

WASHINGTON **Examiner**

A US-UK deal will revolutionize world trade

by Dan Hannan

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Let's take Donald Trump both seriously and literally. When he says he wants to abolish all trade barriers, let's assume he means it. Back in June, the President stunned his fellow heads of government at the Quebec G7 summit by telling them: "No tariffs, no barriers, that's the way it should be. And no subsidies."

A world where all such distortions were removed from markets would indeed be vastly wealthier. We would all benefit, especially people on low incomes, who would gain the most from a fall in prices. Pretty much every mainstream economist, from both ends of the political spectrum, endorses the idea of scrapping trade restrictions.

So why doesn't it happen? Why don't countries simply drop their tariff and non-tariff barriers? Why, indeed, are we seeing a reversal of the tariff elimination that had been happening at the WTO until the 1990s?

The answer is that free trade is counterintuitive and therefore unpopular. Protectionists make all sorts of claims that, though false, sound plausible. "We can't carry on with a trade deficit"; "We need to defend strategic industries"; "We need to bring jobs back"; "We need to maintain our food safety standards."

How to overcome these objections? Here's an idea: What if we removed all trade barriers among a group of compatible countries — countries, in other words, with the same legal systems, accountancy methods, business norms and wage levels? Countries, in short, that could eliminate trade restrictions without triggering fears about offshoring, mass immigration or shoddy standards?

This week, at simultaneous launch events in Washington and London, I and others are publishing a draft US-UK trade agreement that would do precisely that. It has been drawn up over several months by market-oriented foundations on both sides of the Atlantic, including Cato, Heritage, the American Enterprise Institute, the Manhattan Institute and the Competitive Enterprise

Institute. This is the first time, as far as anyone can remember, that all these heroic organizations have worked together on the same project.

Its core idea is simple: What is legal in one country should automatically be legal in the other. Mutual recognition should cover goods, services and professional qualifications. If a drug is approved by the FDA, that should be good enough for the Brits. If a trader can practice in the City of London, he should be free to work on Wall Street. Where there are different standards, businesses should be free to follow whichever they prefer — something that will lead, unprecedentedly, to downward pressure on regulations.

This is a very different model from that pursued by the Obama administration in its Atlantic and Pacific trade talks, both of which rested on establishing common standards. What we propose instead is reciprocity. We say nothing about labor laws or eco-rules, not because they are unimportant but, on the contrary, because they are important enough to be addressed in their own right rather than tacked on as a coda to something else.

In theory, you could have mutual recognition deals with every country, and trust to your robust legal system to uphold standards. In practice, though, voters won't accept that unless they have confidence in the other nation's regulators. That is why we propose beginning with two states that already form the most natural economic and cultural unit — namely the United States and Britain. Each is already the other's largest single investor, with a million Britons working for American companies and a million Americans working for British companies.

A tie-up of this kind between the world's largest and fifth-largest economies would revolutionize the world trading system. Instead of trade deals that enforce common regulations, thereby benefiting the multi-nationals and raising barriers against new entrants, we'd finally have a trade deal that worked for the consumer.

And why stop at the U.S. and Britain? There are other English-speaking common-law countries whose systems of corporate government and professional credentials resemble ours. Shouldn't we aim to extend mutual recognition to all countries with interoperable systems and equivalent levels of GDP per head, such as Canada, Hong Kong, Singapore, Australia and New Zealand? And what about Israel, which is often forgotten but which has the same common law as the others and is, for business purposes, effectively English-speaking? Something along the lines of what we're proposing already exists between Australia and New Zealand, and is arguably the most successful trade deal on the planet.

Imagine a trade deal that works for the little guy, not the corporations; a nexus that draws together countries representing one-third of the world's economy, based on a shared commitment to liberty. It would, for once, justify the president's superlatives. And, with a bit of goodwill, it could happen during his first term. What are we waiting for?