

# What the Media Gets Wrong About Brexit and Trade

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Britain is a trading nation. But Brexit puts that status at risk. Almost half our trade is with the EU. If we leave, the tariffs would cause a big problem, especially for Britain's manufacturing and financial services sector.

Boris Johnson, Nigel Farage, Daniel Hannan and David Davis all campaigned for Brexit. That means the leaders of the Leave campaign are anti-trade isolationists who think free trade is a bad thing for the British economy.

In fact, former chancellor George Osborne said leaving the single market could be the "biggest act of protectionism" in British history. That makes the leaders of the Leave campaign downright protectionist.

But if you look at what Johnson, Farage, Hannan and Davis actually say and do, it's all pro-trade. They're all in favour of trade with the EU, and other countries.

Johnson said Britain would not be "pulling up the drawbridge" and argued against protectionism at a conference: "When goods and services no longer cross borders then troops and tanks do so instead."

Hannan has been campaigning for free trade agreements with countries all around the world. He also explains why being inside the EU restricts British trade instead of increasing it: "A study last year showed that leaving the EU's tariff arrangements would save the average British family £933 a year. That extra spending power will boost the whole economy."

Davis is worried the new trade deal with the EU will take a long time. But only because the EU wants to include its usual protectionist measures – the same ones that stop it making trade agreements with other countries.

So where does the narrative go wrong? How can pro-trade advocates be in favour of Brexit? It seems absurd. Brexit is bad for trade, so those who support it must be anti-trade. Instead, they argue in favour of trade.

The answer is simple. Brexit is good for trade. I'll show you how in a moment. But the first thing to notice in all this is how twisted the argument is. Brexit backers are identified as anti-trade, despite being pro-trade.

Meanwhile, Remain campaigners are supposedly pro-trade, but want to stay inside a trading bloc that is really a protectionist club which uses trade wars for political motives.

The media's framing of the issue is nonsensical. And this hasn't resolved itself yet. It's why younger generations are so mystified by what's going on.

The truth about Brexit and trade

So what is the correct way to look at things when it comes to how Brexit will affect trade?

There are two parts to the equation: trade with the EU and trade with the rest of the world.

It's obvious that leaving the EU could dramatically increase trade levels with the rest of the world. The EU is far more protectionist than the UK. It has to protect more industries and interest groups. It has high tariff levels with countries it doesn't have a trade agreement with, and it is a thorny free trade agreement negotiator.

The UK is far more pro-trade. EU leaders are trying to put a stop to Britain's trading future by demanding that Britain doesn't enter any trade negotiations until it's outside the EU. That's pure vindictiveness. It exposes their will to punish Britain for political motives.

What about the other side of the equation – trade with the EU? It's dependent on the deal we strike during negotiations.

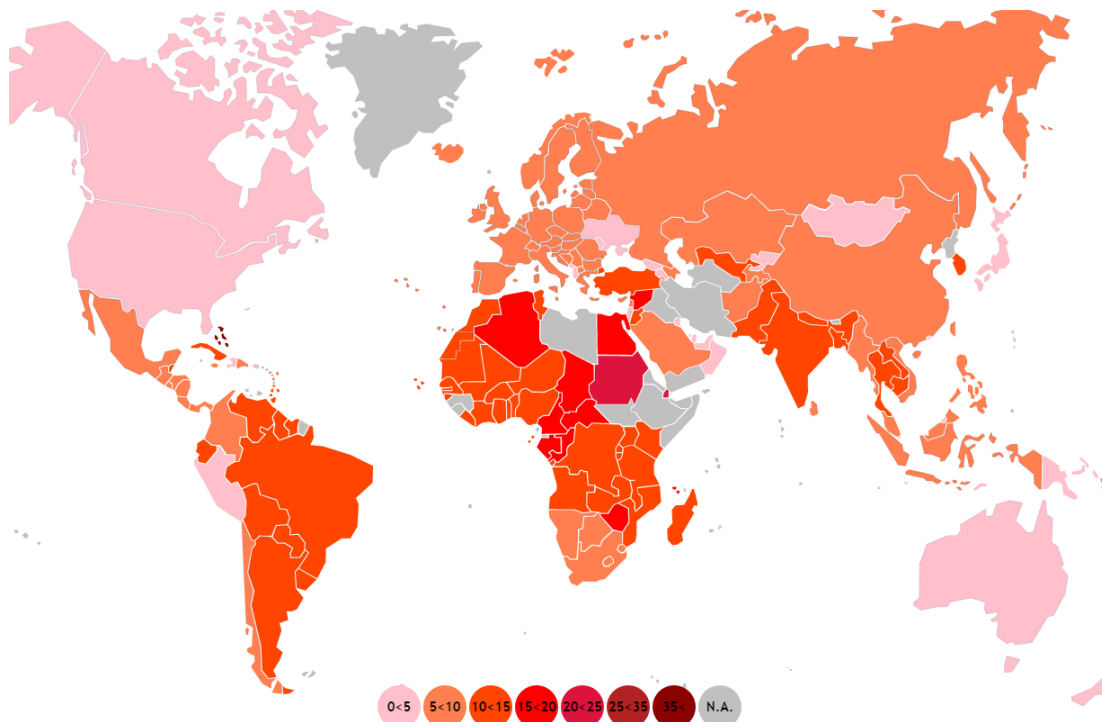
Incidentally, without a deal we revert to World Trade Organisation (WTO) rules. But the WTO rules don't dictate tariff levels, just maximum levels, and they require equal treatment of countries you don't have a trade agreement with.

So if the UK leaves the EU without a trade deal, two things would happen. It would inherit other countries' WTO rules for exports to

those countries, and it would have to come up with its own trade rules for imports from other countries.

First of all, many of Britain's trading partners have lower tariffs than the EU. The EU's "average applied tariff" is 5.3, which is high among developed countries. The US is 3.5 and Australia and New Zealand are well below 3. Even Mongolia and Peru have a lower level than the EU.

Here's a WTO map of the world's trading nations and their tariff levels:



Source: WTO

This exposes the EU as a protectionist bloc.

What about our own tariff rules? What would Britain implement to restrict imports? Edgar Miller explained in The Telegraph how things might look if the British get rid of tariffs altogether once they leave the EU:

*So what happens if we remove tariffs against the EU (and the rest of the world), even if the EU (and the rest of the world) does not reciprocate? In summary, a standard world trade model shows unilaterally removing tariffs creates a long-term GDP gain of 4 per cent, a fall of 8 per cent in consumer prices, and an increase in Treasury revenue of more than 7 per cent, compared to the status quo.*

It's unlikely we'll be that pro-trade. Politicians pander to interest groups who need protection. But you get the idea. We're stuck in a protectionist club. We need to get out to increase trade.

So why the media panic over leaving the EU without an agreement? When people say the WTO regime is bad for trade, they presume the UK and EU would have a trade war, up to the level of WTO limits. But that's an assumption.

Either Britain is pro-trade or not. It can't target the EU. And why favour the EU over others in the first place?

Remember, any EU tariffs on Britain have to be the same level as on other countries. So the EU's ability to make life tough for the UK would mean sabotaging its trade with everyone else in the world. Even if Britain were a small trading partner for the EU, the EU would be shooting itself in the foot with the rest of the world.

"If you were to cut off your noses to spite your faces and to reject any idea of a sensible trade deal the consequences would be far worse for you than it would be for us," Farage told MEPs.

Deal or no deal?

But what are the options under a deal?

If free trade with the EU was good while we were part of the EU, it doesn't become bad when we're not. It doesn't matter who benefits more. It's clear both parties benefit from trade. And so imposing tariffs is bad.

It's a false dichotomy to choose between "trade and the EU" versus "no trade and Brexit". Britain is leaving. Free trade is in the interest of both Britain and the EU. Britain is pro-trade. What will the EU be?

What's fascinating is that the EU is not acting in the best interest of its citizens if it rejects a trade deal. It is acting in the best interests of the EU – the EU's survival.

The motivation for no deal comes only from the EU. It is to punish Britain at the expense of citizens in both places. And the motivation for punishing Britain is to discourage other countries from leaving. That doesn't benefit citizens, it only benefits Brussels.

Hopefully EU voters will notice this and want to leave the EU even more.

The beatings will continue until morale improves

As I wrote this it all sounded suspiciously familiar. It's straight out of Stieg Larsson's famous *The Girl with the Dragon Tattoo* novels, which I'm reading now.

In the books a sub of the Swedish secret police mistreat the main character in the name of national security. By end of the story, the extent to which they have to keep mistreating her in order to maintain secrecy becomes more and more absurd. Each cover-up necessitates another cover-up of even bigger proportions.

Here's the key: the goal of the agents slowly moves from promoting national security to the survival of the secret group – their careers at first and their potential for jail time later. They're not keeping Sweden safe, but covering up how they used to keep Sweden safe.

It's fascinating to watch characters motivated by patriotism slowly become motivated by fear for their own careers in such a gradual progression that they don't quite realise it. Even the objector inside the secret police can't quite put into words where they went wrong. When did the survival of the group become more important than everything else?

This is a common part of human psychology. When people act in contradiction to their beliefs, they change their belief set to avoid the contradiction. They use a self-affirmation technique to avoid called cognitive dissonance, as an academic would put it. In this case, the survival of the secret group justifies more and more evil acts. What could be more important than survival, after all?

The EU is stuck in the same world. It began as a free trade zone. These days its arguing against free trade with Britain. And the EU politicians and officials are becoming more and more bizarre and extreme just to keep the EU going. They're threatening to sabotage a trade deal with a country they've been trading with successfully for a long time, just to punish us for leaving. Even Gibraltar is included in the EU negotiation proposals to make things difficult. It's like taking a hostage.

The question is how far EU politicians will go before the European population calls them out on the nonsense. Because the EU politicians won't do it themselves.

Until next time,

Nick Hubble,  
Editor, *Capital %26 Conflict*