

If Theresa May isn't prepared to walk away from Brexit talks, how will she get a better deal than Cameron?



**FRASER NELSON**

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While Theresa May was serving notice of Britain leaving the European Union, David Cameron was in Kiev discussing his own downfall. His heart was never really in the European project, he said, making him a rather unconvincing salesman during the referendum campaign.

But he skipped over his biggest mistake: entering talks with the EU with no plan for what to do if talks failed. He promised a new deal for UK membership but came away with almost nothing. Now he's giving speeches for Ukrainian oligarchs. The moral of his sad story: never enter a negotiation unless you're genuinely prepared to walk away.



David Cameron did not get the thumbs up CREDIT: NICK EDWARDS/NICK EDWARDS

Yet the Prime Minister now looks as if she might repeat the same mistake. She has said “no deal is better than a bad deal” but has never elaborated – and shows every sign of being terrified of the “no deal” option. She finds herself in precisely the same bind as her predecessor. She is aiming for success in her negotiations, so doesn’t want to talk about failure. But if the EU senses that she is not serious about walking away, and would sign anything, why should they be generous?

When Mrs May talks about accepting “no deal” she can only be referring to one thing: World Trade Organisation rules under which countries trade if they have no other arrangement. This, the WTO option, is spoken of as a calamity, the hardest of hard Brexits, the cliff edge, the suicide option – and worse.

That it would mean losing access to European markets, tariffs coming up and walls being built around an island nation that naively thought it was voting for global free trade. Ministers have not dared to calculate what WTO deal might mean.



Theresa May must be prepared to walk away CREDIT: EPA/ANDY RAIN/EPA/ANDY RAIN

Which is odd, given that WTO rules are those which govern Britain’s trading relations with 111 countries – including our largest single customer, the United States. It’s hardly a disaster, given that our trade with such countries has grown much more quickly than it has with the EU for the last couple of decades.

There’s no question of Britain losing “access” to European markets: every country from Afghanistan to Zimbabwe can sell its wares in Europe. The only issue is tariffs, and everyone who signs the WTO rules (ie, most countries on earth) agree to keep the tariffs pretty low.

This is the point of the WTO: its rules are a huge achievement, a global ceasefire in trade wars, a worldwide truce that has lasted for decades. So the EU could not, really, punish Britain – now matter how much Jean-Claude Juncker might like to. It is unable to treat us any worse than it treats the US, which would mean – at worst – a tariff averaging about 4.5 per cent on our exports. As high as 10 per cent for cars.



Nissan workers in Sunderland CREDIT: OWEN HUMPHREYS/PA WIRE/OWEN HUMPHREYS/PA WIRE

But if Britain retaliated then the sales of BMWs and Renault would be hit hard. A fall in the pound would more than make up for tariffs on our exports, while imports (especially cars) would be pricier than ever. The most difficult question for Nissan's plant in Sunderland is whether they'd be able to cope with demand.

There would be paperwork, but that's more easily dealt with nowadays. The greater problem would come in other quibbles: whether the French might again invent a reason to ban our beef, in the same way that the Americans have (inexplicably) done to our haggis. The WTO rules are supposed to stop countries making up complaints as a pretext for protectionism, but it still happens. So yes, there would be problems. The question that the Government seems unable to ask, let alone answer, is what it would all add up to.

Other economists have been doing the sums. The latest, from Oxford Economics, estimates that, by 2030, our economy would be about 0.8 per cent smaller under WTO rules than under the free trade deal that Mrs May hopes to strike. Some economists think things would be a lot better, especially if Britain declines to impose retaliatory tariffs to keep prices down.



Other analysts are gloomier. But economists' ability to forecast such things is, as we saw after the Brexit vote, rather unreliable. The use of decimal points in such exercises is usually proof of a sense of humour on the part of the economist, but not much else.

So why not start to prepare a Plan B, to show that Britain has a rather good backup option if an attractive deal is not forthcoming? Business would like some certainty: if the worst-case scenario looks pretty good, why not say so? One problem is credibility. We're still waiting for the job losses, house-price crash and the plague of frogs that HM Treasury told us would arrive after the Brexit vote: it will be some time before any of its forecasts will be taken seriously again. The rest of the government machine has been instructed to go all out for a free trade deal, and not even consider another option.

Some of the Brexiteers in Government are being dangerously ideological about this. Many campaigned for Leave saying that a free trade deal would be easy to negotiate, and dismissed any suggestion to the contrary as Project Fear propaganda. Look at the statistics, they say: Brits drink five million bottles of Italian Prosecco a month, eat 2,000 tonnes of French cheese a week and buy 600 Volkswagens a day. So surely the EU needs a free trade deal more than we do?

All of this is perfectly logical, but few would be bold enough to say that the European Union runs on perfect logic. EU trade negotiators specialise in procrastination, having never signed a single free trade deal with any of its main trading partners. Indeed, its uselessness on this front is of the reasons that we voted to leave.

When Mr Cameron said that life outside the EU held "no fear" for him, they didn't believe him. When Mrs May says she's prepared to walk away from talks, she'll have to make sure that they do believe her. Right now her problem, a fairly big one, is that so few in Brussels believe she is serious about this. If she wants a good Plan A, she'll need a plausible, decent plan B – and now is the time to start talking about one.



