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POLITEIA

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Leading Economist Proposes Access to Single Market under WTO Rules.

Patrick Minford explains why leaving the Single Market is a must for Brexit Britain

Read PDF—*Trading Places: Consumers v Producers in the New Brexit Economy*

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Britain's should prepare to leave the Single Market to enforce Brexit, says Patrick Minford in Politeia's next publication, *Trading Places: Consumers v Producers in the New Brexit Economy*. The goal should be *access to* the Single Market under WTO rules in the same way as other successful economies – e.g. the US, Canada and Australia access it. Exiting the Single Market would bring huge savings by lifting the burdens of EU tariffs and regulations and ending subsidies to unskilled European migrant labour.

In particular, Professor Minford:

- **Analyses the economic context of the Brexit vote**. Consumers rebelled against producers who gain from the protection of the Single Market through its tariffs and regulation whereas they pay the cost - through the higher prices and lower productivity and lower living standards. They also pay to subsidise, as the author says:
  'free unskilled migration [which] creates a net cost welfare burden that they must shoulder through higher taxes…'.

- **Calculates the costs*** of protection, regulation and of 'free'movement of labour which come from Single Market membership. His figures have not been challenged by remain economists. Protection, Minford explains, can:
  'raise the costs of goods to consumers in the UK by up to 20 percent. These are far more damaging than the alternative of being outside with no trade barriers against the rest of the world, leading to lower prices and taxes and UK firms facing on average …' (*using a CGE (Compatible General Equilibrium) model).

- **Warns against the campaign to stay in the Single Market.** That would result in all the burdens, costs and lack of control of the Single Market, and without even existing powers, no better than 'EU by fax'. Whether a 'Norway' style deal, EEA membership, or a specific UK deal, it is clear that the EU would insist on retaining free movement and denying Britain control of its laws and borders.

  Minford calculates the economic gains of leaving the EU:
  - A gain of around 4 per cent of GDP to trade.
  - Additional gains from ending EU regulative intervention
  - Savings to national finances and taxpayers from ending the subsidies to unskilled labour from poor areas of the EU (via tax credits, housing support, free education and healthcare).
    'By removing the UK totally from the EU [writes Minford] … other potential costs, on growth, on bailout transfers, and on the threat of sometime joining the Euro…[are eliminated. These constitute]… massive gains: they amount in effect to a second supply-side revolution'.

Minford proposes that Britain moves rapidly to full Brexit WTO option of unilateral free trade and negotiations should have this priority aim. HMG should not be side tracked by trying to reach an *agreement on trade or regulation or immigration, as Britain will have left*. The arrangements under Article 50 will be to reach agreement on uncontroversial matters such as the rights of existing foreign residents, inter-country cooperation on terrorism and foreign policy, no visa agreements and a miscellany of other matters.

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- **Unilateral Free Trade should be Britain's goal under World Trade Organisation (WTO) rules for the wider world and the EU.** Britain's trading arrangements would thereby be guaranteed by the WTO framework and WTO anti-discriminatory rules. This means that post Brexit, the EU would be obliged to give the UK the same treatment under mutual recognition agreements as it does to other non EU countries, e.g. Japan,, the US and China.
- **As for trade in goods, so for those in services: the same arrangements would apply to equivalence arrangements for financial services.**

The focus at home should be to win over the different vested interests to the policy by compensating producers who lose out in the short term.

- **A Committee of Compensation for loss of EU funds should be set up to deal with demands arising from losing such EU funds.** The basic principle should be complete, but efficient compensation, with the reasonable compensation of producers who lose out. Some of these include:

1. Farmers – A new regime for farmers, recognising that smaller and more vulnerable farmers will need to be helped, and given our environmental aims as a country
2. Manufacturers – They should be compensated for the cost of selling into the Single Market from outside, which is not large, around £2-3billin being the tariff costs they will face. The EU will not be permitted by WTO rules from refusing authorisation and access.
3. Other groups - other groups benefitted from paying UK money to the EU and back to certain groups - regions with EU grants, universities with EU research grants. UK universities also band together with EU and counterparts to collaborate in research, an activity which preceded 1972 and will continue after Brexit.

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