



Pro-trade think tanks release 'ideal' future U.S.-UK trade agreement

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Eleven right-leaning and libertarian think tanks from the U.S. and the United Kingdom on Tuesday released their vision of an "ideal" free trade agreement between the two countries, which includes advanced regulatory recognition, freely flowing labor and a rule-of-origin content threshold of 25 percent.

The U.S. and UK have established working groups to lay the foundation for future trade negotiations that can start as soon as March 2019, when the UK is slated to leave the European Union. A trade agreement between the two countries has the potential to become a gold standard for all future deals, according to Daniel Hannan, a member of the European Parliament and director of the London-based Institute for Free Trade, who helped write the proposed agreement.

"I think we can almost take it [as a given] that there will be a British-American FTA of some kind soon after we leave the European Union," Hannan said during the announcement of the proposed deal at the Hart Senate Office Building. "Both governments are committed to it. The challenge is to make it as good of a deal as possible, to make it a properly deep and comprehensive one so we can set a new standard for what trade deals can be."

The ideal agreement's authors aim for "removing as much protection as possible and doing it as quickly as possible," said Simon Lester, the associate director of Cato Institute's Center for Trade Policy Studies, who helped write the paper. Given that both the U.S. and UK have two of the world's largest financial centers, the writers called for "unprecedented" financial services regulatory coherence, Hannan said. He called it a "single market" for services -- not in the vein of the European Union's harmonization of regulations, but in each country's recognition of the other's regulatory regime. This would include the cross-border trade of services, which is generally unrestricted, with carve-outs for specific sectors each country could identify as exceptions, according to the text of the agreement.

The proposed deal would also cut labor and environmental standards, which Lester acknowledged might be "controversial." However, he said, "we don't think they belong in trade agreements."

In the model agreement, the two countries would recognize the professional credentialing between the two for all sectors unless the countries have specified exceptions and agree to "core

good regulatory practices.” The movement of workers between the two countries would be nearly unrestricted, with unlimited visas provided to “visit, study and work” in the U.S and the UK, according to the agreement. If necessary for domestic security, one party could limit visas, but must provide a minimum of 30,000.

The trade of goods will be mostly free from duties for “originating” goods, or those that meets rule-of-origin requirements. The agreement says an originating product must be composed of at least 25 percent of materials originating in the exporting country and have gone through a “substantial transformation.” This would be the rule for all products and industries unless otherwise excepted in the agreement.

Lester acknowledged the agreement won’t be what negotiators actually use -- “that’s not how these things usually work” -- but said it could serve other purposes. The deal relies on the principle of “fast and comprehensive trade liberalization,” he said, urging future U.S.-UK negotiators to use that approach rather than make “grudging concessions on each side.”

Lester also pointed to “innovations” in the deal that he hoped might be further explored. One is in the dispute settlement chapter, which calls for the creation of a “secretariat” to administer the dispute settlement procedures. It is similar to the process utilized by the World Trade Organization.

Additionally, the agreement narrows the definition of a national security exception. It would require that the country claiming an action was rooted in national security to provide a written explanation and to consult with the other party in the agreement. It would also allow for the other party to seek compensation if the country invoking national security “does not declare some form of state of emergency pertaining to and occurring during the period of implementation of a measure to protect security.”

The UK was among the countries hit with Section 232 tariffs on steel and aluminum. The administration has named national security as the reason for these tariffs. The EU, which includes the UK until next March, has struck back at the U.S. with retaliatory duties on \$3.2 billion worth of products.

Hannan said he viewed the proposed FTA as only a first step. Those who generally oppose free trade agreements, he said, usually cite problems like being unable to compete with another country’s low wages, a need to be self-sufficient or a need to bring back jobs taken overseas, among other issues. But a deal with the UK is a unique opportunity, he said, because the two countries have such similar underpinnings in government, business and values.

Such a deal would create a “free trade nexus among countries that are sufficiently similar in their standards, in their outlook, in their wages that those popular concerns about free trade don’t apply,” he said. If the U.S. and UK were able to broker a deal similar to this one, he added, it would only make sense that other countries with similar values would want to sign on. He named Canada, Australia, New Zealand, Israel and Hong Kong as examples.

A U.S.-UK deal like the proposed framework announced this week could also help right the ship of global trade, which Shanker Singham, director of international trade and competition unit at

the Institute of Economic Affairs and a contributor to the agreement, said was headed in a more protectionist and proscriptive direction.

Over the past couple decades, the global trading system has been trending toward stasis and more protective actions, rather than less, he said at the Tuesday event. Additionally, global regulation is in a “battle” between what he called the pro-competitiveness regulatory system of the U.S. and others and the “proscriptive, anti-competitive” approach of the EU and, in a different way, China.

“The UK has essentially made itself, through this vote to leave the EU, a global regulatory battleground state,” Singham said.

He encouraged a view of Brexit as an opportunity. “I would encourage you to think of the UK leaving the European Union -- Brexit -- as a big global event,” he said. “It’s not just about the UK, it’s not just about the EU. This is about a G7 country embracing independent trade policy for the first time in 40 years.”

Sen. Mike Lee (R-UT) also spoke briefly at the event, emphasizing the long, shared history between the two countries. He called for U.S. lawmakers to support the UK through Brexit.

“The Brexit vote was a decision made by the people of the United Kingdom,” he said. “So, instead of criticizing the United Kingdom, as some politicians in the United States have unfortunately done, the proper response from the UK’s allies, including the United States, should be to support them and support them wholeheartedly and enthusiastically.”