

*CONGRESSIONAL TESTIMONY*

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**Next Steps in the “Special Relationship”:  
Impact of a U.S.-U.K. Free Trade Agreement**

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**Testimony before  
House Committee on Foreign Affairs Joint Subcommittee Hearing:  
Subcommittee on Terrorism, Nonproliferation, and Trade; Subcommittee on  
Europe, Eurasia, and Emerging Threats**

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Chairman Poe, Chairman Rohrabacher, and distinguished Members: Thank you for the opportunity to testify before both of your committees.

It is fitting that today's hearing is taking place just days after the inauguration of a new U.S. President and just months after a new British Prime Minister entered Downing Street. President Donald Trump and Prime Minister Theresa May met last Friday in Washington and declared their intention to advance a U.S.–U.K. free trade agreement. The Trump presidency is in a strong position to revitalize the Special Relationship by working together with Congress and the government of the United Kingdom.

The Anglo–American alliance is a vital partnership that rests upon deep-seated cooperation in defense, trade, intelligence, and a host of other areas stretching from educational exchange to the arts. Britain's decision to leave the European Union should be viewed as a hugely positive development by Congress because it offers tremendous opportunities for Britain and the United States to strengthen that partnership.

The Trump Administration should make a U.S.–U.K. free trade deal a foreign policy priority. There is already strong support on Capitol Hill for a free trade agreement between the United States and the United Kingdom with at least five pieces of Congressional legislation urging such a deal. Such an agreement between the world's largest and fifth-largest economies would significantly advance prosperity on both sides of the Atlantic. It would be a force generator for economic liberty through genuine bilateral free trade based upon the principles of sovereignty and economic freedom.

America has a vital economic stake in the United Kingdom. As the Congressional Research Service notes, Britain is America's largest services trading partner, and the \$5 trillion of U.S. corporate assets in the U.K. represents 22 percent of total U.S. corporate overseas assets.<sup>1</sup> Britain is America's largest foreign direct investor, and roughly a million U.S. jobs depend on British companies based in America. British foreign direct investment (FDI) in the United States in 2015 amounted to over \$483 billion.<sup>2</sup> More than 1.25 million people are employed by U.S. affiliates in the U.K., and U.S. FDI in the U.K. was approximately \$593 billion in 2015.<sup>3</sup>

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<sup>1</sup>Derek E. Mix, "The United Kingdom: Background and Relations with the United States," Congressional Research Service *Report for Members and Committees of Congress*, April 29, 2015, <https://fas.org/sgp/crs/row/RL33105.pdf>.

<sup>2</sup>Rudy Telles, Jr., "Foreign Direct Investment in the United States: Update to 2013 Report," U.S. Department of Commerce, Economics and Statistics Administration, Office of the Chief Economist, *ESA Issue Brief* No. 02-16, June 20, 2016, <http://www.esa.doc.gov/sites/default/files/foreign-direct-investment-in-the-united-states-update-2016.pdf>.

<sup>3</sup>James K. Jackson, Shayerah Ilias Akhtar, and Derek E. Mix, "Economic Implications of a United Kingdom Exit from the European Union," Congressional Research Service *Report for Members and Committees of Congress*, July 14, 2016, <https://fas.org/sgp/crs/row/R44559.pdf>.

## **Strengthening the Special Relationship by Advancing Freedom to Trade with the United Kingdom**

A free trade agreement would boost both Britain's and America's economies while also strengthening the Anglo–American Special Relationship, for decades the engine and beating heart of the free world. It would also act as a model for other free trade agreements that Britain will likely sign with countries across the globe, from Australia and Canada to India and Singapore. Free trade has been the essence of Britain's success as a global power for centuries. The EU, with its protectionist mindset and outright hostility to economic freedom, has constrained Britain's ability to trade freely for over four decades and has held back Britain's economic potential.

A stronger Britain on the world stage, able to act as a truly sovereign, independent nation, is a far better partner for the United States. Outside of an inward-looking, declining EU, Great Britain is uniquely placed to rebuild its military might, revitalize the NATO alliance together with the Americans, and stand up to the enemies of the free world, from Russia to Iran and ISIS.

America has a deep interest in helping Brexit to succeed and in Britain's flourishing outside the EU. Britain must help America to lead the free world with strength, resolve, and conviction. The Special Relationship is a great force for good in the world, and its return should be welcomed by all who cherish the spirit of freedom and liberty.

As Margaret Thatcher observed in a speech to the Foreign Relations Council of Chicago, “the special relationship does exist, it does count and it must continue, because the United States needs friends in the lonely task of world leadership.”<sup>4</sup>

### **Recommendations for Congress and the Executive Branch**

President Trump should instruct the U.S. Trade Representative and the White House National Trade Council to fast-track the pursuit of a U.S.–U.K. trade pact by putting forward clear negotiating objectives, pursuant to congressional guidance, that will advance the Special Relationship between the two countries. The free trade deal should be implemented within 90 days after Britain leaves the EU, which is expected to be by the end of March 2019. The overriding goal should be to sign the best deal possible by then.

Under a free trade agreement, the U.S. and U.K. must make it easier for Americans and Britons engaged in lawful finance and commerce to work together. The deal should aim for the elimination of all tariff barriers between the United States and the United Kingdom, two nations with highly developed economies, skilled workforces, and comparable wage levels. Such a deal would create jobs on both sides of the Atlantic and enhance investment opportunities.

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<sup>4</sup>Margaret Thatcher, “Speech to Foreign Relations Council of Chicago,” June 17, 1991, <http://www.margaretthatcher.org/document/108275>.

Talks between Washington and London on a U.S.–U.K. free trade deal can begin immediately. The United Kingdom has the full right to begin discussions on trade agreements with countries outside of the European Union before it formally exits the EU. As the Lawyers for Britain group has pointed out, it is false to claim, as some European Commission officials have done, that Britain cannot engage in such discussions as an EU member: “This view has no support from the EU Treaties or the Court of Justice of the European Union (CJEU): the EU may not prevent the UK negotiating and entering into such treaties providing that they will not come into force until the UK withdraws from the EU.”<sup>5</sup>

I urge President Trump to work closely with Congress. This must be a joint initiative by the White House and the House of Representatives and Senate. A U.S.–U.K. free trade agreement will advance prosperity on both sides of the Atlantic and will be a historic move forward that will benefit future generations of both Americans and Britons. The free trade pact should be a catalyst for advancing freedom to trade and for promoting economic freedom in both countries. It would be a powerful statement reflecting a shared commitment to a free and open investment environment between the two countries.

This is a bilateral trade deal, not a multilateral one, which makes negotiations far simpler than they might otherwise be. In contrast to the hugely flawed proposed Transatlantic Trade and Investment Partnership (TTIP) between the U.S. and the EU, this is not about importing regulations and expanding big government. It is about empowering individuals and freeing trade. We do not need hundreds of pages of fine print to move forward with such a deal. It should be streamlined and readily understandable to anyone who wishes to read it.

In conclusion, a U.S.–U.K. FTA would be an outstanding example of the Anglo–American Special Relationship in practice, further bringing together two great nations with a shared history, culture, and language as well as a deep commitment to liberty. As my colleague Dr. Ted Bromund and I have argued in a Heritage Foundation paper, “a U.S.–U.K. free trade area should serve as a symbol of and a real contribution toward a shared Anglo–American rejection of supranational control and the shared belief that government must be based on sovereignty and freedom.”<sup>6</sup> It should also act as a role model for future free trade agreements between the United States and other key allies across the world.

Britain’s exit from the European Union will make the partnership between Great Britain and the United States even stronger, and a free trade agreement will be at the very heart of that alliance. Today, in large part due to the robust support of Members of Congress, Britain stands at the front of the queue for a trade deal with the United States and not at

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<sup>5</sup>Francis Hoar, “Negotiating International Trade Treaties Before Exit,” Lawyers for Britain, <http://www.lawyersforbritain.org/int-trade-before-exit.shtml>.

<sup>6</sup>Ted R. Bromund and Nile Gardiner, “Freedom from the EU: Why Britain and the U.S. Should Pursue a U.S.–U.K. Free Trade Area,” Heritage Foundation *Backgrounder* No. 2951, September 26, 2014, <http://www.heritage.org/research/reports/2014/09/freedom-from-the-eu-why-britain-and-the-us-should-pursue-a-usuk-free-trade-area>.

the back. Theresa May put it well in her speech to Congressional leaders in Philadelphia last week when she declared that “[s]uch an agreement would see us taking that next step in the Special Relationship that exists between us. Cementing and affirming one of the greatest forces for progress this world has ever known.... [L]et us renew the relationship that can lead the world towards the promise of freedom and prosperity....”<sup>7</sup>

Thank you for giving me the opportunity to testify before you today. Britain’s impending exit from the European Union has opened a new world of opportunity for the United Kingdom, opportunities that should also be embraced by the United States and all who believe in liberty, sovereignty, and self-determination.

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<sup>7</sup>The Rt. Hon. Theresa May, “Prime Minister’s Speech to the Republican Party Conference 2017,” Philadelphia, Pennsylvania, January 26, 2017, <https://www.gov.uk/government/speeches/prime-ministers-speech-to-the-republican-party-conference-2017>.