

Six reasons why post-Brexit Britain can be like others that thrive outside the single market



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11 SEPTEMBER 2016 • 10:34PM



Brexit doesn't have to mean endless ruminations about trade deals CREDIT: ANDY RAIN/EPA

So much of the current discussion about our future relationship with the EU is about access to the single market. If we could have all the benefits of belonging to the single market without being obliged to obey its rules, be able to make our own laws, control our own borders, abolish the EU's tariffs on our imports, make no contributions to the EU budget and make our own trade deals around the world, then I would support being a member. But such a package is unobtainable.

Of the realistic options, some people have argued that we should seek a deal like Norway's or Switzerland's. We should want neither of these. Rather, we should seek to be like all other countries in the world, that is to say, outside the single market but trading extensively with it. In realising this vision, our officials and ministers need to bear in mind six key points.

Single market membership is not the be-all and end-all

First, contrary to the propaganda, membership of the single market is not of overwhelming importance. If it were, how would it be possible for non-member countries from all around the world to sell to it so successfully, and why would its members be doing so badly? Why haven't single market member countries been carried forward on a wave of prosperity created by the mutual recognition of standards and the absence of border checks?

The benefits of the single market have been sufficiently small that they have been outweighed by other factors: the macroeconomic disaster that is the euro and the micro-economic disaster that is the web of regulations, laws and interferences that reduce market efficiency across the union.

Tariffs might be a price worth paying

Second, tariffs are not a big issue. By all means, let's try to get a deal under which our exports to the EU face no tariffs. But this is not worth paying much for – or enduring much of a delay for. If our exporters end up having to pay the EU's common external tariff this would not be a killer blow. The average tariff on manufactured goods is about 4pc.

If it comes to it, even the 10pc tariff on cars would be more than compensated by the lower exchange rate for the pound. And if [the City loses passporting rights](#), that isn't a killer blow either. The key requirement is to be outside the EU's icy regulatory embrace. In the long term, securing this would be well worth enduring some short-term loss.

Let's look beyond today's lobbying

Third, when barraged by lobbying from various business groups for the closest possible thing to a continuation of the status quo, ministers and officials should bear in mind the essential nature of a dynamic economy. Businesses come and go, as do products and even industries. The people who lobby the politicians now are representing today's businesses and responding to today's pressures. Those businesses that are yet unborn are not there to lobby.

Moreover, there is no consumer lobbying of ministers to persuade them to adopt the freest possible trade in order to keep prices down. Yet the ultimate objective of all economic activity is consumption. Ministers must not succumb to the German error of believing that the ultimate end of economic activity is production.

Bigger isn't always better during trade deals

Fourth, one of the apparently strong arguments in favour of continued membership of the EU has been the notion that the EU has clout in international trade negotiations while, on its own, the little old UK would find it difficult to make trade deals. Clout is all very well but it is not the only relevant factor.

The larger and more diverse the organisation doing the negotiations, the more difficult it is to reach agreement. In practice, this factor has been more dominant in the EU's history than clout. The EU has been a bad trade negotiator and has signed comparatively few trade deals.

In this context, it has been interesting to observe growing difficulties over the proposed Transatlantic Trade and Investment Partnership (TTIP). It now looks as though this much-vaunted prospective mega-agreement between the US and the EU [will not happen](#).

And actually, trade deals aren't always better

In any case, the importance of trade deals has been greatly over-estimated. The UK does not currently have a trade deal with the US. Prosperity does not emerge from the tip of the fountain pens wielded by heroic officials and trade negotiators. Yes, there are gains that can be had from some trade deals.

Admittedly, there are umpteen arrangements to be sorted out concerning standards, the movement of skilled labour et al. But the shocking fact that our negotiators need to come to terms with is that prosperity is not in their gift; it results from the activities of ordinary people and business enterprises.

The sands are shifting in Europe

Sixth, the EU is a failing project. Even if the EU manages to stay together (which I doubt), over coming decades its share of world GDP will fall. Our negotiators are forging a relationship between the UK and the EU which should last several decades. Over that period, the significance of being “excluded” from the single market will be falling rapidly. Meanwhile, the cost of the rules, regulations, laws and interferences imposed by it on our economy and trade with the rest of the world will be steadily increasing.

Our politicians and officials need to gird themselves to the task of re-establishing British sovereignty, confident that in the long run this will bring us not only control over our borders, our laws and our finances, but also greater prosperity. About this, Sir Thingummy Whatnot, of the widget manufacturers’ lobby, understands next to nothing. By all means, listen to what he has to say; but don’t fall into the trap of believing that he knows what is in the interests of the British economy.

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