Brexit Negotiators Warn That IT Problems Could Derail Trade

Brexit is done for. A parliamentary inquiry confirmed it on 31 March. A few hours later and the story would've read like an April Fools joke. I'm still not completely sure it isn't.

Here's the totally surreal reason Brexit won't happen: the new computer system used by customs to track and process customs declarations simply can't handle the volume of declarations if we leave the EU. The Customs Declaration System would be subject to five times more declarations once we're outside the customs union. And the attempt to upgrade it within two years is going to come up short.

Therefore, Brexit is toast. We simply couldn't process it. At least according to officials and politicians.

"If running our own customs system is proving much harder than we anticipated, that ought to have an impact on how we press for certain options in Brussels," a customs official told the Financial Times.

My all-time favourite comment by any politician ever is this one from the chair of the Commons Treasury select committee: "Customs is at the heart of the Brexit debate. The consequences of this project failing, or even being delayed, could be serious. Much trade could be lost."

Yes, if the government's IT system isn't working, trade doesn't happen.

What planet are these loonies on?

For trade with the EU to stop, the government has to go out there and stop it. Actively. And in this case, they'd be stopping trade that was just fine the day before.

If free trade with Europe is a good thing, that doesn't magically change when you're outside a customs union. So why stop it in the first place? IT compliance is a lot less important than trade.

If it ever actually does stop trade at the border, I'm taking up a career in smuggling. It'll be time for a second armada to Dunkirk to rescue Britain. This time from the stupidity of its own politicians and customs bureaucrats. We'd be moving German machinery and Italian wine to Britain. How the times have changed…

Or we could re-enact the Boston Tea Party in Hull and throw some customs officials and their overworked desktop computers into the Humber River. And then keep trading anyway.

All this reminds me of an episode from *The IT Crowd.* Two nerdy IT workers convince their not so IT minded boss that "The Internet" is in fact a small black box with a little red light on top. They borrowed "The Internet" from the government so that their boss could use it as a prop in part of her "employee of the month" acceptance speech. They even wrote the speech for her, thinking she'd be ridiculed by the audience. Instead, they all believed the ruse too!

During the speech she accidentally drops the box and everyone flies into a panic, thinking chaos will erupt now that "The Internet" is broken. That's what British politicians and officials are doing now over their Customs Declaration System.

The JJ Cowperthwaite solution

The alternative to preventing trade with the EU because an IT system isn't working is the JJ Cowperthwaite solution.

Ever wondered why Hong Kong was so successful economically? No, it wasn't because it had efficient typewriters which processed customs declarations twice as fast as in Britain.

The famous free market economist Milton Friedman sets the scene in his 1997 tribute to a man called JJ Cowperthwaite:

Compare Britain—the birthplace of the Industrial Revolution, the nineteenth-century economic superpower on whose empire the sun never set—with Hong Kong, a spit of land, overcrowded, with no resources except for a great harbor. Yet within four decades the residents of this spit of overcrowded land had achieved a level of income one-third higher than that enjoyed by the residents of its former mother country.

The difference was Cowperthwaite. While Britain went socialist after World War II, Cowperthwaite came up with "positive non-interventionism". Instead of arguing about policies or politics, Cowperthwaite cut to the chase. He refused to collect economic statistics.

This is pure genius. In 1963 Cowperthwaite told Friedman why: "If I let them compute those statistics, they'll want to use them for planning." And with government planning of the economy you get mistakes, corruption and protectionism. You end up with the sort of thinking Britain is stuck with today. A world where customs IT systems determine trade flows.

Hong Kong boomed, Britain and its planners lagged.

The Cowperthwaite solution is for Britain to not have a trade policy or customs declaration in the first place. When the EU trade minister calls the government to discuss the trade agreement, he should get a "this number has been disconnected" message. Because there should be no trade minister, ministry of trade or any other bureaucracy.

British people should be able to buy and sell whatever they want with people from other countries.

Central bankers and CFOs back Brexit

While the commentators commentate, the people stuck making real decisions are backing Brexit.

A poll of central bankers around the world revealed they favour the pound over the euro thanks to political instability in Europe and negative interest rates at the European Central Bank.

This sets in motion the "end of Europe" prediction which Alan Greenspan made behind closed doors.

CFOs of major companies in Britain are becoming more and more optimistic about Brexit. A majority of 60% still say we'll be worse off, but the number is falling. The CFOs are happier making investment decisions alongside the world's most innovative companies like Google and Amazon, which are expanding in Britain.

Even the trade-dependent Associated British Ports (ABP) is optimistic. It's going to double its container port capacity in Hull and Immingham. The company is also lobbying for something damn clever – a little Hong Kong or two in the north of England. The idea is to create a free trade zone on ABP land. This would mean goods are imported, assembled and then exported without any government shenanigans.

Why this is a bad idea for the rest of the UK is a mystery. We wouldn't even need the Customs Declaration System.

Until next time,

Nick Hubble