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No Deal is the Best Deal for Britain

13 January 2019

This report brings together an experienced group of top level economists, other professionals, parliamentarians, and businessmen to assess the No Deal option for departing from the European Union – that is, a departure without a trade deal on WTO terms, sometimes called a 'World Trade Deal'.

This assessment has been made in light of the near certainty that the Government's proposed Withdrawal Deal will not be approved by the forthcoming Meaningful Vote; the low likelihood that the Government subsequently will engage with repeated invitations from the EU to negotiate an advanced free trade agreement (eg, Canadian , Japanese Economic Partnership Agreement); less than 80 days remain until March 29th; and the almost hysterical paranoia from some quarters about a No Deal departure that has shouted down any consideration of its fundamental benefits.

The report examines this departure from nine separate perspectives:

The Political Case - Jacob Rees-Mogg, MP
The Labour Case - Prof David Paton
The Economic Case - Prof Patrick Minford
The Sovereignty Case - Rt Hon Owen Paterson, MP
The Case for Ending Uncertainty - Lord Bamford
The Immigration Case - Rt Hon Iain Duncan Smith, MP and Neil MacKinnon
The Trade Case - Roger Bootle
The Case for Non-Disruption - Edgar Miller
The Legal Case - Martin Howe QC

It concludes - even though exiting with a free trade agreement would be a preferred outcome – that a No-Deal departure embracing WTO rules is very much more attractive than proceeding with the Withdrawal Agreement. No Deal should not be feared, and it preserves – indeed enhances - all of our negotiating options.

The key sub-themes running throughout the nine very readable papers that follow are:

- **No Deal brings an immediate end to uncertainty**
- **No Deal delivers the Brexit for which people voted – sovereign control of our country, borders, laws, and trade policy**
- **The economic and trade benefits of No Deal are immediate. In the long run, they are overwhelmingly greater than those proffered by the vague Political Declaration that still remains to be negotiated**
- **The paranoia about short-term disruption - centred primarily on hypothetical problems with the Dover-Calais trade link - is virtually baseless, as French officials and port executives have recently made clear**
- **No Deal increases our negotiating flexibility and options compared to the Withdrawal Agreement, particularly with regard to negotiating a future trade agreement with the EU**
- **A clear decision to embrace No Deal and to leave on March 29th will unleash a huge reservoir of resources and talent to solve whatever problems remain**

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We Would Prefer A Deal but We Can Live With No Deal

Jacob Rees-Mogg, MP
Chairman of the European Research Group

It unquestionably would be better to leave the European Union with a deal. This is partly because it would smooth the path and lessen the worry for those who do any form of business with the EU or are simply holidaymakers. Project Fear may not be true but it has made people fret, which is irresponsible on behalf of its progenitors and a pity for those affected. More importantly, it is better for the UK to depart on friendly rather than hostile terms.

Leaving the EU is not about dislike of our European neighbors, it is about escaping from a failed economic model and reasserting democratic control over the Nation's future. It makes sense to depart in a way that maintains as much friendship as possible. Whatever happens, the European Union will remain an important economic partner and market; on many international issues the UK and the EU will continue to have similar objectives and personal friendships; and inter-connections will remain. A deal would help ease all of this and even be worth making a modest payment for.

This does not mean that the UK ought to fear leaving without the current Withdrawal Agreement or any potential alternative. The recent Today Programme interview with Mr Puissesseau, the President of the Calais port and Deputy Mayor, removed the major plank of the Project Fear structure. Almost all the risks are predicated on the Dover–Calais route becoming gridlocked, stopping food, common medicines and components coming through. Mr Puissesseau said this will not happen. He even complained that the preparations being made for it were disrespectful to Calais and that no extra delays would be imposed. Amusingly, the interview was set up and introduced to provide the opposite answer and the tape is worth listening to for the discomfiture of the official BBC view.

The idea that just-in-time delivery requires the EU is ridiculous; it is used in many non-EU countries across their international borders.

In addition to goods continuing to flow, under a No-Deal departure, the British taxpayer would save £39 billion, money that could be used to cut taxes, to help our domestic economy and leave plenty to help any exporters who face particularly high tariffs. The advantages of Brexit would come through sooner with trade barriers going down in 2019 instead of 2021, which could see the cost of food, clothing and footwear fall sharply if the Government were to follow sensible policies. This particularly helps the least well off in society.

Trade is helped by an absence of barriers, be they tariff or regulatory ones. The EU specialises in erecting barriers for a fortress Europe. Leaving without a trade deal under WTO rules would allow us to look to the rest of the world sooner and open up opportunities. There really is nothing to fear but fear itself.

Time for Labour MPs to Start Embracing a No-Deal Brexit

Professor David Paton, Nottingham University Business School
Economists for Free Trade
Long-Standing Member of the Labour Party

The Brexit negotiations have brought an interesting paradox to light: politicians who have opposed the UK leaving the EU without 'a deal' have almost certainly made it more likely that we will end up with No Deal.

The EU took Theresa May's refusal to prepare for no deal as a signal that the option was being ruled out. As a result, the EU was able to offer the UK a choice between a Withdrawal Agreement entirely in the EU's interests and abandoning Brexit completely. However, if the EU has miscalculated and Brexit will happen come what may, then No Deal is now more likely than had we made serious preparations for it from the start.

For Labour MPs who want to stop Brexit completely, taking No Deal off the table is entirely rational. Things are different though for Jeremy Corbyn. He understands that going back on the Referendum result would not only be disastrous for democracy but would lose the Labour Party trust and credibility with a range of voters, and not just those in northern, leave-leaning seats. Corbyn now needs to grasp that taking No Deal off the table completely is simply incompatible with respecting the referendum result.

In fact, taking the No Deal option seriously is the best route to a better deal for the UK. Even if it is too late to renegotiate a formal revised withdrawal agreement, a more limited deal to continue tariff-free trade might still be possible before 29th March. But if that does not happen in time, once we have left, the economic arguments for tariff-free trade will continue to be strong and no longer inhibited by distractions such as the fictitious Irish hard-border problem or the lure of a second referendum.

The shameful lack of preparation for No Deal by the Tories means that short run disruption will be greater than it could have been. But Labour MPs must not be seduced by exaggerated horror stories of Project Fear Mark II. The vast majority of customs and other border checks already take place electronically, well away from borders. Indeed, Labour donor and businessman John Mills has explained how his company trades with a range of non-EU countries with extremely low border costs, whilst manufacturers such as JCB also see no major threat from leaving without a deal.

Whisper it, but there is also an economic upside to a No-Deal Brexit. In the first place, there is no justification in international law for the UK to hand over anything like £39 billion to the EU as a 'divorce payment'. Without the Withdrawal Agreement, some of that amount can be used to ease transition costs for business affected by new customs procedures and tariffs, whilst also freeing up money to invest in key public services. Just as welcome for businesses will be the rapid end to uncertainty which a clean break with the EU on 29th March will bring.

The heart of the matter, though, is that a clean break from the EU will allow UK politicians (and by extension the electorate) to decide in what direction the UK goes. For example, the Labour front bench seems determined to stay in the EU Customs Union. It is an eccentric policy given that, by imposing high tariffs on many non-EU goods, the main purpose of the customs union is to protect businesses from overseas competition, thereby keeping prices of food and clothing high for hard-pressed consumers. However, if this is really thought to be a price worth paying to maintain existing protection for international companies, then a future Labour government can simply choose to have tariffs on non-EU goods at the same level as the EU. It certainly does not need the Tory Government to commit to this in a legally-binding treaty.

It is understandable that Labour MPs are worried by the prospect of Tory free-marketeers taking advantage of a No-Deal Brexit. But the other side of the coin is the restrictions to Corbyn's economic agenda, which are inevitable under any other outcome. The EU is at heart a system aimed at making life easier for big multi-national companies and any formal withdrawal agreement will limit Labour's options over nationalisation, industrial state aid, to say nothing of VAT reforms such as abolishing the Tampon Tax. The solution of course is to persuade voters to back the Labour vision of our economic future. Indeed, a key advantage of a clean break from the EU should be the reinvigoration of national and local democracy.

Jeremy Corbyn needs to keep the option of No Deal on the table on democratic grounds alone. But, properly managed, no deal makes political and economic sense both for the country and the Labour Party.

Crashing Out? More like Cashing In! Why WTO Is Britain's Best Bet

Professor Patrick Minford, Cardiff University
Chairman, Economists' for Free Trade

No Deal has had a bad press. No, strike that out, No Deal has had an appalling press. It has been the target of the most vicious propaganda campaign imaginable, perpetrated by a Government intent on terrifying its MPs into backing the Brexit in Name Only (BRINO) Withdrawal Agreement and echoed by a Remainer-dominated media, led by the supposedly impartial BBC.

The dear old Beeb, home of lost causes if ever there was one, cannot mention No Deal without the knee-jerk link to "crashing out" of the EU and the nation plunging over a "cliff edge". The Remainer press, of which there is much, led by the FT, follows suit. The next time you hear Today Programme presenters conflate No Deal with a train crash, chuck a rotten tomato at your radio set. This is political bias made flesh.

The message is unambiguous. Only dogmatists and idiots think that Britain can leave the EU under No Deal (far more accurately described as a World Trade Deal under World Trade Organisation rules) without suffering a catastrophic blow to its living standards.

According to the latest Treasury forecasts, dating from late November, the UK economy would be as much as 9.3 per cent smaller over the next 15 years if we followed through on the law as set down by Article 50 and exited the EU on March 29 this year under a World Trade Deal – equivalent to the nation being nearly £200 billion worse off than if we have stayed in the EU. This is particularly rich, as our entire goods trade with the EU amounts to only 5 per cent of GDP.

Even leaving on the terms of Mrs May's much derided Withdrawal Agreement would leave us around £100 billion worse off, says Mr Hammond and his friends.

To which I say, garbage in - garbage out.

On one thing we are now agreed. The Treasury has changed its tune, having based its earlier calculations on so-called gravity models of the economy, which insist that trade flows are greatest and most valuable when geographical near neighbours are involved - a medieval notion that went out of date with the steamship. Now, like me and my colleagues, the Treasury accepts that in a globalised, mass transit world, proximity is not all. Yes, we can profitably trade with countries like the US, India and China, which, you may have noticed, are not just across the Channel.

But this change of heart is far from enough. The Treasury, and its allies in the Bank of England, still insists that a World Trade Deal would be an economic disaster – broadly because scrapping the current free trade arrangements with the EU would usher in all manner of new obstacles to UK trade with its Continental neighbours.

This is nonsense. The broad points are simple and should be well understood across Whitehall. Most countries in the world (take the US, India and China) are not in the EU. They trade highly successfully with one another – and with Europe (including the UK). The UK's single biggest national overseas market is America – and we trade with it on WTO terms – a set of globally enforceable rules that outlaw protectionist tricks such as discriminatory tariffs or bureaucratic hurdles limiting the flow of goods. All of this kind of monkey business is outlawed by the WTO and is policed by independent tribunals.

To cut a long – and technical - story short, WTO rules have not stopped non-EU countries trading with the Continent. In fact, bizarrely, such countries (outside the Single Market) have increased their exports faster than Britain (inside the Single Market) has to the EU over the last 30 years.

British exports to WTO countries have grown three times faster than those to Europe's Single Market since the mid-1980s.

Others can argue the political case for a clean break with the EU in March. But note, it genuinely does mean taking back control and saving the nation's taxpayers £39 billion; it also ends the deracinating uncertainty of endless haggling with Brussels for years to come over the terms of our departure. Truly in one bound we are free. My point is clear: A World Trade Deal exit (on WTO terms) will make us better off, whatever is posited by the architects of the now discredited Project Fear Mark 1.

EFT calculates that a No-Deal exit would produce a 7 per cent GDP boost to the UK economy over the next 15 years – worth about £140 billion – in contrast to the Treasury's forecast of a £200 billion loss.

Let me briefly explain why this is the case.

A Clean Brexit produces long-run gains from four main sources:**

1. Moving to free trade with non-EU countries that currently face high EU protection in goods trade
2. Substituting UK based regulation for EU Single Market based regulation
3. Ending the large subsidy the 'four freedoms' forces the UK to give to EU unskilled immigrants
4. Ending our annual Budget contribution to the EU - saving £39 billion immediately

The free trade gains under (1) come about because elimination of the EU's protection lowers consumer prices and increases competition in our home market, so raising productivity across our industries. With the economy at full employment and a flexible exchange rate, any jobs lost in industries where higher productivity releases labour will be offset by extra jobs in other (unprotected) industries where productivity is already high and where demand is projected to expand.

For our calculations we assume that protection leading to higher prices of 10 per cent in both food and manufactures is eliminated (even though currently prices are higher by 20 per cent). Our estimates, based on the Cardiff World Trade models, are that consumer prices will fall by 8 per cent and GDP will rise by 4 per cent, which is equivalent to a growth rate around 0.5% per annum faster over the next 15 years.

For the benefits of better regulation in (2), we rely on models of the economy developed by Cardiff researchers that assess the effects of regulation on the economy via their effect in raising business costs. We estimate that EU regulation has reduced GDP by around 6 per cent; that probably about a third of this can be reversed giving us a projected gain of 2 per cent of GDP, or a growth rate 0.15 per cent per annum faster over the next 15 years.

For the benefits from eliminating the subsidy currently provided to unskilled immigrants in (3), we have examined the costs to the taxpayer of EU unskilled immigrants arising from the entitlement to the full range of tax credits and other benefits, including free education and healthcare. A further effect is that wages of UK unskilled workers are depressed; this represents a transfer from unskilled workers to the consumers who use their products.

A further relevant distributional element is that the taxpayer burden and wage effect are both highly localised in areas of immigration. From these costs, we find that Brexit would save 0.2 per cent of GDP in taxpayer costs, in addition to boosting the living standards of our poorest households by 15 per cent.

For the benefits of ending our annual budget contribution in (4), we have followed the standard calculations made by the Office of Budget Responsibility and others, arriving at around 0.6 per cent of GDP.

In combination, these effects would add about 7 per cent to UK GDP.

And, a No-Deal exit would save £39 billion immediately and would accelerate the benefits from leaving compared to the long, if not permanent, purgatory of Mrs May's deal.

So, blow a large raspberry the next time you hear Nick Robinson and John Humphrys parroting Remain propaganda about crashing out and falling off cliffs. If WTO is good enough for major exporters such as China, India and Japan, it is good enough for Britain.

**** For further details see: https://www.economistsforfreetrade.com/wp-content/uploads/2018/12/Evidence-to-Treasury-Committee-Prof-Patrick-Minford-7-Dec-18.pdf**

No Deal Puts the People Back In Control

Rt Hon Owen Paterson, MP

The EU question has always been about sovereignty. It is about who governs the United Kingdom and how. Parliament deliberately put the answer to this in the hands of the British people by passing the Referendum Act in 2015. In 2016, the people gave their answer. They wished, via democratically-elected Members of Parliament, to govern themselves.

The Withdrawal Agreement categorically fails to deliver that result. Despite repeatedly ruling out membership of the Customs Union, the Prime Minister's proposed "single customs territory" locks the UK into it in all but name. The UK would be tied to EU rules on critical policy issues, with the European Court of Justice retaining the right to issue "binding rulings" on the interpretation of such rules and sanction the UK for non-compliance.

The Agreement is not even compatible with the EU (Withdrawal) Act passed earlier this year. This Act repeals the European Communities Act 1972 (ECA) entirely from 29th March 2019. Yet under the Prime Minister's proposed Withdrawal Agreement, a version of the ECA will remain in place throughout the lengthy transition period.

The supine nature of the Withdrawals Agreement's negotiation is fully revealed in its treatment of Northern Ireland. The Backstop would keep Northern Ireland in the Customs Union and Single Market, creating a new political entity called "UK(NI)". Northern Ireland's elected politicians (ironically unlike those in Dublin) would have no say over significant areas of this new entity's policy; Northern Ireland's constitutional status would have been fundamentally altered in clear breach of the Belfast Agreement's Principle of Consent, the requirement to consult the NI Assembly and even the Acts of Union 1800. With no unilateral right to end the arrangement, the UK could continue indefinitely as a permanent rule-taker with no say as to how its rules are made while paying £39 billion for the privilege.

None of these failures arise under WTO terms. The WTO has already confirmed that "nothing in WTO rules . . . forces anyone to put up border posts", so there would be no "hard" border. The jurisdiction of the ECJ would end.

The UK would be free to make its own laws, to be interpreted in its own courts. It would take up its existing independent seat on the WTO to work for free trade with allies across the world.

Perhaps the real reason for the Establishment hysteria surrounding a No-Deal Brexit under WTO rules is that we actually would be leaving. The other options now being floated – extending Article 50, a second referendum, or the subjugation demanded by the Withdrawal Agreement – are designed to hold the UK in the EU's orbit in the hope that it may be sucked back in. These options would completely fail to honour the biggest democratic verdict ever delivered in British history.

The optimal Brexit outcome remains a wide-ranging, zero-tariff Free Trade Agreement as offered repeatedly by President Tusk. Such a deal can still be negotiated, but not by the end of March. Having wasted so much time on the Withdrawal Agreement, leaving on WTO terms is now the only way to break free fully and build a more prosperous, independent future.

No Deal Actually Delivers Certainty

Lord Bamford
Chairman, JCB

I voted to stay in the Common Market in 1975. It seemed like the right thing to do back then, as we were told it would be good for business and international trade. More than forty years later, in June 2016, I voted to leave the EU, so that the UK could regain control of how it trades with the world. My vote to leave was based on an assumption that, if the majority decision was in favour of leaving the EU, our exit would be a 'clean break' as part of a deal negotiated by both sides in a spirit of understanding and mutual co-operation between good neighbours.

With less than 80 days to go until we formally leave the EU, and after many months of political wrangling between Brussels and Whitehall, the current impasse makes the prospect of a so-called No-Deal exit more likely than ever. This does not worry me at all. At least, it will deliver the 'clean break' that I, and more than 17 million others, voted for in 2016. And, as we have seen in recent weeks, the UK and EU have - somewhat belatedly - started to find ways of dealing with any potential short-terms problems with air travel, medicines etc.

As a businessman, I would have preferred a well-constructed negotiated settlement, including an agreement on how we trade with the EU in the future. As it stands, in the absence of a negotiated settlement that truly delivers on the result of the referendum, a No-Deal exit means that we'll default to trading with the EU on WTO terms. I am not concerned about this. In fact, it delivers certainty about how we will trade with our EU neighbours from the moment we leave the EU at 11 pm on 29th of March.

Crucially, a so-called No-Deal exit puts paid to at least another 21 months of uncertainty under the current Withdrawal Act, during which further protracted negotiations will take place to hopefully thrash out a future trade agreement with the EU. Not many of us in this country will be looking forward to the prospect of more long-drawn-out negotiations with the EU.

The more I think about it, the more I like the idea of defaulting to trading under WTO rules with the EU. Businesspeople who are keen to export to countries beyond the EU should be delighted at the prospect of the UK being able to start negotiating trade agreements from Day One after exit, something we can't do under the terms of the current Withdrawal Agreement. What's more, exiting without a 'deal' also means we don't have to pay the £39 billion divorce settlement.

As a businessman with over 50 years of experience in selling construction and agricultural machinery all over the world and buying components from both EU and non-EU countries, I am used to operating on WTO terms. There is nothing to fear. Tariffs and import duties are simply characteristics of business life that most companies - including JCB - have long since adopted.

Business organisations often say that companies need certainty. They won't like me saying this but trading on WTO rules in the event of a No-Deal exit actually delivers certainty, as well as the 'clean break' that is needed.

No Deal Is the Best Way to Protect Our Borders

Rt Hon Iain Duncan Smith, MP

Neil MacKinnon
Economists for Free Trade

For many, a key plank of the support for Brexit at the referendum was the impact of uncontrolled immigration into the UK. Voters worried about the resulting negative impact on their access to public services provision in terms of housing, GP appointments, educational provision, social care and effects on jobs availability.

It has long been an article of faith for supporters of free movement that all migration increases economic well being. However, studies apparently supporting this view have conflated the economic effects of skilled, better-educated and more highly-paid migrants with that of unskilled migrants.

The UK spends about £4 billion a year providing housing and other social benefits to EU migrants. Economists for Free Trade (EFT) research has shown that it is uncontrolled, unskilled migration that imposes costs on the UK's public purse, as well as on local communities. This research estimates that the cost in supporting EU unskilled migrants is about £3500 per year per adult migrant. In effect, the taxpayer provides a wage subsidy of about 20 per cent to the average unskilled EU migrant. There is no dispute about the positive impact of skilled labour in contributing to the UK economy.

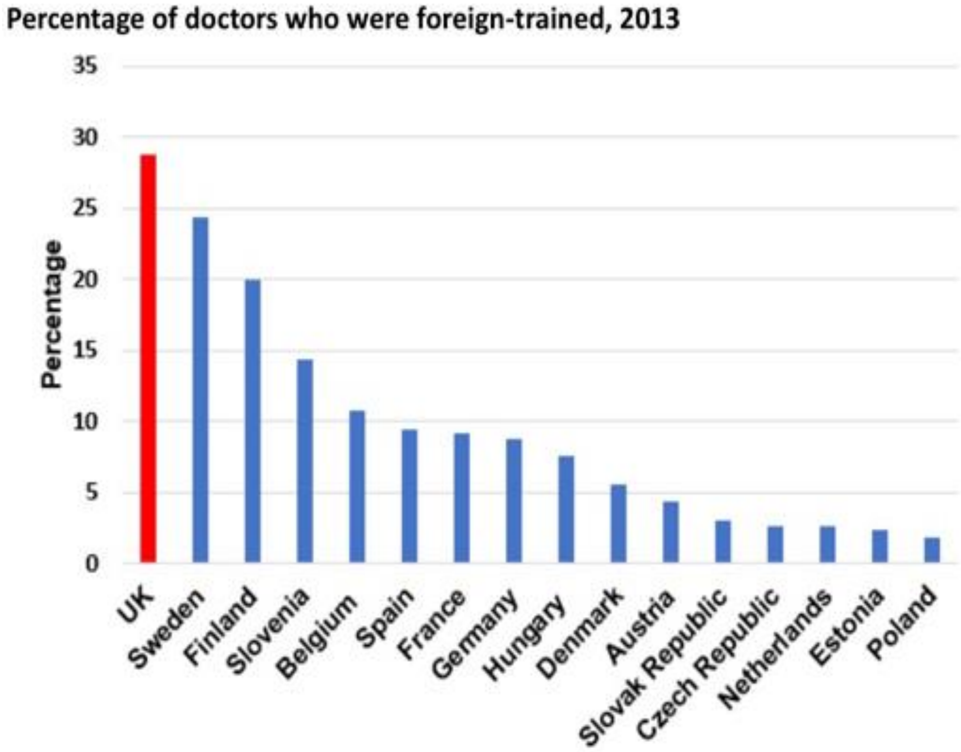
Furthermore, these effects increase in areas of dense migrant population. Local communities hosting large EU and non-EU immigrant populations face higher costs without compensation, as well as declining housing, health and educational standards. For example, EFT research found that in a region like Leicester, which has the densest immigrant population in the UK, the burden of unskilled immigrants per head in the local community costs £287 annually, or about £6 per working week. This equates to around 1 per cent of average UK household disposable income per head.

In addition, there is evidence of differential impacts across different UK-born groups with more negative effects for those with lower levels of education. Similar effects are found on the earnings of UK lower-skilled workers. A 1 percentage point increase in the EU-born working age population ratio can reduce UK-born wages for the lower-skilled by up to 0.8 per cent.

Thus, uncontrolled immigration is a key economic issue, never mind a political one.

An equally important aspect of the economic issue is that UK industry now has one of the poorest records for investment in training, technological innovation and automation. Such has been the effect of uncontrolled migration in the UK that Centre for Social Justice research shows that only 15 per cent of those who start work in entry level jobs will progress past that level in their working lives.

Similar effects exist even amongst skilled jobs. For example, the following chart, produced by Migration Watch, shows how the dependency of the NHS on overseas doctors far outstrips similar economies in Europe. The UK has the highest percentage of foreign-trained doctors of any European country – about three-times that of France, Germany, or Spain.



Source: Migration Watch

As for nurses, former Migration Advisory Committee (MAC) Chair, Sir David Metcalfe, said in March 2016: "*There is no good reason why the supply of nurses cannot be sourced domestically*. *There seems to be an automatic presumption that non-EEA skilled migration provides the health and care sector with a 'Get Out of Jail Free' card.".* The MAC pointed out in 2016 that the shortage of nurses in England was closely linked to the decision to cut training places by almost a fifth between 2009 and 2013. Indeed, until 2014, over 30,000 UK applicants for nursing courses were turned away annually, according to the Nursing Labour Market Review.

Another important aspect of this is, how can we justify taking healthcare staff from countries that may need them far more than we do? The World Health Organisation pointed recently to a shortage of millions of healthcare workers worldwide. This shortage was particularly acute in sub-Saharan Africa and South-East Asia. That is why they convened a conference in Kampala in 2008 that called on richer countries to *"give high priority and adequate funding to train and recruit sufficient health personnel from within their own country"* (Kampala Declaration). In Dublin last year, the Global Forum on Human Resources for Health emphasised the need for developing countries to retain their own healthcare workforces (Dublin Declaration).

A major part of the solution to these problems has to be to reduce this reliance and train our own people. As the Royal College of Physicians has noted: *"The long-term focus needs to be on developing the home grown healthcare workforce*. In 2013, the independent MAC pointed to *"the absence of a specific training pathway to produce middle-grade doctors"* in the UK.

The Prime Minister's flawed deal leaves the UK in a very weak position if and when we get to trade negotiations with Brussels. Eurocrats will use a preferential immigration policy for EU citizens as a trade-off for concessions the UK seeks (President Macron has threatened to do just that to obtain further concessions).

That is why only by leaving the EU on WTO terms can the UK fully take back control of its borders and deal with these issues. In taking back control of our migration policy we are also giving notice to industry that it will have to invest and train to a far greater degree than they have for some time.

The greatest benefit of leaving under No Deal is that our country can start to enjoy the benefits of Brexit from March 29th 2019, rather than being left in the BRINO (Brexit In Name Only) purgatory of Mrs May's deal. The British people have already waited for almost three years - they should not have to wait any longer.

No Deal Is the Road Map to Securing Free Trade

Roger Bootle
Economists for Free Trade

Restoring the ability to set our own trade policy and thereby escaping from the protectionism of the EU is one of the key benefits of Brexit. These gains are not fully realisable under Mrs May's deal but they are under a No-Deal departure where we trade under WTO rules.

Far from being a leap into the unknown, trading with the EU under WTO rules would be a leap into the familiar. We do the majority of our trade outside the EU under WTO rules. This includes the United States, our largest single trading partner. We trade with the US under WTO rules without the benefit of a Free Trade Agreement (FTA). Moreover, six of the EU's top 10 trading partners trade with it under WTO rules.

We do not need to apply to join the WTO or wait for permission to trade under WTO rules. We are already a (founding) member. We simply have to take the seat that has been ours all along but has been vacant since we handed over jurisdiction of our trade policy to the EU.

The imposition of EU tariffs on our exports following our departure without a trade deal would make hardly any difference. The average EU tariff rate on manufactured goods is only 3-4 per cent. And, the fall in Sterling since the Referendum, significantly outweighs this.

If following our departure without a trade deal with the EU we were to decide to impose tariffs on imports from the EU, possibly causing UK prices to go up, it would be open to the UK Treasury to take offsetting action to counteract the blip in inflation and maintain consumer real incomes. We could unilaterally decide to reduce tariffs on selected goods, eg, those where there is no UK production, such as oranges. Alternatively, the Treasury could announce a temporary cut in VAT, funded by the new tariffs.

It is important to recognise it is not necessarily a given that prices would rise significantly in the short-term. We import large amounts from non-EU countries and these prices would not change, thereby putting competitive price pressures on EU producers exporting similar products to the UK. In the longer-term, elimination of EU protectionist barriers would create a downward pressure on UK prices.

Border frictions have been greatly exaggerated. We know from various ports that shipments from outside the EU face minimal delays because of digital clearance before transit. Only about 1 per cent of cargoes are physically inspected. And we know from individual businesses that trading with the rest of the world causes them little extra difficulty or cost compared to trading with the EU.

Most strikingly, umpteen countries export successfully into the Single Market without being members of it. In fact, the rate of increase of their exports into the Single Market is greater than the rate of increase of exports from most Single Market members to other Single Market members.

The structure of EU tariffs has been designed largely against the interests of the UK. Indeed, it has been fashioned precisely to favour French agricultural interests and German manufacturers. But this protectionist regime is against UK interests. As we leave the EU we will be free to construct our own trade policy.

Once we succeeded in signing FTAs, there would be an increase in exports to the rest of the world, which is growing much faster than the EU. This could follow pretty quickly after a No Deal Brexit, with a US-UK FTA probably first off the starting block before the end of 2019.

We do not need the EU's "clout" to negotiate beneficial trade deals. Indeed, the EU is a very bad negotiator of trade deals because it is so diverse, with 28 members each pursuing their own, different interests. This is why the EU takes so long to conclude trade deals. By contrast, tiny Singapore has pursued an extremely successful trade policy based on very low tariffs and free trade. In per capita terms it is extremely rich.

Moreover, once we have actually left the EU, outside the peculiar constraints of Article 50, beyond the various political interests of the EU establishment, and without the pressures of the ticking clock, it should be comparatively easy to conclude a mutually beneficial FTA with the EU. Remember, unlike any other FTA in history, we will begin with mutual zero tariffs and aligned regulations and standards.

So leaving the EU on WTO terms can be the route to a regime of free trade. This would bring widespread economic benefits. Securing it should be our over-riding objective.

The 'Cliff Edge' is Another Millennium Bug

Edgar Miller
Convener, Economists for Free Trade

It has become clear that Remainers have a big problem: they can find little positive to say for either why we should remain in the EU or for Mrs May's Withdrawal Agreement. Consequently, their total argument has been and continues to be based on 'fear' of leaving cleanly. Nowhere has this been more apparent than their invectives about No Deal – ie, a World Trade Deal where the UK leaves the EU on March 29th without a trade deal under WTO rules.

The Government, together with Establishment figures and commentariat, have fallen over themselves warning of short-term perils – first, chaos at our ports and second, claims that somehow a host of existing rules and regulations will become inoperative as of 11:01 pm on March 29th. Day-to-day life as we know it, will cease to exist with regard to travel, business contracts, citizens' rights, and even the ability of performing artists to perform.

This alleged short-term disruption is deemed to be so apocalyptic that it is considered not even worth thinking about if there might be a long-term upside. Thus, the cacophony about the short-term has shouted down any fundamental thought about the inherent benefits of No Deal.

What is the reality?

Port Disruption: What Disruption?

It is claimed on March 30th UK ports will have seized up due to delays required to process customs declarations. Furthermore, since UK goods no longer will comply with EU standards, onerous inspections will be required, adding to the bedlam.

These claims should not be taken seriously. They do not reflect what actually takes place at ports today and they fail to take into account the legal and competitive environment within which ports operate.

1. Post-Brexit port procedures will not be materially different from those of today and the required changes mainly are in hand. The image of customs officials with clipboards crawling over trucks and stamping approvals on customs forms has not been valid for decades. Today, all customs declarations are computerised and prepared at the facility of the importer/exporter or their designated customs broker. Shipments are pre-cleared by computers talking to computers so that trucks rolling into the ferry terminal essentially are waved through automatically. This is how the many UK ports that deal with shipments from non-EU countries under WTO rules operate today.

To accommodate Brexit, HMRC has adopted a 'belt and braces' strategy by which the existing Customs Handling of Import and Export (CHIEF) system has been doubled in capacity to accommodate the increased volume of EU-UK customs declarations. In addition, a new EU-wide Customs Declaration System (CDS) - which was already in the development pipeline before the Referendum - will be run in parallel. HMRC has repeatedly stated before select committees and in its own publications that CHIEF and CDS are already operational and will be ready to deal with EU shipments on March 29th.

A potential issue is that some businesses may not have their software interfaces with CHIEF/CDS operational by March. The service industry of customs brokers should have the necessary systems and expertise to support businesses (mainly small) that may not have the required internal capability. However, it is possible that not all customs brokers will be sufficiently up to speed and have the required capacity to fill the gap completely.

To alleviate this risk, there are simplifications to existing customs procedures that HMRC can authorise and HMRC has already announced that for the 60 per cent of EU trade that is imports, it will '*prioritise flow over compliance*' – ie, it will wave vehicles through to avoid queues, even if customs declarations have not been properly completed. Calais port executives have said the same. Moreover, as shipments are pre-approved, normally, if a trader has not completed the required declarations, the shipment will not be authorised. The shipment may be delayed but it will not contribute to congestion at the port.

2. Inspection regimes will not change. What about the much ballyhooed inspections that Remainers claim will create delays and miles of parked trucks along the M20? In fact, as HMRC has repeatedly emphasised, there is no reason for much to change. Under WTO rules, inspections are intelligence led, based on computerised risk assessments, and generally have little to do with customs issues. Security, drugs, and illegal migration are much greater concerns.

Since there is no reason why these risk factors should change after Brexit, HMRC intends to maintain the existing inspection regime post-Brexit, which currently results in only about 1 per cent of (even non-EU) goods being inspected.

The claim that new onerous inspections at the border will be required after Brexit because UK goods will somehow no longer meet EU standards is hypothetical fancy. After over 40 years with identical product standards and regulations - and contrary to what many doomsayers may wish the public to believe - UK goods will not suddenly become hazardous to the health and safety of EU consumers the day after Brexit. This week, the President of the Boulogne and Calais Ports made clear that the Port of Calais plans no additional inspections relative to what they do today.

So, it is clear there is no practical reason why disruption should suddenly occur in the ports following Brexit.

3. Contrived EU Border Delays and Discrimination Are Illegal. The WTO Trade Facilitation Agreement, the WTO Technical Barriers to Trade Agreement and the Kyoto Convention of the World Customs Organisation commit the EU and all 187 WTO countries to making border processing activities as streamlined as possible. These measures are enforced by WTO Panels and the WTO Appellate Body that are backed by the international legal system.

The WTO Trade Facilitation Agreement mandates a seamless (computerised, pre-cleared) border enabling trade to continue passing through ports with minimal checks, pre-cleared by computer, with all relevant information pre-entered at low cost straight from the loading logs. The EU's own Customs Code requires customs declarations to be done online and allows these to be entered with as little as one hour's notice.

There is no WTO requirement for border checks and, where physical inspections are necessary, the Agreements require that they be intelligence-led and not be more trade-restrictive than necessary – ie, they should conform to the current regime applying to both the EU and the UK where only about 1 per cent of goods arriving from non-EU countries are physically inspected.

The WTO's Agreement on the Application of Sanitary and Phytosanitary (SPS) measures does allow for border checks to ensure the safety of imported food but stipulates that such checks should not be used as a surreptitious means of inhibiting cross-border trade or "arbitrarily or unjustifiably discriminate between WTO members where identical or similar conditions prevail . . . SPS measures shall not be applied in a manner that would constitute a disguised restriction on international trade." Products requiring SPS inspections are often inspected at facilities physically separate from ports to avid congestion – eg, 40 km away at Rotterdam. Less than 10 per cent of such shipments are physically inspected.

With regard to standards, WTO rules on non -discrimination on standards mandate that, once the EU or any other WTO member has announced their proposed domestic standards, these must apply without exception to all foreign exporters.

So, if the EU were to ignore the practical, common-sense reasons for continuing to process EU-UK trade as efficiently as they do today, they would be acting illegally and could face lawsuits. The WTO dispute process is far from toothless enjoying an excellent compliance record among its many hundred rulings over decades of practice.

4. Competition Will Keep the EU in Check. Even if common business sense fails and the EU is tempted to flout international law, competitive pressures will rein them in. Dover-Calais is the major concern in this regard because it has roll on/roll-off (RoRo) facilities accounting for about 30 per cent of EU-UK trade – and Calais is in the only EU country where political leaders have signalled possible uncooperative post-Brexit actions.

Fortunately, numerous other freight ferry routes with Ro-Ro capabilities already exist between several UK and Continental ports. Dutch and Belgian port operators have already made it clear that if an EU port - say Calais - were to attempt to complicate border procedures artificially to inhibit UK exports, ports such as Rotterdam, Zeebrugge, and Antwerp (amongst others) would be keen to grab the business and would quickly fill the gap.

It is estimated that sufficient capacity exists to handle 30 to 40 percent of Dover-Calais freight shipments. The Dutch sensibly have built up their customs facilities, hiring more inspectors and setting aside land at their ports for the limited additional inspections that may be required, primarily for agricultural products.

In practice, it is very unlikely to come to this, as pragmatic local French authorities and port operators have offered assurances of continued cooperation on numerous occasions, aware that they will lose out to their European neighbours if they attempt to frustrate Brexit maliciously. The latest such assurance was on the January 9th Today Programme when the President of the Boulogne and Calais Ports confounded his BBC interviewer by making clear that Calais will be ready for UK business by March 29th. He explained that they plan no additional inspections relative to what they do today and detailed a long list of specific investments and actions they have taken over the past year to avoid any possible congestion or delay.

Brexit will not lead to a blockade in the English Channel, as strangely many wish us to believe.

Life Will Continue After March 29th

Much of the drummed-up anxiety regarding "crashing out" of the EU has begun to abate as the UK Government, along with its EU counterparts, has ramped up preparations for a No Deal Brexit, in light of the impasse in EU-UK negotiations. Despite the tireless efforts of the media and the status-quo Establishment who still insist that the UK will collapse into recession experiencing a severe supply shock and civil unrest, it is slowly emerging that trading with the EU under WTO terms will be manageable, albeit with some possible 'bumps in the road' in the early days.

Work seems to be at last under way, and it should now be stepped up with enthusiasm – remembering that many problems can be lubricated by a £39 billion saving. For example, an increasing number of the crucial non-WTO "side deals" that commentators gleefully warned were essential to avoid the devastation of post-EU isolation are now materialising. Airplane landing rights, drivers' licenses, Euro clearing and derivative contract issues are now settled.

Many EU citizens living in the UK are already following the straightforward process for obtaining permanent residency. In recent days, the Dutch, German, Italian, Portuguese, and Belgian governments have already announced post-Brexit citizens' rights for UK nationals living in their countries. And the Spanish are establishing procedures for health care to be delivered to UK citizens when in Spain. We also have promises from the EU and Ireland that there will be no hard border, as one isn't really needed and never was.

Furthermore, Lord Lilley's and Brendan Chilton's excellent report, *30 Truths about Leaving on WTO Terms*, has detailed a long list of agreements that have emerged in recent weeks between the UK, the EU, and EU member states affecting day-to-day life. These cover a wide range of areas including, for example, 'micro' trade agreements, medicines, clean water, air travel, aircraft manufacturing, haulage, agricultural and animal products, mobile telephones, auto type approvals, and VAT rules. And - never fear - even British opera singers, musicians and other performers will still be able to tour the EU!

Thus, with the help of some courageous whistleblowers, it is becoming ever more evident that civil servants – in spite of their public comments being constrained by Minsters – have been working quietly behind the scenes to ensure minimal post-Brexit disruption.

Therefore, it appears the closer we get to the alleged 'cliff edge', the more countries on both sides of the Channel are facing up to their responsibilities. The 'cliff' now appears to be turning into a grassy slope.

Remember the Millennium Bug? Perhaps we have been here before.

Leaving the EU with No Deal – A Step into the Familiar

Martin Howe QC
Chairman, Lawyers for Britain
Economists for Free Trade

Leaving the European Union without a withdrawal agreement under Article 50 is not a step into a legal vacuum. Still less does it amount to going over any kind of "cliff edge".

What happens is that our international trade with the European Union will become subject to the same legal regime which currently governs the majority of our export trade to the rest of the world. That is trade under the World Trade Organisation rules-based system.

The three key elements of the WTO system that will affect our post-Brexit trade with the EU are its rules on tariffs, its rules on non-tariff regulatory barriers to trade, and its rules on the facilitation of customs procedures.

The WTO's rules on tariffs allow members to charge tariffs on imported goods up to certain limits, but, subject to limited exceptions, any tariffs must be imposed equally on goods from all countries - the so-called Most Favoured Nation (MFN) principle. The EU will therefore impose its standard external tariffs on goods imported from the UK, unless and until a future free trade agreement or interim agreement leading to an FTA is agreed,

This is not a big deal. These tariffs will come to £5-6 billion per year, less than half the UK's current net budget contribution to the EU,

The UK will be obliged to charge the same level of tariffs on imports from the EU as it does on imports from the rest of the world. But, contrary to much ill-informed comment, the UK is not required to charge the same tariffs on its imports as it currently charges under the EU-mandated Common External Tariff. We will be free to charge lower tariffs, or zero tariffs, as we judge appropriate, so lowering the cost of basics in household budgets.

The WTO agreement on Technical Barriers to Trade will require the EU to recognise UK based goods certification procedures and allow entry to the EU single market for UK goods which comply with UK rules until such time as they are changed to become different from the EU's rules. At the same time, the Withdrawal Act mandates that the UK shall continue to recognise EU rules and EU certifications on goods unless and until this is changed by secondary legislation. This means for example that medicines made in the EU will continue to be recognised as conforming to the UK's import rules and arguments that there will be shortages are pure mythology.

The WTO Trade Facilitation Agreement will apply to smooth customs procedures between the UK and the EU. It mandates for example electronic pre-clearance of imported goods, avoiding the need for physical inspections at the point of entry except in exceptional circumstances.

In an ideal world, we would progress forward to a full Free Trade Agreement with the EU. But there is no need to rush it - our trade relations with the EU will operate just fine under WTO rules for as long as necessary.