

## Post-Brexit UK Trade Policy: A Chance to Break Free

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People have been worrying about the difficulties the UK will face in developing its own trade policy after the Brexit vote, and clearly the UK government was not well prepared for this task. However, rather than the disaster that some may fear, the chance to develop a new trade policy could also be taken as a great opportunity. If Brexit goes forward, the UK will construct a trade policy from scratch, without the burden of decades of entrenched thinking and interest group influence. If done right, this could lead to significant improvements and innovations in the existing trade agreement model, and freer trade.

The new UK trade policy will be guided by the views of the political leadership. From what we have heard so far, there is general support for free trade among this group. Prime Minister Theresa May has expressed concerns about UK companies being bought by foreigners, but she has also talked of “embracing the opportunities to strike free trade deals with our partners across the globe.” Boris Johnson, the new foreign secretary, has been a strong TTIP proponent (“There is absolutely nothing not to like about the TTIP.”) Secretary for international trade Liam Fox says he is “scoping out” a dozen potential trade deals. Prior to the vote, David Davis called for the UK to step up the negotiation of free trade agreements after Brexit (“The greatest improvements will come if we grasp the opportunities for free trade with both hands.”); and after the vote, the new Brexit minister said, “we can do deals with our trading partners, and we can do them quickly.” And business secretary Sajid Javid has already begun traveling the world seeking trade deals for the UK.

Of course, actual implementation will be carried out by trade specialists, and it is these people who are most important to the future of UK trade policy. The political leadership might be vaguely for free trade and trade deals, but it is the trade experts who understand the nuances. A wide range of issues might be included in a trade agreement, and free trade can be promoted in a variety of ways. It is the experts who will be in the best position to shape the content of the UK’s trade agreements.

As of now, these trade experts are not in place. It has been widely reported that the UK has very few government officials (some have given the figure as 20) capable of conducting a trade negotiation, and will have to hire hundreds of people for this task. This is certainly true, but the difficulty should not be exaggerated. Perhaps the EU really does have 600 trade experts on staff, and maybe Canada has 300, but it is easy to imagine that not all of these people are absolutely necessary. In part, the number needed depends on what the UK plans to be negotiating in a trade agreement. Arguably, as discussed further below, some current trade agreement issues do not need to be in there. Thus, while there has been talk of the UK government’s business department

hiring 300 trade specialists, the UK could, conceivably, make do within significantly less than this.

Once the UK trade team is in place, it can begin to formulate a specific vision and model for UK trade policy and agreements. In doing so, trade policy officials should look for input from stakeholders; obviously, it is important to understand what your constituents think. But the key here is not to be unduly influenced by narrow and parochial demands. For example, the Economist noted the following: “[UK] officials will have to survey British industries to discover what protection motorcycle manufacturers and salmon fisheries might require from foreign competition ... .” However, while the government should be aware of which domestic industries are demanding protectionism, it does not have to accede to these demands. Rather, it should stand up to interest groups wherever possible. UK motorcycle manufacturers and salmon fisheries might benefit from import protection, but the larger public does not. Lobbying for special protections and favors will no doubt be a part of UK trade policy-making, as it is everywhere, but a good government will not give in to everything demanded of it. Instead, it should carefully consider the impact of a policy on society as a whole.

Brexit, if it goes ahead, is a chance to start fresh on trade policy, without the encumbrances of decades of interest group influence that most governments have to deal with. UK politicians and policy-makers have a chance to set up a sensible trade policy from the outset. They will face resistance, of course, but nevertheless it is an opportunity to think about trade policy without all of the baggage that most governments are saddled with.

If the UK government believes in free trade, as it should, it can focus on promoting certain core aspects of trade liberalization: Elimination or reduction of tariffs and quotas on imports of goods, including so-called “trade remedies” (anti-dumping, countervailing duties, and safeguards); and the principle of non-discrimination, pursuant to which governments agree not to treat foreign goods and services less favorably than their own, including for government procurement. With an emphasis on these issues, the UK can achieve the greatest economic benefits from its trade agreements.

Unfortunately, trade policy has been a bit distracted from these issues in recent years. In practice, with many trade agreements, tariff reductions sometimes take place over a long period, and do not cover all products. And trade remedy abuses are rarely touched in trade agreements these days. Services liberalization is patchy at best, and much of government procurement is excluded from coverage. Often these omissions reflect the demands of industry groups who wish to avoid competition with foreign producers.

At the same time, many new issues have been added to trade agreements, despite the lack of evidence of any substantial economic benefits, and no connection to trade liberalization. For better or worse, trade agreements are shaped by the views of corporations, labor unions, and NGOs, as shown by the inclusion in these agreements of rules on intellectual property, labor rights, and environmental issues such as shark finning.

Generally speaking, governments’ trade policies have been developed over a period of many years, and the influence of particular interest groups has become fairly entrenched. As a result, it

is not easy to argue against the existing trade agreement model, because any change would upset the group who demanded a particular rule, and trade agreements are a delicate balance of the views of a wide range of interest groups. While interest group influence cannot be shut out completely, Brexit has given the UK a chance to formulate a trade policy that brings the focus back to liberalization that benefits society more generally, rather than particular interest groups. Let's hope the UK political leaders and soon-to-be-hired trade officials embrace this opportunity.

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