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The Conservatives Must Avoid The Protectionist Farming Trap

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The debate over the UK-Australia free trade agreement (FTA) has been both confusing and clarifying.

Confusing, because keyboard warrior Remainers who used to say free trade with Polish farmers was good, quality-enhancing and holy, now apparently think free trade with Aussie farmers would be bad, quality-diminishing, and wicked. Clarifying, because in observing this convenient alliance between anti-Brexiteers and protectionist farming interests, Britain is getting a crash course in the messy politics of bilateral trade deals.

Negotiating FTAs with tariffs as “bargaining chips” makes it easy to portray export freedoms as a boon to “our” producers and removing tariffs as harming them. UK press assessments of negotiations then get written up as a balance of competing domestic consumer and producer interests.

Take the farming issue. Trade Secretary Liz Truss wants a zero-tariff, zero-quota agreement to bolster competition. Environment Secretary George Eustice and Michael Gove supposedly oppose this, wanting EU-style “tariff rate quotas” to protect British farmers’ demand. These would allow a threshold amount of, say, Aussie beef to be imported tariff free, with taxes applied for any imports beyond this.

The hyperbolic Minette Batters of the National Farmers’ Union has framed the choice this way: we can have cheaper imported food from lower-quality Aussie ranchers and see “the end” of much British farming. Or we can use price-raising tariffs to maintain high-quality British family farms.

All acknowledge her wild overstatement. But a bunch of Remainer trade lawyers have happily obliged her framing of a British consumers vs. producers trade-off that naïve Brexiteers would have missed.

So let’s be clear: all FTAs and the hysteria surrounding them bring miserable political compromises, but the idea there’s some simple consumer-producer trade-off here is bad economics.

British consumers would unambiguously benefit from freer food trade with Australia. Not because “cheap” beef or lamb will suddenly flood the UK.

Australia has high standards and the NFU hasn't produced meaningful evidence that standards here raise production costs significantly. No, the real consumer welfare benefits from bilateral FTAs usually arise from a greater variety of products, improved quality, and more security of supply, rather than falling prices. So it would be with the Aussies.

What about farmers? If the NFU *is* correct that a tariff-free FTA would end much British farming, this suggests current protection is extremely harmful to UK consumers, as they are priced away from products they prefer. If UK farmers really can't compete on price with food produced 10,000 miles away, then tariffs are a very regressive means of covering up awful inefficiency. The poorest households, after all, dedicate 14pc of their spending to food, against just 10pc for the richest.

Yet framing this as cheap meat vs. the future of British farming is obviously a red herring. The Aussie government admits its agricultural exporters are maxed out with Asian demand, making vast flows to the UK "unlikely." The UK Government thinks this agreement will help ascension to the broader Trans Pacific Partnership, opening up the potentially huge growing meat-hungry Asian middle-class market to UK farmers.

But there's a more general point here. Eliminating tariffs with Australia would obviously open British farms producing certain products to direct competition. Yet that's not the same as saying the FTA's provisions would harm UK producers overall. Freer trade facilitates cheaper inputs to industries like farms. More importantly, competition weeds out inefficiency, freeing up resources for more productive ventures.

Indeed, the main long-term benefit of freer trade is not cheap imported stuff, but more specialisation. Openness forces producers to adopt new techniques, invest to serve new markets, use land productively, carve out niches, or downsize. This enhances overall production, rather than diminishing it.

That's why it's so depressing to hear the NFU run down British farming by implying it just couldn't cope without the coddling. The experience of Scottish whisky and malt barley shows British industries can succeed on quality. Exciting things are happening in agritech and high-tech greenhouses. Even *in extremis*, farmers are sitting on gold mines if governments reformed planning laws to use land in new ways.

New Zealand had a very large, protected agricultural sector in the 1970s. In the 1980s it shed government protection, not via gradually bilateral deals, but through a rapid five-year unilateral liberalisation.

It was disruptive. The sheep stock halved and beef and lamb farm numbers fell by a third. But the country reoriented quickly under global prices. Larger herd sizes and increased lambing rates bolstered productivity. Venison and wine took off and fruit production boomed. The country now has a productive, diverse agricultural sector. Few Kiwis clamour for protection.

British politicians shirked such unilateral liberalisation post-Brexit, despite decades of EU subsidies, tariffs, and other barriers for agriculture. But the lesson holds: protectionism, by distorting price signals, breeds inefficiency. When that plaster is removed, as it always eventually is, the pain is harsher the longer the cossetting.

This is missed in the narrow, static consumer vs. producer framing we've heard, egged on by Remainers desperate to create a "betrayal of farmers" narrative. Tariffs insulate certain farms at consumers' expense, yes. But protectionism also makes the economy less productive. It is the worst example of industrial policy, knowingly tilting the deck towards sectors expected to struggle.

"Ceding" such protection by "granting tariff-free access" to other countries is not a sign of weakness, as Michael Gove supposedly believes. It would actually be a vote of confidence in the robust dynamism of the UK's market economy.

The Prime Minister regularly laments the UK's poor productivity performance and says he wants to "level up" the country. Siding with his Cabinet free traders would be a healthy signal he was serious about using the Brexit freedoms to do something about it.

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