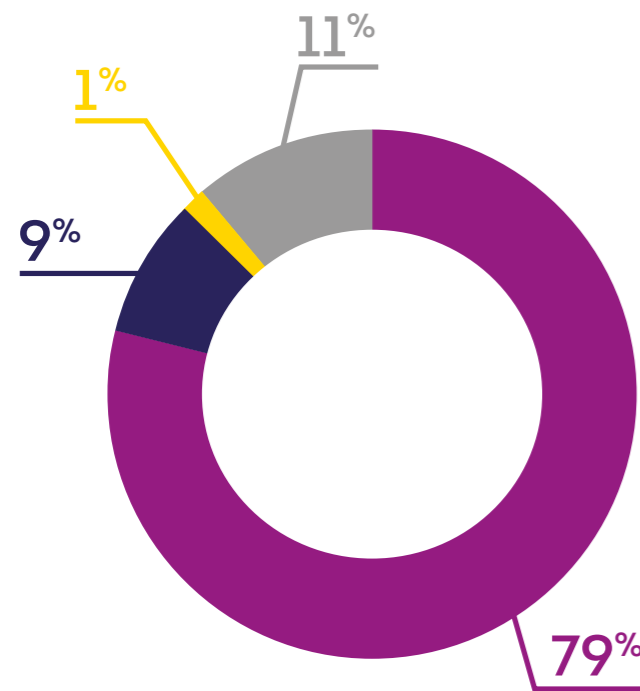
EU imports are a key part of our supply chains, particularly for UK supermarkets. Four-fifths of all UK food imports come from the EU, supplementing UK production and ensuring a wide range of fresh food all year round, as well as much of our clothing, household goods, electricals, pharmaceuticals and other products. Currently there are no tariffs on EU imports, but the proposed UK applied tariffs would be very high if applied to food imports from the EU - on average higher than 20%. These would apply from January, outside of the UK growing season, when the UK relies the most heavily upon EU imports, particularly for fresh fruit and vegetables. This means the introduction of tariffs will have an immediate impact on all our shopping baskets.

RISKS AND OPPORTUNITIES

FOOD IMPORTS

The EU is the most important source of food for supermarkets and overall 30% of all food eaten in the UK is produced there. Not only that but we are heavily reliant in the winter months for fresh fruit and vegetables when it is outside the UK season. Tariffs on food imports are particularly high, we estimate on average higher than 20% on the food we import so without a zero-tariff deal prices will rise and hit the poorest who spend more of their income on food.

Our chart also shows it is folly to think new trade deals would overcome the problem. Currently only a fraction of the food on our shelves has any tariff attached (11%) and supply chains from Europe are close, meaning we get fresh, sustainable food all year round.



BREAKDOWN OF FOOD IMPORTS BY RETAILERS	
EU	79%
BEVERAGES	43%
FRUIT & VEGETABLES	21%
MEAT & FISH	14%
CEREAL PRODUCTS	7%
OTHER	16%
BILATERAL AGREEMENTS	9%
FRUIT & VEGETABLES	60%
BEVERAGES	38%
OTHER	2%
GSP	1%
FRUIT & VEGETABLES	42%
FATS & OILS	35%
OTHER	23%
OTHER (MFN)	11%
MEAT & FISH	30%
FRUIT & VEGETABLES	14%
OTHER	19%

Source: BRC data - survey of members in 2016.

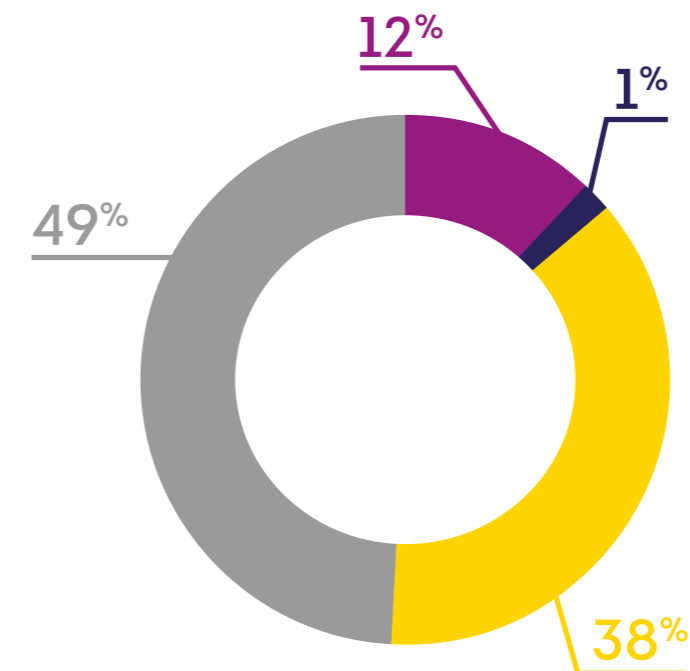
Our charts of imports of food and consumers goods are based on actual data from retailers, they show the source of imports as follows:

- **EU** - goods from the EU currently imported through the single market and customs union with zero tariffs.
- **Bilateral agreements** - trade deals struck by the EU with other countries from which the UK benefits with zero or reduced tariff agreements.
- **GSP** - number of developing countries, such as Bangladesh and India, where preferential trade deals are offered with either zero or lower than standard tariffs.
- **Other** - all countries such as China and the USA where there is no preferential trade deal and standard tariffs apply."

RISKS AND OPPORTUNITIES

NON-FOOD IMPORTS

The UK is much less reliant on the EU for imports of goods other than food. However, it is still a significant source of clothing, furniture and other consumer goods. Tariffs are lower so the risk to consumers of not agreeing a deal is much less than for food. In fact, this is where there are many more opportunities to benefit consumers through new trade deals with current and new preferential trading partners, as our data shows almost half of all consumer goods sold in the UK currently have tariffs on them.



BREAKDOWN OF NON-FOOD IMPORTS BY RETAILERS	
EU	12%
CLOTHES	54%
FURNITURE	14%
OTHER	32%
BILATERAL AGREEMENTS	1%
CLOTHES	88%
OTHER	12%
GSP	38%
CLOTHES	84%
FOOTWEAR	12%
OTHER	5%
OTHER (MFN)	49%
CLOTHES	49%
FOOTWEAR	12%
FURNITURE	8%
ELECTRICALS	5%
OTHER	26%

Source: BRC data - survey of members in 2016.

SO WHAT DOES THIS MEAN FOR CONSUMERS SHOPPING IN 2021 WITHOUT A DEAL WITH THE EU?

Below are the additional tariffs (import duties) that would apply to typical products sold in Great Britain.



BEEF MINCE

48%

ORANGES

12%



CUCUMBERS

16%

CHEDDAR CHEESE

57%



TROUSERS

12%

TABLE LINEN

12%



PORCELAIN KITCHENWARE

12%

DRINKING GLASSES

10%



IS IT ONLY TARIFFS THAT ARE THE PROBLEM?

“Trade deals not only reduce or remove tariffs on goods traded between countries they can also reduce barriers such as border and product checks which add cost and delays to supply chains. Currently, UK imports of food and other consumer products travel unchecked as they travel from the EU but after 31 December, they will require new paperwork to account for tariffs and import VAT, that the products conform to GB standards and regulations and there is no risk, in terms of safety or transmission of disease.

A preferential trade deal can limit some of these checks. Without it GB would face lorries being stopped at ports or other inspection sites either side of the Channel, reducing the shelf life of perishable food and adding additional bureaucratic charges to the cost of imports.

The Withdrawal Agreement has consequences for transit of goods between GB and Northern Ireland, where the UK Government has accepted there will be checks on food going to Northern Irish supermarkets. Pragmatic implementation of the new GB-NI trading arrangements would reduce the burden of higher prices for Northern Irish shoppers.”

WHAT IS BEST FOR CONSUMERS?

A good deal with the EU that avoids both new tariffs and large new costs on imported products is in the interest of all consumers. Without it, prices will increase as it is impossible for retailers to change sourcing to avoid them, particularly before January 2021. Also it doesn't rule out future trade deals with other countries, the benefits of which could be a reduction in current tariffs, working through into price reductions for UK consumers.

The UK Government needs to reach the best deal possible with the EU, secure continuity of other existing trade deals covering the UK and then focus on countries where there aren't currently preferential trade deals in place. A zero-tariff and effective regulatory deal with the EU is the best possible outcome for consumers and must be the top priority - the EU is the most important source of food imports where tariffs are highest. Achieving a UK-EU deal capable of being implemented in January 2021 is essential but time is running out.

THE BRITISH RETAIL CONSORTIUM

The BRC's purpose is to make a positive difference to the retail industry and the customers it serves, today and in the future.

Retail is an exciting, dynamic and diverse industry which is going through a period of profound change. Technology is transforming how people shop; costs are increasing; and growth in consumer spending is slow.

The BRC is committed to ensuring the industry thrives through this period of transformation. We tell the story of retail, work with our members to drive positive change and use our expertise and influence to create an economic and policy environment that enables retail businesses to thrive and consumers to benefit. Our membership comprises over 5,000 businesses delivering £180bn of retail sales and employing over one and half million employees



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