

# PLAN A+

Creating a prosperous  
post-Brexit U.K.

**Executive Summary**

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# Executive Summary

## **Delivering the Brexit Prize**

The opportunity before the UK as a result of Brexit is huge: but if we squander it, the “new normal” of limited economic growth will prevail, with an EU system that is failing to respond to the challenges of the modern economy.

In her Mansion House speech, the Prime Minister stated that the UK’s regulations need not be identical to the EU’s, even if they would achieve the same outcomes. But the Government White Paper (The future relationship between the United Kingdom and the European Union) proposes that the UK would have substantively harmonised regulations with the EU, which, with the customs arrangement it outlined, would make an independent trade policy all but impossible. It also described a swathe of other infringements to independence.

The UK running its own economy will not render a deal with the EU impossible. It will bring back real growth, let the UK do other trade deals, and create leverage to get positive results from EU negotiations. Political, trade, and regulatory independence is therefore not just an ideological position, but what makes the gains possible.

This proposal will set these out, and demonstrate what will be lost if the UK Government maintains a model similar to the approach adopted at the Chequers cabinet meeting in July 2018, further elaborated in the White Paper, or one even more closely aligned to the EU. The economic scale of the prize shows the opportunity to unleash prosperity when we liberate ourselves from a system with such serious distortions. This is a framework outlining how the UK can still attain the Brexit Prize.

## Four pillars

The governing principle of this alternative approach is the pursuit of a competitive and thriving UK economy. We have based the approach on four fundamental 'pillars' of prosperity, to create a joined up trade and regulatory policy. It is a central tenet of this paper that the UK's bifurcation of EU policy and rest of the world policy has damaged its ability to use the interactions between these pillars to its advantage. The pillars are:

### a. Unilateral

The UK should make unilateral moves in domestic policy and trade policy terms. Many EU regulations are bad for growth: the UK needs the freedom to do better, this includes:

- Improving the way regulations are made to better support competitive markets: in particular to ensure a pro-competitive environment in digital, financial services, and other areas that are crucial to the UK's economic success, but where **continued adherence to EU norms would hold us back**
- In **agricultural policy, eliminating tariffs and quotas** on all products the UK does not produce; methods to rebalance prices of imports of products whose costs are reduced by distortions in other markets
- In **fisheries policy**, restoring sovereignty over UK waters and sustainably addressing barriers to entry for new fishermen.

In **other non-trade areas**:

- **Defence and Security**: cooperate with EU allies – but not in the direction envisaged in the White Paper of participation in PESCO.
- **Immigration**: replace free movement of workers and EU citizenship with an efficient and balanced framework for movement of workers from the EU and the rest of the world that recognises the economic and social benefits and costs of immigration.

## **b. Bilateral**

The UK must undertake bilateral agreements with others concurrently during the EU negotiation. It should seek to replicate the EU's agreements with third countries to cover the UK bilaterally, and focus on major trading partners with whom the EU does not yet have agreements. Negotiating regulatory recognition with the EU will be challenging, but is too important to abandon, with EU regulation damaging to growth. Tying the UK to future EU regulation is a major threat to the UK economy.

### **Options**

As the negotiations pursuant to Article 50 stand, most of the legal drafting of the agreement that will include any negotiated arrangements (the Withdrawal Agreement) has been provisionally agreed. The most fundamental outstanding elements are the framework for the future relationship and the so-called backstop arrangement for the Irish border ("Irish Backstop"). It was the desire to avoid the Irish Backstop being invoked that informed the design of the White Paper – a way of preserving free circulation of goods without either leaving Northern Ireland in the EU's customs union and single market, or having the whole of the UK stay in the single market and a customs union.

The UK government has options available to it that would deliver varying levels of autonomy, negotiability and associated risk. At one end of the spectrum, terminating the negotiations in order to focus on 'no deal' preparations, including protecting the positions of EEA citizens by unilateral measures, could deliver the most independence in the shortest time frame. This option would not mean no exit arrangements at all, as the UK could propose self-contained agreements with the EU in areas like aviation and nuclear safety, enabling the Council to issue the necessary mandates to the Commission to negotiate such matters, and refer the question of the financial settlement to independent arbitration.

At the opposite end of the spectrum, the UK could request an extension of the negotiating period to enable the outstanding provisions of the Withdrawal Agreement to be completed, and to advance no deal preparations. Against this option are the likely domestic political consequences, the possibility that the extension would be declined and the protracted uncertainty for businesses and individuals.

The option being pursued by the Government is being resisted by the EU,

due to the legal and practical challenges of the FCA and the disaggregation of goods from other components of the single market. It may also be voted down by the UK Parliament.

An option is therefore required to maximise the progress already made on the terms of the Withdrawal Agreement but unblock the impasse over the Irish border and future framework. The government should seek to retain all of the agreed elements (the financial settlement, citizens' rights, the transition period of 21 months (the Transition Period) and withdrawal terms) and propose a new backstop and framework for a future relationship. The new backstop would comprise a basic free trade agreement between the UK and the EU for goods, and a commitment by the parties to undertake all necessary investment and cooperation mechanisms to enable formalities on trade between Northern Ireland and Ireland to be overseen away from the border. This would enable the completion of the Withdrawal Agreement and incentivise the parties to agree a better FTA during the Transition Period. It would also enable the UK to negotiate more effectively with rest-of-world trading partners during the transition, with a baseline element of the relationship with the EU known at the outset.

#### **A UK-EU Free Trade Plus deal:**

- Fully activating all of the pillars listed now will start to put the UK on a stronger negotiating footing. Requests for more time will make the UK look weak and cause more delays before the UK activates the strategy outlined here.
- For an FTA with maximum regulatory recognition, the UK should put text on the table in the form of best in class chapters in all these areas: Zero tariffs in goods and agriculture; customs and trade facilitation chapter and Irish border protocol; government procurement; regulatory coherence including specific sectoral annexes (e.g. pharmaceuticals); competition policy and state aids; open services chapter with maximum liberalisation; no restrictions in all four modes of service supply in market access or national treatment; mutual recognition of occupation licensing; specific sectoral annexes in key areas including telecoms, data and financial services; investment; dispute settlement.

#### **FTAs with the US, India, China, and other partners:**

Simultaneous discussions should include with partners for more difficult FTAs in the longer term.

**Bilateral deals with countries where an EU FTA should be rolled over:**

- Negotiations should be accelerated to roll over existing agreements and agree a new FTA with EFTA. the Department for International Trade (“DIT”) should seek to conclude these negotiations provisionally, so they can come into effect on 30 March 2019 in case of no Withdrawal Agreement and no Transition Period.

**Alternative model of bilateral relationships for developing countries:**

- The UK has an historic opportunity to create genuine Economic Partnership Agreements that do not hinder growth, unlike the EU’s Generalised System of Preferences model. But better models require the UK having tariff and regulatory control.

**c. Plurilateral**

- The UK should seek membership of major arrangements which involve a number of countries, including the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) and North American Free Trade Agreement (NAFTA). Tariff and regulatory control would also be needed to accede to CPTPP.

**d. Multilateral**

- There are two aspects to multilateral strategy: using the WTO transition to reinforce the other pillars; and using a fully-fledged WTO membership to promote wealth creation for the UK economy and the world.

**At the WTO**

**The UK can use its Aggregate Measure of Support (“AMS”) offer to signal its free trade intent, seeking no or de minimis AMS to show it will not pursue production subsidies in agriculture beyond what it has now, and limit direct payments to allowed green box payments. In **bilateral negotiations with TRQ (Tariff-Rate Quota) partners**, and parties with whom it has negotiations through the EU, **it is critical the UK negotiates with partners by itself.****

The UK should also join numerous WTO groups as soon as possible, showing the UK is a committed liberaliser of trade & committed to open domestic settings, for instance:

- **The Cairns Group** of agricultural exporters (the UK is not a major agricultural exporter but is locked into EU supply chains).
- **The Manchester Group.** Just as Australia launched the Cairns Group, as the world's second-largest services exporter, the UK should launch the 'Manchester Group of Services Exporters', named for the city's role in the Victorian free trade movement.
- **The UK can join the e-commerce plurilateral initiative & take a leadership role in services liberalisation.**

## Strategic shifts

It is not possible to lay out all the required steps, but an effective strategy is only possible once the customs union or any variant of it (such as the Facilitated Customs Arrangement (FCA) set out in the White Paper or its predecessor the New Customs Partnership (NCP)) is off the table.

- If the EU does not cooperate with serious UK proposals, the UK should move to a more aggressive footing; if the EU refuses to recognise UK regulations on day one of Brexit, the UK should be prepared to take action in the WTO for violations of the General Agreement on Tariffs and Trade (the GATT) and the Agreements on Technical Barriers to Trade (TBT Agreement) and Sanitary and Phytosanitary Measures (SPS Agreement).
- In the event of no agreement, the UK could elect not to impose checks on goods trade at the Irish border, and apply zero tariffs on agri-food, on an MFN basis for all imports, and selectively reduce and eliminate tariffs on other goods.

Fundamentally, progress in one pillar reinforces the others. The UK should be playing chess on multiple chess boards, maintaining freedom to pursue all areas simultaneously.

This alternative approach aims to be a framework for the adoption of a UK independent trade and regulatory policy, including in its relationship with the EU. As a framework, many of the areas should be developed further, and represent ongoing work streams.

We seek a UK economy which employs people in good jobs, where they are able to succeed based on the merits of their ideas and their hard work. An economic system based on competition as opposed to cronyism will maximise wealth creation and lead to more money in the pockets of UK consumers, and more money for essential services.

No plan can predict every possible future move that our trading partners may or may not engage in. No plan can definitely say what final or intermediate states in our relationship will look like. This alternative approach sets out what the overall objectives of the UK government should be (the four pillared trade policy which we outline below). It then makes recommendations about what initial moves the UK could make to realise the benefits of leaving the EU.

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