



# Demystifying the World Trade Organisation (WTO)

An essential guide to trading  
under WTO rules for UK businesses



# 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 map shown.<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 merchandise imports and 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>

\*Data subject to change – all details were correct at time of writing.

## Why do you need to know about it?

In June 2016, the UK voted to leave the European Union. It formally left on January 31 2020, entering into a transition period due to last until December 31 2020.

During this time, the UK and EU are conducting negotiations on a possible Free Trade Agreement. However, if the transition period ends without a trade deal being concluded, the UK and EU will trade under WTO terms.

What's more, 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. Trade with non-EU countries that

the UK hasn't renegotiated terms with would take place under WTO rules.

This could lead to changes to the way you import and export goods. 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 trading scenario is at the end of the transition period.

# 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

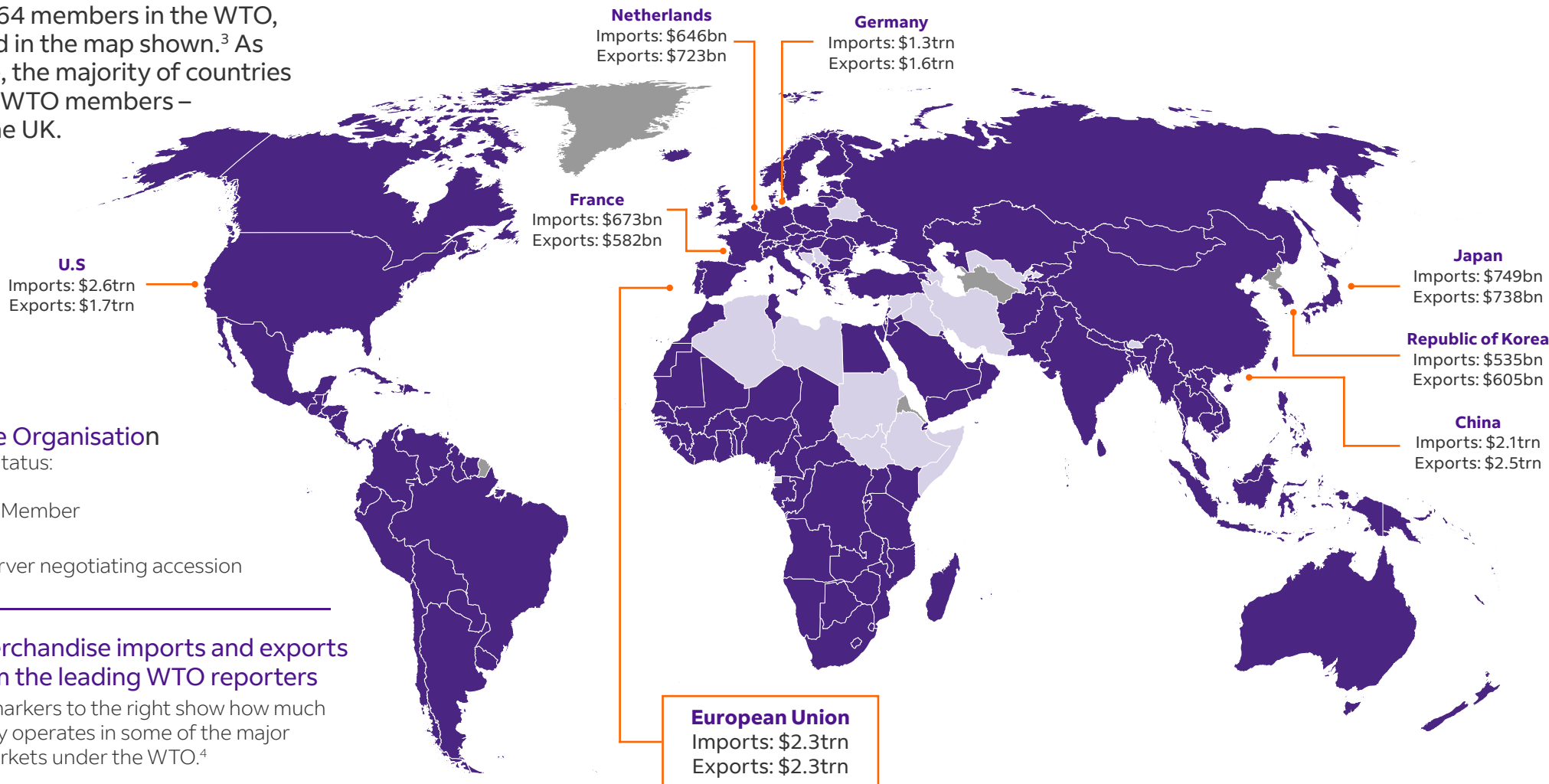
Every WTO member also has a list of tariffs (taxes on imports of goods) and quotas (limits on the number of goods) that they apply to other countries, known as WTO schedules.

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 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.



# Understanding the UK Government’s tariff schedule after the Brexit transition period

After the Brexit transition period, the UK will no longer be a part of the EU’s tariff schedule. Instead, it will lodge its own tariff schedule – called the UK Global Tariff (UKGT) – with the WTO and previous tariffs will no longer apply.

According to the UK Government, 60% of UK imports will be tariff-free from January 1 2021 on WTO terms or through existing preferential access.



## What could happen after December 31, 2020?

The UKGT will apply to all UK imports from January 1 2021, unless either an exception applies, the goods come from countries that are part of the Generalised System of Preferences, or if the country the goods are being imported from has a trade deal with the UK.

If the UK and EU can’t agree a trade deal before the end of the transition period, the UKGT will apply to imports from the EU and the EU’s WTO tariff schedule will apply to its imports from the UK.

Here are some of the import tariff rates for the UK that will come into effect from January 1 2021:\*

\*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>6</sup>
Motor vehicles (for under 10 people)	10%
White sugar	£35 /100kg
Fresh bananas	£95 /1000kg
Porcelain/china tableware and kitchenware	12%
Polyethylene	6%
Cotton bed linen	12%
Pneumatic tyres	4%
Ceramic flags and paving, hearth or wall tiles	4%

You can check what tariffs will apply to the goods you import by using the tool on the UK Government website [here](#).

## Tariffs on your exports to the EU

If the UK and EU don’t agree a trade deal, any goods that you export to the EU will be subject to the WTO’s Most Favoured Nation rule. This means that from January 1 2021, your EU importers will need to pay the same tariffs on your goods as all other WTO members.<sup>7</sup>

More details on these tariffs will become available [here](#). The [EU’s Trade Helpdesk](#) is another great resource for businesses and can tell you more about the EU’s rates and taxes.

## Key changes this could bring to your business

### Changes to duties and tax

When the transition period ends, it could mean changes to the duties and tax you pay. For instance, you may need to pay customs duty on your imports from the EU if a UK-EU free trade deal that covers those products hasn’t been agreed.

Your EU customers could also have to pay import duty on products you export to them.

In addition, you may also see changes to the rates you pay on imports from other non-EU countries, if the UKGT has different tariff levels for those products than the EU’s tariff schedule does.

If the UK has a Free Trade Agreement or Economic Partnership Agreement with a country, this may enable preferential importing and exporting conditions. Find out which new trade agreements have already been set up [here](#).

The [UK Trade Tariff tool](#) will be updated with all necessary information on tariffs.

### Changes to customs/ shipping documentation

Regardless of whether the UK and EU agree a free trade deal, 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.

Your current EU Certificates of Origin used for exporting goods may also cease to be valid. The UK Government will likely supply you with an alternative document to use to make sure you can specify the [origin of your goods](#).

### Changes to border control processes and transit times

There could also be changes to the way the UK border operates at ports and airports. Your goods could also face more checks at EU borders or see changes in processes in third countries which previously traded with the UK under agreements with the EU.

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

#### What is a commodity code?<sup>8</sup>

Commodity codes classify goods for import and export, so you can:

- Fill in declarations and other paperwork
- Check if there’s duty or VAT to pay
- Find out about duty reliefs





# How FedEx 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 EU, but across the world, with:

Next-day delivery to Europe by <b>12 p.m.</b> 	<b>Customs clearance</b> abilities with 1,000s of experts 	<b>AEO status</b> to 'fast-track' shipments through customs  <b>425,000</b> employees in 220+ countries and territories
<b>55,000 weekly</b> road trips across Europe	<b>117 years'</b> combined experience 	

# 5 steps to becoming ready for 2021

While negotiations continue, you can prepare your business by taking the following steps. These will help you to prevent delays at customs and get your goods to customers quickly.

## 1. Make sure you have a UK EORI number that starts with GB

To continue importing goods, you'll need a UK Economic Operator Registration and Identification (EORI) number – which you can get [here](#). If you're exporting, make sure your importer has one.

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

You can make your own customs declarations or 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. Learn how to complete a commercial invoice

Commercial invoices will be essential in a no trade agreement scenario and are highly likely to be needed even if one is implemented. Find out how to complete one [here](#).

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

You may need to pay customs duties and VAT on your imports. If you're exporting, your importer may need to pay these on your goods. This will depend on the classification of your goods. Find out the rate of customs duties from 2021 [here](#) and check VAT rates [here](#).

## 5. 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, you may need to change the labelling on your goods, apply for licences, or find an approved UK border inspection post where your goods can enter the UK. Get more details on this [here](#).

## Guiding you through the post-Brexit transition

We're well-positioned to support your business through the post-Brexit transition period. 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: your 2021 checklist](#) for all the information you need to prepare your business.
- 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.

You can find official Government advice on preparing for the end of the transition period [here](#).



# 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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- 7 Customs and tariffs (Ready for Brexit), <https://readyforbrexit.co.uk/customs-tariffs/>
- 8 Trade Tariff: look up commodity codes, duty and VAT rates (UK Government), <https://www.gov.uk/trade-tariff>

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

