ECONOMISTS
for FREE TRADE

NEW ANALYSIS OF UK's WTO TRADE OPTIONS SHOWS UK COULD BE 4% BETTER OFF OR 4% WORSE OFF DEPENDING ON TARIFF POLICY

EFT forecasts show that a 'tit for tat' policy of maintaining tariffs against an un-cooperative EU could cost the UK 8% of GDP.

16 February 2017

- Economists for Free Trade launches today with 15 economists, including six former economic advisers to government and eight university professors, in order to support the UK becoming a global leader in free trade.

- Its new advisory group includes leaders in business, politics, and media: Sir John Craven, Sir James Dyson, Lord Flight, John Longworth, Jacob Rees-Mogg MP, Sir David Ord, Rt Hon Owen Paterson MP and Viscount Ridley.

- Two new papers explain that:
    - UK negotiating strategy should focus on three core aims to deliver the Brexit Dividend for the UK: lowering or eliminating all import tariffs, UK-based laws in place of those from the Single Market; and policies that limit unskilled migration and support skilled migration.
    - The UK will leave the EU under WTO rules whatever the outcome of EU negotiations and that it will prosper if the right decisions are made.

At a press conference today in London, Economists for Free Trade set out the core aims to secure economic success outside the Single Market and issued a stark warning on the implications of certain trade options for the UK when it takes up its existing WTO membership and trades under WTO rules outside the Single Market.

As the UK seeks to negotiate a new free trade agreement with the EU, EFT quantifies the benefits of the UK removing all import tariffs, even if the EU does not reciprocate, to be 4% of GDP and a 7.3% benefit to UK treasury receipts. If we maintain tariffs against the EU in manufactures but we obtain FTAs with the majority of significant non-EU countries, the increase in GDP halves but treasury receipts still increase markedly. EFT also warns of the economic damage of putting up tariffs on all goods including agriculture against the EU should it not agree a trade deal, which could reduce GDP by 4% and deliver a 2.2% loss of revenue to the Treasury.

Full copies of the new reports can be found here: www.economistsforfreetrade.com

Commenting on the launch, Roger Bootle, member of Economists for Free Trade and Chairman of Capital Economics, said:

"This group of 15 leading economists is the largest of its kind in the UK and brings together experts in trade, macro-economics and forecasting, together with extensive experience of advising Governments on economic policy. The Prime Minister has set out a bold ambition for the UK to become a true global leader in free trade. However, the path to success

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is not straightforward and we hope that our detailed economic research and insight can support the Government in choosing the right policies to deliver economic prosperity."

Professor Patrick Minford, chair of Economists for Free Trade, said:

"Trading as a full member of the WTO outside the Single Market can offer the UK considerable economic benefits. However, any strategy that involves the UK putting up tariffs against the EU will cause significant self-harm, which is entirely avoidable. Our analysis shows that embracing global free trade, even if the EU does not reciprocate, will mean the UK is far better off compared to the status quo.

"Whilst the naysayers will have us believe that the 'WTO option' of no trade deal with the EU will lead to economic decline, the reality is that we do not need any such deal with the EU to achieve prosperity. When we leave the Single Market, the UK will take up its full membership of the WTO and it is the pursuit of free trade from that point that will deliver economic success."

The impact of different WTO options can be summarised as follows:

WTO Options vs the Status Quo [1]

	Consumer Welfare	CPI	HMRC Revenue
No Import Tariffs [2]	**+4%**	**-8%**	**+7.3%**
Import Tariffs on EU only ('tit-for-tat') [3]	**+2%**	**-7.5%**	**+5.2%**
Worldwide Import Tariffs on Manufacturers [4]	**0**	**-7%**	**+2.5%**
Worldwide Import Tariffs on Manufacturers & Agriculture [4]	**-4%**	**-1%**	**-2.2%**

[1] All options assume non-tariff barriers have been eliminated

[2] Achievable either via UFT or with FTAs over time

[3] Would require FTAS with ROW

[4] Assumes no FTAs with other countries

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