

# CAPX

## **A US-UK trade deal built on trust would set an example to the world**

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It's official. We are most definitely not at the 'back of the queue' when it comes to a trade deal with the United States.

Actually, we're at the front.

Well, we're technically third if you take it in order of the letters released today by Robert E. Lighthizer, the US Trade Representative, to the House of Representatives and the Senate informing them of the President's intention to start trade talks.

The UK joins the EU and Japan as the countries and trade blocs of highest priority. The UK explicitly from when we leave the European Union and regain our powers to negotiate trade currently pooled in the Common Commercial Policy.

This is a big moment. Our largest single country trade partner (the EU as a bloc obviously has the larger share) is telling us that they want to reduce the barriers to trade our producers face, and that they want us to reduce the barriers we have put up with our European counterparts for consumers to import what they want.

It could be a big deal too. US goods and services trade with the UK totalled an estimated \$235.9 billion in 2017. The UK imported \$125.9 billion worth and exported goods and services worth \$110.0 billion.

US companies and funds are the largest foreign direct investors in the United Kingdom, and UK ones are the largest in the United States. The value of the cumulative investment stands at nearly \$1.3 trillion today. More than 1.1 million Americans work for British companies in the U.S. and nearly 1.5 million Britons are directly employed by U.S. affiliates.

Trade between the UK and US amounts to roughly one fifth of the EU's total with the US, well above our 12.9 per cent share of the EU's population.

A quick reminder to both British Secretary of State for International Trade Liam Fox and US trade representative Robert E. Lighthizer: there's no need to spend years debating and horse trading. The good fellows at the Cato Institute and the Initiative for Free Trade (along with ourselves at the Adam Smith Institute and 8 other think tanks) have done the work already.

We produced a full legal text of a draft deal between our two countries. It's based on mutual recognition; not harmonisation, or trade-offs.

There is a reason we're promoting this way of doing things. It's about trust. And friends. It's the antidote to the divisive, partisan and partitioned way politics has operated in recent years. America and Europe are not alien to one another, nor to us in the UK.

Instead of thinking that our way of doing things in Britain is exceptional – when we start planning our future trade relationship we trust our friends and allies. And why? Because we know they want the same things we want.

Back in the New Labour era, the journalist Clive James slapped down those people who had begun to bemoan the fact that socialism had gone the way of the dinosaurs:

“Two similar parties are divided only by their proposed methods of achieving the same ends, there is a sharp answer. Those are the only politics worthy of the name, and we are very lucky to live in an epoch where they prevail.”

It was, in other words, that we'd decided roughly what we wanted as a society, and that platitudes weren't enough. In order to succeed in politics, you needed evidence-based policies. Policies had to show they achieved their ends. The debate was about whether they did achieve those ends.

The difference between parties in a democracy and trading partners is that you cannot simply elect the latter. Sometimes you can wait for their citizens to unelect them or, as in the case with the EU, you're forced to accept static positions by removed, and weakly democratic Commission officials.

This static response has been stifling innovation in areas like agriculture; this has led the EU to accept some bizarrely anti-scientific positions. That's the case on GMOs, on pathogen reduction treatments, on the recent CRISPR ruling, and on hormone treatments. Yes, the scary chlorine chicken. So scary that it's akin to the levels on your prepackaged salad. Easy headline fodder, but so safe that when the *Guardian's* George Monbiot tried to deride it, the paper had to issue an apology to the Adam Smith Institute.

It's easy to understand how the harmonisation model came about. When the EU was first forming it was bringing radically different economies together. Germany and France, the Benelux and Italy. Different standards, different proposed outcomes, different political systems,

languages, cultural norms. The single market dragged them together. This hasn't stopped. The development levels of the ex-Communist countries, the accession of post-dictatorship Portugal, Spain, and Greece. Each of these states were markedly different from countries next door. Simpler to squeeze them together than accept difference.

For the US, EU and UK of today, however, the aims of each set of legislators is often the same. The same could be said of Japan, Australia, Israel and Canada. Often it's to keep citizens safe (why we have fire retardation for clothes and sofas), to keep our environment clean (we ban pollutants), and to ensure we aren't being poisoned (why cancerous foodstuffs are squeezed out). David Marsh might have been talking about punctuation when he said in the *Guardian* that "The American Way" and the "British Style" are not so different – but he hit the nail on the head for trade too.

Our countries and blocs do have the same objectives. Where we have similar purchasing power and strong rule of law, then there is less need to be cautious about liberalisation. Right now we judge policies and programs by their intentions alone, rarely challenging results.

But we know that the rule of law works in the UK, across English speaking common law countries, in developed Japan and Israel, across the EU. We know if something causes a problem we can seek redress. That should allow us to say we'd accept what is legal in your country as legal in ours. Let consumers be king and evidence will have to be king too.

For the UK and the US to do this together, to lead the world in a revolution of free trade once again, would be a game changer. The prize is simple: open markets across the world. Goods and services flowing between equal, sovereign partners.

The UK could have the US on side during negotiations over our future relationship with the EU too. Trilateral deals to treat us all as equals would show the benefit of the moniker Global Britain and show that we can leverage our position as the transatlantic bridge. And we could be the starting point for other countries like Israel, Japan, Canada and Australia to join in due course.

Instead of round after failed round of WTO talks this would be simple and effective. And consumers would be king, not lobby groups or cronies seeking to curtail competition. Instead of government or wanna-be governments attempting to protect the consumer we would, as Milton Friedman urged, protect the consumer from government.

I'm not saying this would be easy. I'm not saying it's the way it will turn out to be. But it's both possible and would be positive. Politicians on both sides of the Atlantic should follow the good work of British MEP Daniel Hannan and US Senator Mike Lee, and see the benefit of this approach. More British politicians should, like Liam Fox, extol the virtues of bringing down barriers with the world's largest economy.

Finally the special relationship may end up meaning something more than our military bond. Together we would pioneer the rules of trade for the next century. Together our peoples would prosper as profits flowed and value increased. That is the promise of freedom.

As we're now at the front of the line, it's time to ensure that promise delivers.