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A 'Canada Plus' Deal - 'Best economic option for both EU and UK', says senior UK economist in Politeia study.

A Customs Union type agreement would lead to a 4 per cent GDP loss for UK in coming years, and should not be on the table.

Publication: Thursday 3rd May 2018
Link to PDF: *The Economics of Brexit: Getting the Best Deal for the UK*

As the EU departure bill proceeds through parliament much of the focus is on future trade arrangements post Brexit. The political battle at Westminster has focussed on the UK's decision to leave the Single Market and the Customs Union, which many remainers wish to obstruct. Economically, however, there are sound financial reasons for leaving the Customs Union and rejecting any arrangement that would in practice amount to the same thing, a 'soft Brexit'.

That's the conclusion of the economist, Patrick Minford, whose new analysis for Politeia calculates the costs and gains of three different options for the UK's future trade.

The Customs Union or a similar arrangement. By staying in or in a similar arrangement in practice to the Customs Union, the UK would lose decisively, to the tune of 4% of GDP over the coming 15 years, around 0.3 percent a year off growth. It should not therefore be on the table. Other elements in a 'soft' Brexit such as staying in the Single Market and paying for this would knock a further 0.2% a year off growth and imply an overall 7% loss of GDP by 2030.

'No Deal'. Alternatively, there might be no trade deal. But this option would be expensive for the EU. Their producers would pay tariffs to the UK of around £13 billion a year. The EU Commission would not receive the UK financial settlement of some £40 billion. Moreover, Brexit would start two years earlier than now planned, with the EU losses entailed in that. For the UK, there are mirroring economic gains. But the EU losses imply that it too is not on the table.

A 'Canada plus' deal. By contrast, both sides would gain from a Canada plus deal. It would allow the UK to leave behind the constraints of the protectionist EU and to fulfil its aim of becoming a beacon for free trade globally and with the EU.

Professor Minford gives readers an accessible breakdown of the gains of a Canada plus deal, comparing them to the losses which would result from a 'soft Brexit' and the breakdown for no trade deal at all. The evidence is compelling. A GDP boost of around 7 per cent by 2030 would imply an extra 0.5 per cent per annum growth over that period, with government revenue up 10 per cent by 2030. As Professor Minford concludes:

> "This would be a programme that would rightly generate huge excitement about the future of the economy and…living standards. It would put…behind us the...period of depressing 'austerity' and usher in an optimistic scenario for the UK as a pioneer once more of open and free markets around the world"

The Economics of Brexit – Getting the Best Deal for the UK will be published by Politeia, 14a Eccleston Street, London, SW1W 9LT on Monday 30th April 2018.

THE AUTHOR

Patrick Minford is a macroeconomist who holds the chair of Applied Economics at Cardiff University. Before academic life he was an economic adviser to HM Treasury's External Division and editor of the National Institute Review. His economic interests include monetary economics, macroeconomic modelling, trade economics and labour market economics. His publications for Politeia include *Trading on the Future: Brexit Trade Options and the UK Economy* (2017) and *Flawed Forecasts: The Treasury, the EU and Britain's future* (2016).

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