

# In praise of **NAKED TRADE**

**As soon as Brexit is completed, the UK should scrap all import tariffs, says **JAMIE WHYTE****

**P**eter Mandelson was the European Trade Commissioner from 2004 to 2008. You might expect him to know a thing or two about trade.

In an opinion article in the *Evening Standard* last spring, he lambasted the government's 'naivete' about international trade post-Brexit.

Having stated his credentials, Mr Mandelson explained that "international trade negotiation is a rough, tough business". He continued, "If Mrs May thinks other countries are lining up to do us favours just because we ask nicely, she will be disappointed."

This is a simple error, peddled by every anti-trade politician from Donald Trump to Marine le Pen that threatens the world with a new era of protectionism and falling incomes.

When a government allows its citizens to buy goods from foreigners, untaxed and otherwise unmolested, it is not doing the foreigners a favour. It is doing its own citizens a favour.

Imagine two fictional countries which, for simplicity, I will call the United Kingdom and New Zealand. For various reasons, lamb can be produced at a lower cost in NZ than in the UK. Whereas the price of UK lamb is £20 a kilo, NZ lamb of the same quality costs only £15 (in the UK).

Without tariffs on imported NZ lamb, UK lamb producers will go out of business. But UK consumers save £5 on every kilo of lamb they eat.

That £5 can then be spent on other things, making not only lamb consumers better off but also the Brits who supply them with other things – including, perhaps, former lamb producers in their new occupations. By consuming cheap imported lamb, the

total consumption of UK citizens increases: they get their lamb and £5 to spend.

A 50 per cent tariff on NZ lamb, which pushes its price up to £22.50, will save UK lamb producers. But it will force consumers to spend £5 more per kilo of lamb. With less to spend on other things, total consumption is reduced and society is worse off.

A more fanciful example may make the case clearer.

Imagine that shoes began to sprout up from the floor of every closet in the country. Would the government benefit us if it taxed anyone who wore them by an amount slightly greater than the current retail price of shoes in the UK?

## **WHEN A GOVERNMENT ALLOWS ITS CITIZENS TO BUY GOODS FROM FOREIGNERS, UNTAXED...IT IS DOING ITS OWN CITIZENS A FAVOUR**

Shoe suppliers might be happy about the tax, of course. But the country would have been needlessly impoverished.

Imported shoes that arrive at half the price of locally made shoes differ from miraculous shoes only in their probability and the size of the gain. Taxing them so they cost more than domestically made shoes is rejecting a favour.

A government need not be kindly disposed to another nation to resist taxing goods imported from it. It need only be kindly disposed to its own population.

Mr Mandelson's failure to understand this may explain why, after several years of his rough and tough negotiating, Europeans still bear the cost of tariffs on all manner of imported goods.

**The opportunity from Brexit**  
This may also explain why Mr. Mandelson does not see the enormous trade opportunity offered by Brexit.

The real opportunity from Brexit lies in unilateral free trade. Britain should simply announce that it will do nothing to impede imports. The minute Brexit is completed, all import tariffs should be abolished. This is the position that New Zealand has adopted since the mid-1980s. When recently trying to negotiate the Trans-Pacific Partnership trade deal, a political commentator remarked that this unilateralism put New Zealand in the position of someone beginning a game of strip poker already naked.

It's witty but it simply repeats the Trump-Mandelson mistake. The goal of strip poker is to end the game with some clothes on. The goal of trade policy, by contrast, should be to get naked as quickly as possible. Which means there is no good reason to have trade negotiations at all. Everybody should simply stay at home and take their clothes off.

Politicians who impose import tariffs do not protect their populations. They protect politically influential domestic businesses at the expense of the general population. Tariffs are not only economically damaging but corrupt.

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