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Britain needs a Singapore sling into the post-EU era



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Who stabbed who in the back is a fascinating basis for novels, plays and political biographies, but given the serious issues now at stake it is really a sideshow. Nor does it much matter who is prime minister, as long as he or she leads Britain out of the current impasse to honour the choice made by the British people in the referendum and to realise fully the economic opportunities unleashed by Brexit.

The single market is the centre of this issue. There are different questions concerning goods and financial services. (For other service activities, the single market effectively doesn't exist). As far as financial services are concerned, I have written about "passporting rights" before. The demise of these would cause some loss of business to the City but this is likely to be minor. And there is an offsetting advantage – being able to operate our own regulatory regime, thereby escaping from the madcap rules of Brussels.



The contenders

For goods, the general presumption is that to have access to the single market a country must be a member. Yet most countries in the world do not belong to the single market, but export large amounts to it. If we were in their position, we would encounter two hurdles, plus one possible problem and one non-problem. The first hurdle is that exporters pay the EU's common external tariff. The average for manufactured goods is about 4pc. This is a pretty small obstacle. Since the referendum, the pound has fallen by 8pc, following an earlier fall of about 6pc. This has already more than wiped out any future tariff burden for most of our exporters.

The second hurdle is paperwork and border checks, which may cause delays and increase costs. Yet the fact that many non-EU countries manage to export so successfully into it suggests that this barrier cannot be very significant. The possible problem involves deliberate discrimination against UK exports "in revenge" for the UK leaving the EU. Some of this will happen, but it is surely likely to be minor. It would be against the self-interest of both businesses and consumers on the Continent.



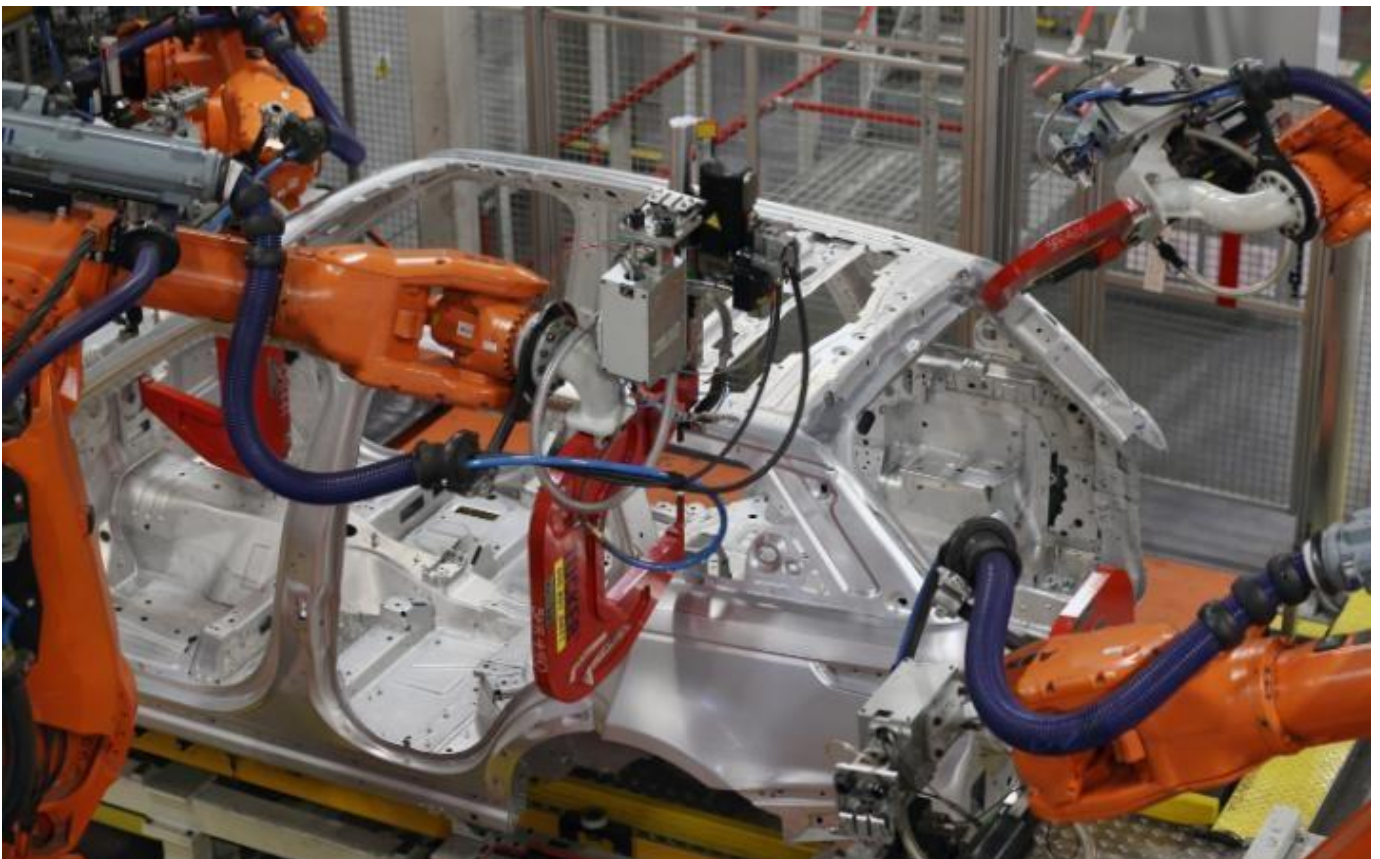
The non-problem involves meeting EU standards and specifications. Any company that currently exports into the EU already meets those standards. After Brexit, it will have to continue to do so – just as it would have done if we had stayed in. The much-vaunted argument that we need a seat at the table when standards are being discussed does not cut much ice. As one of 28 members, our influence on European standards has been minor; and, again, exporters worldwide are in the same position, having to comply with European standards while having no say over their formation. Similarly, when we export to America or China we have to meet their standards without having any influence on them. Admittedly, if the EU said we could have tariff-free and hassle-free access to the single market without having to accept the free movement of people, without having to meet EU regulations, and without having to pay a penny into the EU budget, then of course we

should jump at the chance. This would amount to not only having our cake and eating it but being presented with all the original ingredients as well.

That's why we are not going to get such a deal. We might conceivably get part-way but not very far. There should be no room whatsoever for negotiation on the principles regarding the movement of people and who sets our laws and regulations. If the British government conceded on these, not only would it give up the chance of economic gain from Brexit, but it would have betrayed the British people.

There is another way. If we declared unilateral free trade, we would immediately cut through the doubts concerning a possible trade deal with the EU and put ourselves in the driving seat with regard to any future negotiations.

Because this policy would involve abolishing tariffs on imports from the rest of the world, it would reduce prices and intensify competition in the UK market. Continental exporters would find they would only be able to sell to us at lower prices. The industries that would suffer, such as the German car industry, would put pressure on their governments for a deal with us, which we might accommodate – if it suited us. With one bound, we would be free.



The German car industry would suffer, says Bootle

Could we find the courage? Our two previous “great escapes” – from the Gold Standard in 1931 and from the European exchange rate mechanism in 1992 – were forced upon us by the markets. This time we would need actively to choose the bold option. That would require real political leadership. But it could be done.

Trade policy is not the only area where we need to strike out on a different path. We need some creative thinking about how the UK can make itself more internationally competitive. Yes, much of this could have been done even if we had decided to stay in the EU. But most of it wouldn't have been. I call this the Singapore effect. When Singapore separated

from the Malaysian Federation in 1965, it apparently faced a grim future. But the realisation that no one was going to do it any favours acted as a spur to effective government – with spectacular results.

We could do the same. We need a strategy that lays out the path to reductions in corporation tax, lower personal tax, investment in infrastructure and cheaper energy. It is too early now to expect any details. But once we have a new prime minister and chancellor, this – and forging a clear trade policy outside the single market – must be the priority. Whoever occupies these offices will owe this to the British people.

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