



UK should try Abbott's recipe for Brexit

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Perhaps as early as tomorrow, the British prime minister Theresa May will press the button and launch Article 50 on its inexorable, ballistic trajectory towards impact in March 2019. From the political class here, let alone in Brussels, comes incessant pessimism about those two years: it will be fractious, we are not ready to negotiate, a trade agreement is all but impossible, the timetable is too tight, we're going over a cliff.

This is mostly wishful thinking by those who want us to fail. A conversation last week with Tony Abbott, the former Australian prime minister, brought this home to me. When he became prime minister, Mr Abbott did something unusual. Noticing that his country's trade negotiators had spent years meandering towards deals with China, Japan and other countries — enjoying room service in five-star hotels in different cities as they did so — he set them deadlines.

Within six months Australia had signed a trade deal with South Korea. Japan took eight months, China 13. There were just 150 people or so involved on the Australian side. As Mr Abbott says, trade deals are simple — if (shock!) you make them about trade. It's only when you make them about standards, regulations, legal disputes and corporate interests that they get difficult. The Legatum Institute's Special Trade Commission, assembled to advise on Brexit under the chairmanship of Shanker Singham and consisting of senior trade negotiators from America, Canada, Mexico, Switzerland, Singapore, Australia and New Zealand, has said much the same: these deals are as hard as you make them.

The European Union makes them very hard. It began negotiating a trade agreement with America 27 years ago. The resulting Transatlantic Trade and Investment Partnership leviathan is barely about trade at all, but about the rights of multinationals in the courts and other such matters. As the financier and philanthropist Miles Morland put it: "Even the EU politicians gagged on that. Great negotiating, Pierre. The TTIP is never going to be signed. It's loo paper."

The European Union has spent ten years negotiating trade agreements with China and India, with no agreement in sight. So when you hear civil servants babbling on to the BBC about how it takes at least seven years to negotiate a trade deal, and the usual m'learned friends licking their lips as they talk of the thousands of lines of detail appended to such deals, remember there is another way. Countries such as Australia and Iceland did quick trade deals with China that were about ... trade.

Besides, there seems to be a growing misapprehension that you need trade deals to trade, as if they were licences to trade. America, China and India, with which the EU has no deals, are among its biggest trading partners. The EU is actually the best organisation to join if you don't want trade deals. It has remarkably few and they are mostly with small countries: Mexico and South Korea are the biggest. This is not surprising, because getting 28 countries to agree the terms of a trade deal is not easy.

Nonetheless, there is a big reason that getting a special UK-EU trade deal by 2019 is actually easier than it looks. It is unlike any other trade negotiation, because at the start there are no existing tariffs, or differences in regulation and standards between Britain and the EU. We would like to keep it that way as far as possible, and so would most European commercial interests and consumers. We will have to discuss introducing trade barriers from scratch. In every other case, it's a matter of "we'll remove tariffs and barriers to your exports if you'll remove the barriers to ours".

Note in passing that this is the wrong way round. Imports are what we want. Exports are what we are prepared to give to get them. After all, we impose sanctions on evil regimes to deprive them of imports. If we ran our lives the way politicians talk about trade, we would insist on giving a shopkeeper as much money as possible, then reluctantly accepting some of his goods.

UK-EU trade talks could therefore conclude quickly with goodwill. Goodwill, however, is lacking on the other side and the EU may indeed want to impose barriers from scratch. If that happens we should not retaliate. As Patrick Minford and Edgar Miller of Economists for Free Trade put it, retaliation "will lose half the gain from achieving global free trade, will disrupt manufacturing supply chains, and is likely to harden the EU's resolve not to climb down over the long-term".

So we should sign a one-sided deal if necessary. The only reason not to is that pounds 50 billion bill. If they insist on that, then we can leave the EU on World Trade Organisation terms. WTO tariffs are a low barrier to trade with the single market, as China, America and others show every day — and if we abolish the EU's external tariffs when we leave we will see huge gains from trade. In any case, the fall in the pound more than compensates for such tariffs. I talked to a British manufacturer last week who said that with the pound at dollars 1.20, he can barely keep up with global demand on WTO terms from the rest of the world.

Diehard remainers who liken that outcome to crashing off a cliff edge into catastrophe are wrong for two reasons. First, under the WTO's most-favoured nation principle, the EU cannot raise tariffs on our goods higher than they impose on other countries. It cannot discriminate against us.

Second, under the WTO's national treatment principle, the EU cannot use non-tariff barriers, such as regulations and standards, to discriminate against British goods and services to favour domestic businesses instead.

There is no cliff. The EU negotiators can make a cliff if they want, but only for their own consumers. Imposing tariffs is like blockading your own ports in wartime, says Ryan Bourne of the Cato Institute. The prime minister is quite right to insist that no deal is better than a bad deal.

Ask yourself, for a change, what could go right. As the MEP Daniel Hannan put it when introducing Mr Abbott at an event last week, only Hong Kong and Singapore have tried unilateral free trade and eschewed retaliation recently, with spectacular results. If a major economy like Britain did it, the world could be transformed.