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We are two university students at Edge Hill University, members of Politics Lab, who have conducted research for the Call to Evidence from the Business and Trade Sub-Committee on Economic Security, Arms and Export Controls.

In this report, we will be addressing the questions:

- What are the most important gaps in the UK's economic security regime? How should these be addressed? What is the right level of tolerance for risk?
- What are the implications of managing these risks for public spending? Is HMG resourcing the management of these risks appropriately?
- How should the UK ensure that economic security factors into decisions around international partnerships, including trade agreements and security co-operation?
- How can the UK most effectively work with international partners to deter and respond to economic security threats, including economic coercion?

What are the most important gaps in the UK's economic security regime? How should these be addressed? What is the right level of tolerance for risk?

Trade is an essential component of the UK economy. In 2024 alone, over 1.6 trillion GBP of total trade flowed through the country (ONS, 2025). While undeniably beneficial for the economy, the UK's current trade is showing some issues. Despite recent growth, the country maintained a trade deficit of over 25 billion GBP in 2024, with the deficit in goods trade still sitting at over 200 billion GBP in 2024 (ONS, 2025). Whilst the deficit isn't at an unsustainable level, and the exporting of services does make up most of the difference made by goods trade, other domestic/trade issues could worsen the deficit which would hurt the economy substantially.

Trading partnerships are another aspect of the UK's international trade which has the potential to become problematic. Since the UK's exit from the EU in 2020, goods exports to the EU have been in decline (OBR, 2022), which is often considered a contributory factor to the stagnation of the UK economy (Cambridge Econometrics, 2024) (Low and Caswell, 2025). This issue in isolation may not be extremely problematic, but it poses a major risk. Such risk could be accelerated with the recent hostilities from the US regarding trade, one of the UK's biggest trade partners, who is becoming increasingly hostile to both the UK and the UK's other major allies both economically and militarily, which could force UK retaliation and a trade war (Wong and Yousif, 2025).

Beyond international trade, there are issues arising from within the UK itself. The potential closure of British Steel is a major example of further deindustrialisation within the UK domestic industry. The potential closure threatens thousands of jobs and would leave the UK completely reliant on importing steel from abroad (Edwards and Conway, 2025). Other examples include energy (Bolton, 2025) and food (GOV.UK, 2024). Over reliance on foreign industries always comes with risk, as maintaining good faith access to overseas markets, and cordial relationship with other states is not guaranteed and issues like unemployment could become prevalent if too many of the jobs are outsourced.

The UK is already taking strides to alleviate many of the economic insecurities facing the country. One of the major advancements is promotion of domestic industries, with the current government's election manifesto featuring the expansion of green energy production in the UK (Labour, 2024). The government following through on such promises would make the UK far more energy self-sufficient, creating jobs within the UK and reducing the need for imports of energy sources like oil. Taking strong action to develop industries within the country broadly would see similar trends, helping to create jobs while also reducing or perhaps even eliminating our trade deficit.

Another means the UK appears to already be pursuing is expansion of its trade partners and agreements. In January 2024, the UK joined CPTPP, a trade agreement which would enhance its trade ties to many pacific nations such as Japan and Australia (GOV.UK, 2023). However, there are still key areas to tackle, most notably being the EU. While any attempt to rejoin the EU has been rejected by the current Prime Minister (Stacey, 2024), a favourable trade agreement with the EU is appearing like an increasing necessity with Anglo-American relations so strained (Buchwald, 2025). Signs of this are already showing from the current government, with the Prime Minister being the first post-Brexit PM to attend an EU meeting (Mason, 2025).

What are the implications of managing these risks for public spending? Is HMG resourcing the management of these risks appropriately?

Regarding international trade agreements and partnerships, the direct costs for public spending are negligible. The main area where the government might need to spend on are domestic industries. There are two main options on how to fund the improvement/creation of domestic industries: government financing or private investment. However, private investment has recently shown some major issues, with key privatised infrastructure such as water (GOV.UK, 2024) and railway (Armstrong, 2024) being in very poor condition after being left in the hands of private corporations, making government financing and ownership a likely preferable option, especially for energy. This could cost the state hundreds of billions of pounds in long term investment (House of Lords Library, 2025).

However, it's worth considering the costs which specific spending may cut. Energy autonomy, for example, would make the UK far more resilient against the global prices of oil and gas. In the first winter following the Russo-Ukrainian War, the UK Government spent 40 billion GBP in offsetting the increased cost of energy for consumers (GOV.UK, 2023). Such spending was only to mitigate the very precarious financial situation the UK was left in, and didn't have substantial benefit outside of it. So, while figures like 6 - 8 billion GBP of investment may appear high (House of Lords Library, 2025), the benefits to the UK's economic security would greatly offset this cost and reduce risks which come from being a part of the globalised economy.

How should the UK ensure that economic security factors into decisions around international partnerships, including trade agreements and security co-operation?

The UK's international partnerships are important for trade and security co-operation, with both playing parts in the UK's economic security. In terms of trade the UK will never be fully self-sufficient and so relies on its international partnerships to fill the gaps it has in its domestic production of goods. An example of this is fresh fruit. Due to the UK climate lots of fresh fruit is imported (GOV.UK, 2025) and this essential to provide nutritious food to UK citizens. Because of this, the UK must also be able to trust the partners it is trading with and relying on. Shifts in government can lead to shifts in the reliability of trading partners, something currently being witnessed in the US with the new administration taking a hostile approach to trade by imposing a 10% flat tariff on all UK imports to the US (Epstein, 2025) as well as imposing higher tariffs on several specific goods including cars, car parts (Wong and Yousif, 2025), aluminium and steel (Buchwald, 2025).

To be able to counteract this, the UK should be looking into widening its range of trading partners and strengthening its existing partnerships, because in doing so it reduces the country's reliance on a small group of partners, such as the US. The UK should also reflect upon the industries and resources it wishes to prioritise production and self-sufficiency of, and which ones it would seek to obtain through trading partners. By doing this, the UK can look to negotiate stronger trade deals with those countries it needs to import from or begin negotiating deals with other countries who also export that resource, thus reducing the reliance on one partner, therefore enhancing our economic security.

How can the UK most effectively work with international partners to deter and respond to economic security threats, including economic coercion?

The UK should focus on expanding its pool of trading partners by negotiating trade agreements with more countries. By doing this, the UK would widen its base of which its economic security stands upon. Due to the current US economic hostility to the rest of the world, the UK should consider moving away from the US and look elsewhere for trade deals. There are three possible areas the UK can begin to do this in.

The EU could be a starting point for this. The current UK government has stated that it wants to reset relations with the EU and due to US hostility, moving closer towards Europe would be sensible. The Office for Budget Responsibility (OBR) has stated that long-run productivity due to Brexit will reduce by 4% and also that imports and exports will be 15% lower between the UK and EU due to Brexit. This shows that moving back closer towards Europe and renegotiating a more extensive and mutually favourable trade agreement between the UK and EU would be beneficial to both and create a more solid foundation for the UK's economic security. A more extensive version of this re-negotiation could be the UK's re-entry into the European Economic Area (EEA) giving us benefits of free trade without rejoining the EU. This would help negate the negative effect Brexit has clearly had on the UK economy due to bureaucratic and administrative barriers it created (London School of Economics, 2024).

Secondly, the Commonwealth would also be an excellent starting point for expanding the UK's trade partnerships. In the current political and economic climate, expanding trade and negotiating trade deals outside of the EU and US would be beneficial, and by bringing the UK closer, in terms of trade, to the Commonwealth it would, as stated, ensure a wider basis for economic security. Expanding trade between Commonwealth countries would also be an excellent way to not only improve relations between the UK and these nations but also help begin to fill the gap in UK trade left by Brexit as estimated by the OBR (2025).

The following countries are all Commonwealth member countries with which the UK has some form of trade deal with; Antigua and Barbuda, Australia, Bahamas, Barbados, Belize, Botswana, Brunei, Cameroon, Canada, Dominica, Eswatini, Fiji, Ghana, Grenada, Guyana, Jamaica, Kenya, Lesotho, Malaysia, Mauritius, Mozambique, Namibia, New Zealand, Papua New Guinea, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Seychelles, Singapore, Solomon Islands, South Africa and Trinidad and Tobago (GOV.UK,2025). These countries account for 33 out of the 55 other Commonwealth countries (excluding the UK) (Commonwealth, 2025). Noticeably, India, the world's fifth largest economy and one of the fastest growing (IMF, 2025), is absent. The UK is currently negotiating a trade with India (GOV.UK,2025), taking a step towards diversifying the UK's trade partners.

Finally, the last way this gap could be closed is further diversifying outside of pre-existing relations and expanding into trade deals with other larger economies not part of the Commonwealth or EU. In South-East Asia, both Indonesia and Thailand would be great examples of larger developing economies (IMF, 2025) with trade potential, as would following the EU in negotiating a trade deal with the MERCOSUR group in South America. It is made up of Brazil, Argentina, Bolivia, Paraguay, Uruguay and Venezuela, with the latter currently suspended (MERCOSUR, 2025), and with Brazil and Argentina being the 10th and 26th largest economies respectively (IMF, 2025), and members of the G20 (G20, 2025), they would be good potential trade partners.

By working with its existing partners as well as by forging new partnerships, the UK should be prepared to deal with any economic security threat that arises and with this diverse range of trading partners, the UK will be strengthening relations with nations across the world, creating a solid, reliable foundation for its own economic security.

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