

There's nothing free about free trade

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Negotiating a free trade deal with the EU will be the easiest in history. Once the UK is outside the EU it will be free to negotiate deals and take advantage of growth markets outside the EU. Countries will be queuing up to offer us trade deals. Trading on WTO terms will be fine. Such statements and variations on these themes have been made regularly and repeatedly since the 2016 referendum.

As the UK hurtles with increasing speed towards the likely chaotic and disruptive impact of a “No Deal” departure, the vacuity of such statements is becoming clear, at least to the few rather than the many.

In this blog I want to look at one word used uncritically in much of what is spoken and written about Brexit, namely “free” – as in free trade, freedom from regulations and indeed free as in not costing anything. If nothing else, whatever side of the Brexit agreement you are on, it is surely clear now that Brexit will not be free in terms of not costing anything in financial terms – the question is how much it will cost.

But let me start with free, as in free trade. Recently, I did a “vox pop”, unscientific I know, amongst people I know (disclaimer – most of them are university educated professionals, mostly but not solely in north London); what struck me was how little people knew what free trade meant in practical terms today, let alone in historical terms, nor what was involved in agreeing a free trade deal. Several even thought that free trade and trading on WTO terms were the same thing.

It got worse when I explained that free trade deals were not free in any sense of the word. Free trade deals cost money and constrain freedom. They may have their benefits but they are not free. The costs of a free trade deal deriving from the time involved, diversion of government resources and delayed investment decision at companies had not crossed the minds of my vox pop respondents.

Similarly, the restrictions such deals entailed in terms of quotas, tariffs, and regulatory restrictions – and the consequent degree to which these all limited a country's ability to act freely – were similarly not known or had not been considered.

I get the same impression when listening to the incoherent, or at best inchoate, statements from members of the UK government.

Not long ago we had Dominic Raab, then Brexit secretary, admitting he hadn't realised how important the Dover-Calais crossing was to the UK's economic health. Now foreign secretary, Mr Raab has visited Canada where he spoke of rolling over the CETA deal when the UK left the EU, only for the Canadian government the following day to say that this would not happen; the UK government's proposal to zero rate around 93% of imports gives Canada better tariff free access to the UK market than the CETA deal does.

Which begs the question, again: what price a free trade deal?

Turning to regulatory freedoms, we have been told time and again that outside the EU, the UK will be free of EU regulations. Complete and utter tosh; any company wanting export to the EU post Brexit will still be subject to EU regulations, as well as additional administrative burdens which do not apply within the EU. The same applies, potentially more forcibly, to the US, so often now cast as the UK's economic saviour.

Recently we have had John Bolton, President Trump's security adviser (note not his economic adviser) saying that sector deals with the US would be on offer ahead of a full trade deal.

Whether such arrangements would be legal under the WTO is a moot point: remember many people have said WTO terms would be fine, so why would we need a trade deal with our largest market outside the EU, with which the UK already has a trade surplus?

Agreeing sector deals with the US or a more comprehensive one would not just involve tariffs but regulatory issues too; chlorinated chicken and opening up "our NHS" to big US companies have been highlighted many times, but US will demand sectorally-specific regulatory measures in other areas too.

Take cars for example: the US will certainly want to be able to sell the UK vehicles made to US standards rather than EU standards. That may be accepted, but what if the US (as has been suggested to me could be the case) were to demand that the UK accepted only US automotive standards. That would mean many of the vehicles sold in the UK would have to be re-engineered to meet US standards. At what cost and to what benefit?

Similar regulatory demands – what a contact of mine graphically called regulatory imperialism – would likely follow in other sectors too. And in response I ask, again, at what cost and to what benefit?

Free trade, in its purest form, means buying and selling anything and everything, anywhere and everywhere, without tariffs, without regulations. That idealist, arguably naïve, way of looking at the world is, however, at complete odds with how the world works today, and with the general direction of political and economic travel globally.

The US is becoming more, not less, protectionist; so is China; and so will the EU.

Leaving the EU may give the UK – or rather some people in the UK – an illusion of political freedom, but not much else.