

PLAN A+

Creating a prosperous
post-Brexit U.K.

Shanker A. Singham
Radomir Tylecote

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THE NEW TRADE ROUTE

The story of the IEA, Brexit
and the UK's new approach
to global trade



Radomir Tylecote

June 2021

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About the author

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Foreword

The colossal impact of the Covid-19 pandemic has somewhat eclipsed the memories of a Britain divided by the Brexit vote.

But the years running up to the Brexit referendum – and the prolonged arguments that followed in its wake – created an atmosphere that was uniquely febrile and divisive.

In September 2018, in the eye of that storm, the IEA published the paper **Plan A+: Creating a prosperous post-Brexit UK**.

It was welcomed by a then pre-Downing Street Boris Johnson. But it also prompted fierce opposition - and a censorious and, at times, sinister backlash that threatened the very existence of the IEA.

Here, Radomir Tylecote, the co-author of Plan A+, tells of the tumultuous tussles that followed its publication - and how it ultimately influenced the UK's emergence as a globally-focused, independent trading nation.

Mark Littlewood
Director General
Institute of Economic Affairs
June 2021

Introduction

This paper sets out a personal view of how, in the years immediately following the Brexit referendum, a group of researchers at the Institute of Economic Affairs worked to explain the need for the restoration of Parliamentary sovereignty and the return of free trade following Brexit. The ideas of these researchers, the IEA's International Trade and Competition Unit (ITCU), became central to the great debate on the future of the United Kingdom, eventually helping to shape the new 'free trade settlement' that emerged.

The ITCU researchers were inspired by the early campaigns for free trade in Britain, in particular the Victorian campaigns against the Corn Laws and their relationship to the development of democratic culture amid the widening of the franchise.

Working in Westminster through the tumultuous years immediately following the referendum, their work included the most-reported paper ever published by a UK think tank, a paper which met fierce opposition and was controversially suppressed by a state regulator. Yet the IEA emerged victorious from these battles, and ITCU's work, quoted by Prime Minister Boris Johnson in his first major speech on trade, has become central to the new independent trading nation that is emerging.

In the 1980s the IEA was uniquely associated with the free market Thatcherite revolution; today, with the United Kingdom having once more taken its place as an independent trading nation and a force for liberalisation, IEA researchers have been at the heart of helping create the new Brexit Britain.

This paper begins by reminding readers of the roots of free trade in the thinking of such classical economists as Adam Smith and David Ricardo, and explains how these ideas were associated with the anti-Corn Law movement, which in turn helped to build modern Parliamentary democracy.

It then goes on to describe the events surrounding the 2016 Brexit vote, and the political options faced by the United Kingdom, which echo in some ways the choices facing nineteenth-century Britons. The IEA's role in this is described, and the main part of the paper focuses on the development of 'Plan A+', which set out a path towards free trade in the twenty-first century.

Despite the political opposition which Plan A+ provoked, and the attentions of the Charity Commission, which (as pointed out in detail later) I believe to have wrongly forced the IEA to withdraw the paper and censor it before it could be re-released, the ITCU researchers ultimately saw much of their analysis and many of their proposals taken up by the new Johnson administration. If the years to come see the government's trade liberalisation ambitions come to fruition, it will have been in no small measure because of the efforts of the IEA group.

Parliamentary democracy's links to free trade

“Britain gave free trade to the world”, wrote Frank Trentmann in his 2008 book *Free Trade Nation*.

The story of why free trade once flourished in Britain, why it was inseparable from the development of Parliamentary democracy, and why it declined in the twentieth century, was one of the inspirations for a small group of scholars who came together at the IEA to work towards its restoration.

As we will see, the 1846 repeal of the Corn Laws was the moment Britain adopted the liberal trade policies which put free trade at the heart of the strengthening democratic culture of the age. It showed how free trade and an invigorated democracy could create a new political settlement: a similar promise to that which supporters of Brexit saw in their own era over 150 years later. Repeal was possible in Britain more than anywhere else because, among other advantages, campaigners could build on the philosophical work of the preceding century, above all the insights of Adam Smith and David Ricardo.

Philosophy

When Adam Smith was born in 1723, a form of mercantilism was still the order of the day (Butler 2019). Governments tried to boost their exchequers by encouraging exports while imposing tariffs on imports. Combined with laws designed to exclude foreign products, these tariffs helped keep imports as low as possible.

In the *Wealth of Nations*, Smith would show that what we now call free trade makes both countries richer: the seller gets income, but the buyer

gets a good of a higher value than what they pay. This measure of production and exchange developed into the twentieth-century concept of gross domestic product. Smith proposed that this, not a stockpile of gold, was the better measure of national wealth.

This kind of free exchange also helped specialisation, including across borders. This increased output, generating a surplus, which could be exchanged for other products. Tariffs, subsidies, and monopolies caused prices to rise and the poor to become poorer; conversely, in Smith's words, "the obvious and simple system of natural liberty establishes itself of its own accord."

In *The Wealth of Nations*, Smith described how cutting tariffs would lead to falling prices. The accelerated specialisation across borders would see resources go where they can be most efficiently used. Conversely:

By means of glasses, hotbeds, and hotwalls, very good grapes can be raised in Scotland, and very good wine too can be made of them at about thirty times the expense for which at least equally good can be brought from foreign countries. Would it be a reasonable law to prohibit the importation of all foreign wines, merely to encourage the making of claret and burgundy in Scotland?" (Smith 1776: 456-457)

He also hinted at the way regulations might be contrived to prevent competition, including from imports:

People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.... But though the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblies, much less to render them necessary. (ibid: 660)

The thinker most associated with free trade is the English economist and MP David Ricardo. Ricardo's greatest analytical legacy is today called 'comparative advantage' and he used the example of trade between England and Portugal to explain his theory in action (Ricardo 1951 [1817] Chapter VII).

In Portugal, he posits, production of wine and cloth both require less labour than in England. It has an 'absolute advantage' in producing both goods. But In England it is very hard to produce wine but less difficult to produce cloth. This means Portugal should produce excess wine then trade it for a surplus of English cloth, meaning both benefit.

Ricardo accordingly proposed that any country will make itself wealthier by specialising in what they can produce relatively more cheaply than others can: it should trade in those products where it has a comparative advantage.

Corn Laws

By the nineteenth century, the Corn Laws in various forms – prohibitions and tariffs on grain imports, or prohibitions on exports – had been a feature of life for about 400 years, since the time of Henry VI in the fifteenth century (Cash 2012). These trade barriers forced the poor to pay more for bread and protected the incumbents of their day, primarily aristocratic agricultural landowners, from competition.

Discontent over bread prices began to rise from the 1790s, when war with France led to blockades, exacerbated by taxes on imports of grain imposed in 1790, 1804, and 1815. The Corn Laws of 1815 meant grain prices needed to reach 80 shillings per quarter, an almost famine-inducing level, for imports to be permitted (Carpenter 2019).

Discontent, which turned violent when crowds attacked the homes of Prime Minister Lord Liverpool and some of his colleagues, was catalysed by demands for a widened franchise (Cash op. cit.). In August 1819, the violent suppression of a peaceful demonstration against the Corn Laws and in favour of electoral reform at St Peter's Fields in Manchester caused the deaths of 11 people. This discontent continued despite amendments to the Laws, which were revised in 1822 and 1828, with the tariff substituted for a sliding scale of duties on foreign imports which changed depending domestic price (Miller 2019 Chapter 3).

While opposition to the Laws was widespread in urban areas by the late 1830s, it remained uncoordinated. The extensions of the franchise in the 1832 Reform Act helped spur the creation in 1836 of the Anti-Corn Law Association in London, but it did not last. In 1838, a twenty-seven-year old called John Bright made his first speech against the Corn Laws in

Rochdale, lamenting the “privileges and interests of the aristocracy”. But neither Tories nor aristocratic Whigs had as yet any intention of abolishing the Laws. Whig Prime Minister Lord Melbourne told Parliament: “To leave the whole agricultural interest without protection, I declare before God... the wildest and maddest scheme, that has ever entered into the imagination of man to conceive” (Cash 2012).

Bright founded the Anti-Corn Law League in 1838 with his friend Richard Cobden. Building on the successful techniques and focus of the campaigns against slavery, the aim was the ‘immediate and total abolition’ of the Corn Laws. From 1843 the League decided to use Parliament to apply direct pressure (Miller 2019). Cobden had entered Parliament as Free Trade Member for Stockport in 1841, Bright as Member for Durham in 1843 (and for Birmingham in 1857), speaking at hundreds of meetings across the country in the following years. For scholars who wanted to demonstrate what a sovereign trade policy could achieve, the story of the League was an inspiration.

In 1842 the League opened the Free Trade Hall on St Peter’s Fields. At a meeting in London’s Drury Lane Theatre, Bright described the cost of protectionism:

Persons not more than twenty-five or thirty years of age appeared poor decrepit creatures, as old as others at sixty or seventy... they had never had enough of good or substantial diet... and grew up to be stunted and dwarfish and miserable. As to Sheffield, seven or eight years ago not one in a thousand [was] a pauper, now the proportion was one in nine (Cash 2012: 28).

Slowly, the Establishment began to shift. When Repeal of the Corn Laws was finally put before the Commons in 1846, Bright explained why free trade and democracy were interwoven: “it must be a matter of rejoicing... that a mode has been discovered by which tens of thousands of honest, industrious, and meritorious artisans have brought themselves within the pale of the Constitution”, and in a speech directed against the Conservative Party itself, Cobden referred to Adam Smith, David Ricardo and Edmund Burke (ibid: 49). At dawn on 16th May 1846, the Commons passed Repeal by a majority of 98 (sensing where their interests lay, the Lords did not stand in their way).

Tory Prime Minister Robert Peel had decided to support repeal – splitting his party – not least because of the popularity of the free traders among the many thousands of newly registered voters since the Reform Act of 1832 (Phillips and Wetherell 1995). Though it cost him his premiership, the vote forged a new political settlement. Peel said: “I have a strong belief that the greatest object that we or any other Government can contemplate should be to elevate the social condition of that class of the people with whom we are brought into no direct relationship by the exercise of the elective franchise.”¹ Historian Robert Blake (1970) suggests that the birth of the Conservative Party can be traced to Repeal, which sounded the death knell of protectionism in Britain for the rest of the century. Free trade would unleash Britain’s industrial explosion. In 1842, her exports were worth £47m: by 1876 they were worth over £200m (Trentmann 2009).

The Franchise

A flourishing culture of free trade strengthened further demands for the extension of the franchise through the Victorian reform acts; Frank Trentmann (2009: 12) describes how free trade came to be viewed as “an active nursery of democracy.” But in the 1860s, much of Parliament didn’t see it that way. In the Commons in 1866, the Liberal Robert Lowe believed that in battling against the extension of democracy he was defending the national interest and government itself:

If you want venality, if you want ignorance, if you want drunkenness, and facility for being intimidated; or if... you want impulsive, unreflecting, and violent people, where do you look for them in the Constituencies? Do you go to the top or to the bottom? (Cash 2012: 107).

In Glasgow in 1858, in a speech that still resonated in the Brexit era, Bright described how foreign policy – including our relations with Europe – showed why our lack of fully representative democracy kept so much policy from popular accountability and control.

When you come to our foreign policy you are no longer Englishmen; you are no longer free; you are recommended not to enquire... We are told that the matter is too deep for common understandings like

1 Peel’s speech can be found in full at [For a Repeal of the Corn Laws by Sir Robert Peel. Great Britain: II. \(1780-1861\). Vol. IV. Bryan, William Jennings, ed. 1906. The World’s Famous Orations \(bartleby.com\)](#)

ours – that there is great mystery about it. I have often compared, in my own mind, the Foreign Office of this country with the temples of the Egyptians... vast chambers and gloomy passages; and some innermost recess, some holy of holies, in which, when you arrive at it, you find some loathsome reptile which a nation revered and revered, and bowed down itself to worship (ibid: 206).

Bright's Liberal Unionist successor in Birmingham, Sir Ebenezer Parkes, adopted the label Unionist in 1910, and when the Conservative and Unionist Party was created before the 1912 election, it spread from Birmingham across Britain. One observer of that election described how the poor "look upon Free Trade as we do upon Trial by Jury... an absolute fundamental right, to buy eatables as cheaply as circumstances will allow." (Trentmann 2009: 70).

As Trentmann has pointed out, in the heyday of free trade Britain pursued a policy of unilateral global free trade, scrapping the protectionist tariffs which had protected incumbents while its limited customs duties were there simply to raise revenue. To prevent any protectionist effect they were offset by excise taxes on corresponding domestic production.

Much of the Left also saw free trade as central to equality, seeing its success as the result of organised civil society actions, rather than top-down reform.

The success of free trade spurred similar movements across Europe, and the zenith of liberalisation was reached in the 1860 Anglo-French Cobden-Chevalier Treaty, a bilateral agreement that incorporated the modern concept of the 'most-favoured nation' clause, whereby countries automatically extend to each other any trade preferences they grant to third parties.

Free trade had helped build a democratic culture. But it couldn't hold.

Decline

As Britain moved towards liberalisation, Germany, increasingly under Prussian dominance, went in another direction. Germany had followed Britain by steadily cutting tariffs after 1853, but in 1879 Bismarck put the Zollverein (or 'customs union' of German states, founded in 1833) to use to begin raising tariffs. Other Continental European governments had no choice but to abandon their own low tariff regimes.

There is probably no better example of the customs union in action than sugar. In the latter half of the nineteenth century, Germany, Russia and Austro-Hungary expanded beet sugar production through subsidies and export bounties. From only 8 percent of world sugar production in 1840, beet constituted 65 percent by 1900, mostly for export. A few European cartels grew rich, devastating Caribbean producers. This challenge to the liberal Free Trade system broke down the divide between state and market, and between domestic and international affairs, challenging national sovereignty (Trentmann op.cit.).

By the end of the nineteenth century, some British politicians were calling for a return to protection in the name of 'fair treatment' for their producers. Amid growing resignation that Britain could not hold its line, London signed the Brussels Sugar Convention of 1902, which discouraged sugar-production subsidies through countervailing duties (Fakhri 2014).

This experiment in global governance, rather than involving taxes based on the consent of the House of Commons, now committed Britain to a tax determined by an international body. The Women's Liberal Federation duly warned that this "undermined the historic principles of taxation and liberty". In his day, Bright had been fond of describing the Corn Law campaign as a form of struggle between the "tax-paying" and the "tax-eating" class (Raico 1977).

Yet free trade maintained genuine popular support well into the twentieth century, including through such left-wing movements as the Working Class Leaders' National Protest Against Preferential Tariffs and the People's League Against Protection. In June 1904 ten thousand people assembled at Alexandra Palace to commemorate the centenary of Richard Cobden's birth, demonstrating popular faith in Britain's continued role as a Free Trade nation. David Lloyd George, Winston Churchill and future Liberal Prime Minister Henry Campbell-Bannerman were among them, the latter making a speech tying Free Trade to wider ideas of liberty.

On the eve of World War I others in Europe were still following Britain's lead, with protectionism defeated in a Dutch election and protests growing in Germany and Austria against tariffs and exorbitant food prices. On 3rd August 1914, Germany declared war on France and the world was plunged into conflict.

Britain at war would establish controls over all manner of products. In 1916 the Liberal Lord Devonport became the new Minister of Food Control

and set about fixing prices. Having failed to take control of the seas from Britain in the Battle of Jutland of May and June 1916, in 1917 Germany launched unrestricted submarine warfare and began attacking even neutral merchant ships in the seas around Britain. Her submarines sank 105 British ships in February alone; in March 25% of ships bound for Britain were lost.² By November the allies had agreed plans to coordinate what ships they had left in an Allied Maritime Transport Council, suspending market forces and national control in a sudden move towards 'international administration'. Peace in 1918 did not herald the rollback of the state. In summer a new 'Consumers' Council' demanded more state controls. However, even in war Britain had not resorted to tariffs.

In September, a small group of 'progressives' was brought together by Whitehall at Balliol College, Oxford. The group, which included John Maynard Keynes, concluded: "The old theory of national independence in economic policy [including the "full Free Trade point of view"] has been swept aside by the force of events" and the time had come for "international control arranged by... Governments themselves." (Trentmann 2009). The great flowering of liberal confidence was ending.

If Conservatives had drifted back towards protectionism from the early twentieth century, Liberals and the Labour Party had generally stuck more closely to a free trade position. This too began to change, as Labour's future deputy leader Arthur Greenwood looked to "international controls over crucial resources under an international political body". Where democracy would be in all this was unclear.

A new Federation of British Industries (the forerunner of today's CBI), was launched to lobby for protection, claiming that old-style competition was wasteful. In 1931 the celebrity economist of his day now saw Adam Smith, David Ricardo and John Stuart Mill as outmoded. The case for free trade, Keynes said, was that it allowed countries to focus on what each did best. That was all very well in the nineteenth century, but widespread industrialisation, he claimed, meant any manufacturing country was probably just about as well fitted as any other to manufacture most things and other considerations³ should determine policy. This argument might perhaps be considered the 'End of History' of its time.

2 Imperial War Museums (2021).

3 See the proposals for 'Mitigation by Tariff' in *Essays in Persuasion* (Keynes 1972 [1931]).

Ironically, this new progressivism was in many ways a step back to the managerial, protectionist position of the old Tories and the 'tariff reform' movement led by Joseph Chamberlain. Just as politics after World War II would coalesce around European integration, in the inter-war years a consensus emerged for protection and, gradually, for multilateralism. George Lansbury, a Cabinet minister in Ramsay Macdonald's Labour government, told colleagues in 1930: "None of us are now free traders... Liberal, Tory and ourselves". This was "all to the good, because the more we aid the more right we have to control." (quoted in Trentmann 2009).

In the 1840s, although Repeal had caused a great rift among Conservatives and brought Peel's premiership to an end, politicians had soon begun to compete with each other to "protest their free trade credentials and remove other taxes on articles of working-class consumption" (quoted in Miller, 2019). Yet now free trade's supporters were increasingly isolated. Once upon a time the movement had exploded out of the North West: now it withdrew to intellectual sanctuaries such as Dunford House in Sussex, once Cobden's home, which became the base of a network of economic liberals. They included Friedrich Hayek, whose book *The Road to Serfdom* would in 1955 inspire the creation of the Institute of Economic Affairs.

A referendum and an opportunity

Time moves inexorably on, and twenty-first century Britain is very different from the country which adopted free trade in the nineteenth century. But in many ways the events of the last few years echo the struggles to abandon the Corn Laws and extend democracy.

By the early years of this century, Britain had been inside the European Union's customs union and without the capacity to decide its own trade policy for over a generation.

The European Union that had been formed in stages after World War Two followed the little-discussed philosophy of functionalism advocated by Jean Monnet, one of its early architects. Peace in Europe would now be maintained through democratic national governments' functions being increasingly taken over, and their policies harmonised, by shared European institutions around a central, unelected, Commission.

Britain's economy was to be increasingly integrated, through steadily harmonised regulations, into the single market. For trade, the EU's customs union created a common external tariff. A generation of politicians accepted that this was the price of European peace, and by the 1990s it would mean representation by the EU in the World Trade Organisation (WTO), the successor to the General Agreement on Tariffs and Trade (GATT) whose creation the United Kingdom had led in the years after the war.

Signed in Geneva in 1947, GATT was a multilateral attempt to reduce and eliminate trade barriers, especially tariffs and quotas. Its principle of reciprocity was designed to avoid Britain's nineteenth century situation in which rising tariffs elsewhere undermined a unilateral free-trade policy. GATT became the WTO in Marrakesh in April 1994 as part of the Uruguay Round agreements. In 1947, the average tariff of GATT's participant

countries was around 22 percent: by 1999 this was 5 percent (Bown and Irwin 2015).

Since then, trade liberalisation has stalled.

The new threats to prosperity

When Shanker Singham brought together the team that would become the IEA's International Trade and Competition Unit (ITCU), it was to put into action ideas developed working on trade policy since the fall of the Berlin wall. The philosophy that informed the team saw stalled trade liberalisation as only one part of a wider problem.

Singham had spent much of the previous twenty years researching the impact of distortions to markets in foreign trade and at home,⁴ and with Alden Abbott⁵ had defined 'Anti-Competitive Market Distortions' (or ACMDs) as "involv[ing] government actions that empower certain private interests to obtain or retain artificial competitive advantages over their rivals, be they foreign or domestic." Identifying how ACMDs are a prosperity-destroying obstacle to international trade, it was then necessary to be able to model the harm they created, leading to a series of papers from 2014⁶ including with economist Srin Rangan.⁷

The model Singham and his colleagues developed was based on the concept that the 'pillars' of economic development are property rights protection, domestic competition, and international competition, while anti-competitive policies affect prosperity-generating markets by eroding these pillars.

Barriers to international competition will restrict foreign firms' access to a domestic market – and domestic firms' access to foreign markets – which will tend to reduce consumers' access to a wider variety of goods and less expensive and/or higher quality inputs; combined with less exposure to sometimes more efficient foreign firms, this will also reduce innovation. But even if international trade is freed, distortions to the domestic market – to property rights and competition – will hinder investment. In research

4 See Singham (2001, 2007) and Singham and Sokol (2004).

5 Abbott and Singham (2011).

6 See Singham, Bradley and Rangan (2014).

7 See Singham, Rangan, Bradley and Kiniry (2016). See also Singham and Kiniry (2016).

for the Centre for Economics and Business Research, Singham established that ACMDs' impact might be greater than previously believed.⁸ The success of free trade agreements in improving FDI therefore also depends on regulatory control over the domestic environment.

In the thinking that informed ITCU's work, economic growth is not the human norm, but historically a highly unusual state of affairs. So the danger was emerging that we would look back on the era of growth since the Industrial Revolution (and the Free Trade revolution) as a freak event, before we forgot how it was achieved and let decline set in for good. After the financial crisis this possibility began to feel like an urgent threat.

The creation of wealth requires competition, to prevent the incumbency and cronyism that inhibits the creative destruction on which new prosperity depends. This cronyism tends to happen when today's big incumbents gain too much influence, supporting 'inside-the-border barriers' such as the burdensome regulations that reduce the chances of smaller firms challenging them (an example of what Singham termed ACMDs). Because smaller challenger firms often have the greatest incentive to innovate, this harms innovation, one of the most important drivers of prosperity growth. It is increasingly at risk in Europe today.

These domestic trade barriers also create the import substitution that Adam Smith described. Tariffs have declined, but regulations now keep out many imports, harming competition, disincentivising innovation, raising prices for the poor, and harming prosperity. Left to grow, the lobbying power of incumbents will eventually render democracy increasingly cosmetic.

Because tariffs have fallen, the inside-the-border barriers are now probably three to four times as important.⁹ Such distortions are an inconvenience for the wealthy, but often a catastrophe for the poor: the privileged elite won't notice a 10 percent rise in the price of food.

Harmonising regulation also tends to create more inside-the-border barriers. While by chance harmonisation might create the ideal consumer welfare-enhancing regulation (just as a stopped clock is right twice a day), generally it simply abolishes the competition between national laws that allows legislation to improve.

8 Singham (2019).

9 *ibid.*

Into this scenario of EU harmonisation came Brexit, a decision to leave a bloc whose way of dealing with other countries was not based on regulatory competition but, in the EU's relationships from Norway to Israel to the Ukraine, on enforced harmonisation with the EU regulatory rulebook. As the EU moved further towards the 'distortive' end of the economic spectrum, the United Kingdom gave itself a vast new opportunity.

A global moment

Early in 2016, David Cameron had flown to Brussels to battle for Britain, aiming for a 'new deal' before the June referendum on EU membership. On 24th February, Cameron claimed to have an agreement that he said would defend sovereignty and see the EU "pursuing an active and ambitious trade policy". In March the House of Commons Library published its own detailed analysis which said the deal:

Does not bind the EU institutions, and is not necessarily legally enforceable under either EU or domestic law. It could be very problematic if either the Court of Justice of the EU or a domestic court found an inconsistency between the Decision and the EU Treaties. The Decision... cannot guarantee all of the outcomes envisaged in it (Lang et al. 2016: 3).

On the eve of the 23rd June vote, most commentators thought Remain had narrowly won. But with a turnout of over 72 percent, by 52 percent to 48, the British people voted to leave the European Union. Leave won a majority in England and Wales; Remain won the larger share in Scotland and Northern Ireland. In England's regions, only London saw a Remain majority, with the Leave vote strongest in the north and east coasts (Uberoi 2016).

On the morning of 24th June, David Cameron resigned. Following an eventful and controversial leadership election, the Queen invited Theresa May to Buckingham Palace at 5pm on Wednesday 13th July (Johnstone 2019). Brexiteer Liam Fox supported May's campaign and would become her first Secretary of State for International Trade. In her first speech as Prime Minister, Mrs May repeated her vague if positive campaign slogan, "Brexit means Brexit". For much of the Whitehall establishment, the referendum result was a hammer blow. Cameron, Osborne and their advisors simply did not believe they would lose. Some civil servants were reported as weeping in their offices.

Many scholars and think tanks worked to inform Brexit policy in the post-referendum years. ITCU was among them, and while it is not possible to demonstrate its precise influence, its aim was squarely to influence the climate of opinion at this global moment. Beginning as the Special Trade Commission at the Legatum Institute think tank,¹⁰ the team's advisory group included Alan Oxley (Australia's former Ambassador to the WTO), Francisco Sanchez (Under-Secretary for International Trade under Barack Obama), John Weekes (former Canadian Ambassador to the WTO), Sir Lockwood Smith (New Zealand's former Trade Minister and High Commissioner to the UK), and Crawford Falconer (New Zealand's former Ambassador to the WTO).

As Shanker Singham began advising the new Trade Secretary – including recommending that a single Department for International Trade be created, where Crawford Falconer became Fox's chief trade negotiation advisor – the team's first paper, *Blueprint for An Independent Trade Policy*¹¹ was released in 2017. Singham, Victoria Hewson and others also began outlining why the emerging issue of the Northern Irish border – where a soft border would need to be maintained while allowing goods from two regulatory systems to cross – was not insoluble¹²).

As Prime Minister, David Cameron had assured the British people that the government would “implement whatever you decide”. But soon a new narrative appeared, suggesting that the referendum had been merely “advisory” or despite Vote Leave's slogan of “take back control” (of our “borders, laws, and money”), voters had not fully grasped the implications of Brexit.

Lancaster House

However for Brexit supporters, Mrs May had made a promising start. Appointing David Davis as her Secretary of State for Exiting the European Union, she delivered her first substantial speech on Brexit in January 2017. The ‘Lancaster House Speech’ promised to take “the opportunity of this great moment”, noting that without a written constitution Britain instead had the principle of Parliamentary Sovereignty. Seeking a new

10 The team that began as the Special Trade Commission at the Legatum Institute became the International Trade and Competition Unit (ITCU) at the Institute of Economic Affairs.

11 Singham (2017).

12 Morgan et al. (2017).

and equal partnership would not mean “partial membership, associate membership, or anything that leaves us half-in, half-out”,¹³ and the Prime Minister backed an independent trade policy to give the UK the ability to strike agreements outside the EU and its Customs Union’s Common External Tariff. For the UK to be able to sign advanced trade agreements and for pro-growth regulation, regulatory autonomy would be needed.

On 29th March, Mrs May triggered Article 50 of the Lisbon Treaty, the official mechanism for withdrawal. This granted two years grace to reach an agreement (barring an agreed extension) that would have to be approved by a qualified majority (72 percent of the remaining 27 EU states, representing 65 percent of the population) as well as MEPs.¹⁴

In April that year, with Jeremy Corbyn’s Labour Party trailing in the polls, the Prime Minister called a snap general election. Against expectations, her campaign did not focus on the possibilities of Brexit, but on themes of social justice, productivity, and a demographic called the ‘Just About Managing’. The solid majority that had been predicted at the start of the campaign evaporated as the electorate returned a hung parliament. May was forced to lead a minority government dependent on a confidence and supply agreement with the Democratic Unionist Party (DUP), giving the Northern Irish party an effective Commons veto over a Brexit agreement.¹⁵

In November, in a move taken as a chilling message by supporters of an independent trade policy, the Charity Commission began investigating Legatum for its “pro-Brexit work”, and against the precedent of its arms-length attitude to other think tanks opened a “compliance case” into whether it was being run in line with its “charitable objective to promote education”. This foreshadowed, as we shall see, the Commission’s intervention at the IEA.

13 ‘The government’s negotiating objectives for exiting the EU: PM speech’. 17 January 2017 (<https://www.gov.uk/government/speeches/the-governments-negotiating-objectives-for-exiting-the-eu-pm-speech>)

14 ‘Brexit: Article 50 has been triggered – what now?’. *BBC News Online*, 29 March 2017 (<https://www.bbc.co.uk/news/uk-politics-39143978>).

15 Cabinet Office Policy paper: Confidence and Supply Agreement between the Conservative and Unionist Party and the Democratic Unionist Party. Updated 23 January 2020. <https://www.gov.uk/government/publications/conservative-and-dup-agreement-and-uk-government-financial-support-for-northern-ireland/agreement-between-the-conservative-and-unionist-party-and-the-democratic-unionist-party-on-support-for-the-government-in-parliament>

On 8th December 2017, after late-night negotiations in Brussels, the UK and EU agreed a joint report covering EU and UK citizens' rights and a so-called Northern Irish "backstop". An atmosphere of suspicion had now descended upon Downing Street.

Alignment

The joint report described how citizens' rights would not fall under the direct jurisdiction of the European Court of Justice, as demanded by the EU, but that UK courts would still need to pay indefinite "due regard" to its decisions. For eight years after Brexit, UK courts would refer interpretation questions directly to the ECJ.

The text on Northern Ireland stated: "in the absence of agreed solutions, the United Kingdom will maintain full alignment with those rules of the Internal Market and the Customs Union which, now or in the future, support North-South cooperation, the all-island economy and the protection of the 1998 Agreement". This backstop was meant to keep an open border without physical infrastructure; critics noted that it gave the EU the incentive to refuse any later alternative.

The UK side stated that the backstop would guarantee full alignment with the EU's single market and customs union on cross-border trade, but given that 'partial membership' of the EU did not yet exist, it was unclear how this alignment might be maintained without Northern Ireland remaining *de jure* or *de facto* in the single market and customs union (Morris 2017).

Then on 2nd March 2018, the Prime Minister's Mansion House Speech¹⁶ described how the Government sought a "comprehensive system of mutual recognition" beyond that on offer to third countries outside the Single Market. While UK law and regulations would seek to "achieve the same outcomes" as EU law, this would mean regulations would not need to be identical. This seemed to follow the advice of Australia's High Commissioner Alexander Downer, who had pointedly said that there is no way that Australia would allow another country to decide its regulatory system.

16 'PM speech on our future economic partnership with the European Union'. 2 March 2018 ([PM speech on our future economic partnership with the European Union - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/speeches/pm-speech-on-our-future-economic-partnership-with-the-european-union)).

Claiming that existing models for partnership would not work, the Prime Minister intended the UK to be outside the European Court of Justice's jurisdiction, with cases heard in British courts, but "where appropriate" they would look to ECJ judgements. May raised the prospect of UK participation in EU agencies, in which it would respect the ECJ's remit (to remain within the European Medicines Agency, European Chemicals Agency and European Aviation Safety Agency).

On trade in goods, Mrs May prioritised making the UK-EU border as frictionless as possible, claiming: "businesses who export to the EU tell us that it is strongly in their interest to have a single set of regulatory standards that mean they can sell into the UK and EU markets." She reiterated a position developed in the summer that there were "two options" the UK might pursue on customs in the name of a "frictionless border".

Option one, a UK-EU customs partnership, would mean the UK would mirror EU import requirements, applying the same tariffs for goods arriving in the UK but intended for the EU. Some sort of mechanism would be created to let the UK apply its own tariffs and trade policy for goods destined for its own market.

Option two meant "highly streamlined" customs arrangements with both parties agreeing measures to minimise trade frictions, and provisions for Northern Ireland (this would include continued waiving of the need for entry and exit declarations for goods moving between the

UK and EU). To avoid delays, both parties might recognise each other as "trusted traders" with IT solutions removing the need for vehicles to stop at the border.

At the same time, following lengthy internal debates at the Legatum Institute about how best to handle the Charity Commission's unwelcome attentions, in March 2018 news reports noted the sudden resignation of the team and their departure to the Institute of Economic Affairs on the invitation of Director General Mark Littlewood, where they formed the International Trade and Competition Unit which supplemented the IEA's existing Brexit Unit. One report described the move as the "equivalent of Manchester City signing Manchester United's top strikers".¹⁷

17 Guido Fawkes carried a piece headed 'Shanker Shocker: Legatum's Brexit Team Transfers to IEA'. 9 March 2018 (<https://order-order.com/2018/03/09/shanker-shocker-legatums-brexit-team-transfers-iea/>)

In a piece that month the team's intent was announced:

Brexit has arrived at a critical time. Global economic output has slowed and trade as a share of GDP has fallen. It is not inevitable that the world's wealth will keep growing: we forget at our peril that poverty typifies the human experience... Prosperity is only achieved following specific choices, which need urgently to be re-made. This means choosing a self-governing, free, and free-trading state, setting rules and regulations ourselves. [If] Western countries do not find the confidence to do this, they will lapse back into the normal state of mankind: prosperity only for elites, who maintain their grip by curtailing freedoms.

We choose free trade, then, because that cannot be our future. In his great poem *Ulysses*, Tennyson imagined the Greek hero of the *Odyssey*, old in years but vowing once more to look out across the sea: *There lies the port, the vessel puffs her sail...*(Tylecote 2018).

The team at the IEA

To its supporters, the UK's departure from the European Union constituted the most important change in international relations since the fall of Soviet Communism as an opportunity to restore the fundamental principles of parliamentary democracy, including capacity to determine how to trade with the world and above all to self-govern.

It should be stressed that the Institute of Economic Affairs, true to its traditions since the days of Ralph Harris and Arthur Seldon, held no corporate view on Brexit. It was home to people of many different views on Britain in the European Union, from those who supported the country staying in, to those who wanted departure from any alignment, together with those at points in between.¹⁸ Those at the IEA who wanted the UK to remain in the EU had, however, no interest in protectionism and would also have liked freer trade. Perceiving the EU as conducive to trade in the long run, they would have preferred for the UK to remain a member, promoting a liberalising agenda from within.

Nonetheless under Mark Littlewood the IEA became a natural home for people at the centre of the Brexit debate who saw support for Brexit as consistent with the IEA's mission to uphold "the institutions of a free society". The team that Shanker Singham brought to the IEA comprised Radomir Tylecote, Victoria Hewson and Catherine McBride, who joined the Brexit Unit's director Julian Jessop. They soon added researcher Felix Hathaway.

A few months later, Mark Littlewood also hired Darren Grimes, who had previously founded BeLeave, a digital youth-focused campaign under Vote Leave. This, too, carried risks. Grimes was being investigated by the

¹⁸ For a range of views of those associated with the IEA, see the edited collection by Minford and Shackleton (2016).

Electoral Commission, which, apparently ignoring mounting evidence about the Remain campaign including a dossier composed by Priti Patel, eventually pursued him to court twice, where he was entirely vindicated. Littlewood and the IEA backed Mr Grimes throughout.

A growing campaign against ITCU and the IEA

The problems that the Singham group had experienced at the Legatum Institute did not go away with the move to the IEA. Come early summer, a former board member of the Charity Commission published an article about the Institute of Economic Affairs and “political impartiality”, also writing to the Commission’s Chief Executive to demand an inquiry into the IEA.

And, although the IEA staff did not know it at the time, almost immediately afterwards, Uearthed, an organisation linked to Greenpeace, published a sensationalised, albeit not particularly sensational, results of a six-month sting operation against the IEA. This involved two activists posing as possible donors while secretly filming Mark Littlewood at a conference in Copenhagen and at the IEA offices in Westminster.

The footage they obtained was edited to insinuate the falsehood that Littlewood was offering illicit access to policymakers, and the sting was splashed across the front page of the *Guardian* on July 30th.¹⁹ The left wing press, Greenpeace, Labour Party shadow ministers and others produced salvos of articles whose demands included the IEA being banned from the BBC, investigated by the Charity Commission, reported to the Lobby Register, and forced to reveal its funding, which would have violated the principles of privacy and freedom of association. This persuaded the Charity Commission they had grounds to open a regulatory compliance case into the IEA (powers that enable them to investigate anything they please without telling those under investigation of what they are accused).

The accusations Greenpeace produced, like those against Darren Grimes and the Charity Commission’s claims about the IEA, would all be shown to be false. But they demonstrated a mindset at work at the time. The central accusation was that the IEA’s work on Brexit and trade was some sort of disguise for corporate and especially American money. Its claims

19 ‘Rightwing UK thinktank “offered ministerial access” to potential US donors’, *The Guardian*, 30 July 2018 ([Rightwing UK thinktank ‘offered ministerial access’ to potential US donors | Brexit | The Guardian](#))

about the renewal of Parliamentary democracy and free trade were, the argument went, a smokescreen.

There were multiple ironies to these claims. The first was that the smaller government the IEA has always argued for is often not in the interests of major corporates, who can typically handle the regulatory burdens imposed by big government, unlike the SMEs that might otherwise become their future competitors. The next, during this era of Brexit, was that Remain supporters had received far more corporate sponsorship. Finally, since its founding in 1955, the IEA has been probably the most philosophically consistent think tank in the UK, never releasing a publication that called for a larger government, more taxes, or less individual freedom. The IEA seeks donations, but it has never been for sale.

Throughout these torrid months, the ITCU team published a running series of papers and articles describing an alternative to the May government approach that was veering dangerously towards harmonisation with the EU. On July 16th, Singham, Tylecote and Hewson published the paper *Freedom to Flourish*²⁰ which described how withdrawal needed to mean regulatory autonomy. Victoria Hewson's paper on *Medical provisions post-Brexit*²¹ followed, then Julian Jessop's *Much to gain and little to fear from a US-UK Trade deal*²².

The Chequers plan

On July 6th 2018 Theresa May had at last taken her Cabinet to Chequers to present her proposed method of withdrawal from the European Union. Despite Donald Tusk, the President of the European Council, having offered a free trade deal in the Spring, May's proposal promised that the UK and EU would become a free trade area for goods, including agri-food, mandating not just the alignment of regulations themselves but commitment "by treaty to harmonisation" with EU rules on goods.

The document, soon named after the Prime Minister's official residence in the Buckinghamshire Chilterns, claimed that Parliament would oversee trade policy – while recognising that divergence from EU rules "would have consequences". But in reality, because it denied the UK sovereign control over the regulations that are at the heart of trade deals (given their

20 Singham, Tylecote and Hewson (2018).

21 Hewson (2018).

22 Jessop, J. (2018).

capacity to block imports and competition), Chequers would render genuinely independent trade policy close to impossible. It also glossed over the fact that there is no genuine division between rules for goods and services, the two being interwoven, as in marketing. “Cooperative arrangements”, the Chequers scheme promised, would be established between EU and UK competition regulators, with “joint jurisdiction” providing a joint institutional framework to interpret UK-EU agreements (by a UK and EU court combined). As ITCU’s riposte in the autumn would explain, the White Paper

provides for a common rule-book in goods and agrifood... with a commitment to harmonise with future EU rules in these areas. The carve-outs for CAP and CFP, and for marketing and labelling rules, do not recognise that most of the trade complaints about EU agricultural policy lie precisely in the SPS area. Given the direction of travel of EU regulation in this area, it is difficult to see how having no flexibility in these SPS areas can lead to trade agreements with others... any change that the UK might seek would have to go through a complex process involving a joint committee where the EU would ultimately adjudicate on whether the UK was in fact harmonised to the EU rule. From a trading partner perspective, this means that the UK is severely constrained in its ability to change rules...

A trading partner seeking changes in these areas would also assume that the UK could not, in fact, concede anything, or that the path to a concession was through Brussels, not London (Singham and Tylecote 2018).

Chequers promised the implementation of a so-called Facilitated Customs Arrangement or New Customs Partnership (NCP), in which the UK and the EU would be treated as a “combined customs territory” (the UK would apply domestic tariffs for goods intended for the UK and EU tariffs for goods that would end up in the EU, so exporters would have to reclaim on whichever was lower). In an immediate response to Chequers in the press, Shanker Singham said this meant a “commitment to harmonise” with the EU rulebook. “UK autonomy”, he said, “is lost”.²³ As Sir Lockwood Smith put it: “with NCP... you can forget about global Britain”.

23 ‘David Davis is right to fear the consequences of the PM’s Chequers deal’. *The Telegraph*, 9 July 2018 (<https://www.telegraph.co.uk/politics/2018/07/09/david-davis-right-fear-consequences-pms-chequers-deal/>)

Two days later, Brexit Secretary David Davis and his Minister Steve Baker resigned, dealing a blow to Theresa May's attempts to secure the support of Eurosceptics. Davis warned that Brussels would likely "take what we've offered and ask for more",²⁴ with a "very high risk" that Chequers would not deliver Brexit. Separately, Davis explained (Barker and Parker 2018) how "the person she heard from most was not me about Europe", his Chief of Staff Stewart Jackson calling Chequers the product of a "shadow, parallel operation" run by Olly Robbins, Mrs May's Europe Adviser and Chief Brexit negotiator from 2017 to 2019 and which had circumvented democratically elected Eurosceptic ministers (Chequers was described as Robbins's "crowning achievement", a blueprint constructed as a "damage limitation" exercise to tether the United Kingdom to the EU's rules). It soon became clear that the Prime Minister and her leading civil servants had kept the Brexit Secretary in the dark about Chequers, as Davis worked on a different plan for a looser "Canada-style trade deal" (Cooper 2017).

Foreign Secretary Boris Johnson resigned the next day, calling Chequers a "suicide vest" for the British constitution.²⁵ Dominic Raab was made Brexit Secretary and Jeremy Hunt became Foreign Secretary. Despite having been a leading figure in Vote Leave, Environment Secretary Michael Gove stayed on.²⁶

Impasse

An impasse had been reached. The Chequers White Paper had jettisoned the promises of Mansion House and Lancaster House. There was growing disappointment at the Prime Minister's intention not to fully return the UK's capacity to make its own laws and regulations (and given the importance of the capacity for reciprocity in domestic market access through the ability to amend regulations, to return the full capacity to negotiate independent trade deals with the rest of the world). But those opposed to this outcome were accused of lacking their own coherent alternative plan.

24 Shelbourne, M. (2018).

25 'At-a-glance: The new UK Brexit plan agreed at Chequers', *BBC News Online*, 7 July 2018 (<https://www.bbc.co.uk/news/uk-politics-44749993>). 'Brexit Secretary David Davis resigns', *BBC News Online* 9 July 2018 (<https://www.bbc.co.uk/news/uk-politics-44761056>).

26 'Steve Baker on his resignation as Brexit minister *BBC News Online* 9 July 2018 (<https://www.bbc.co.uk/news/av/uk-politics-44766822>). 'Dominic Raab named Brexit secretary in cabinet reshuffle', *The Guardian*, 9 July 2018 (<https://www.theguardian.com/politics/2018/jul/09/dominic-raab-appointed-new-brexit-secretary-in-uk-cabinet-reshuffle>).

In the absence of an alternative roadmap to deliver Brexit, supporters of the Prime Minister’s approach – known to include a large number of public servants, some saying openly that the UK should stay aligned with EU rules – could claim that theirs was the only realistic road ahead.

Shanker Singham and the rest of the team continued publishing in the press into early September, including pieces in CityAM such as Singham’s “To win the Brexit prize, ditch Chequers and go back to the drawing board”.²⁷ Preparing the ground for the comprehensive response to come, these articles described how despite the original vision of the Brexit “Prize” that May had described at Lancaster House, allowing sovereign control over regulations and trade, Chequers would let EU officials tell member states that even the UK could not properly leave. “Britain must not fall for it”, Singham said.

In the days that followed Chequers, Singham and Tylecote began writing the document that would be called *Plan A+: Creating a prosperous post-Brexit UK*²⁸ (“Plan A” being a reference to the Prime Minister’s original assurances at Mansion House and Lancaster House). This 147-page report had to be written at speed that summer, when its progress was picked up on by the press, leading to a front-page story in CityAM.

27 ‘To win the Brexit prize, ditch Chequers and go back to the drawing board’, *CityAM*, 14 September 2018 (<https://www.cityam.com/win-brexit-prize-ditch-chequers-and-go-back-drawing-board-2/>).

28 Singham, S.A. and Tylecote, R. (2018).

The response: Plan A+

Plan A+ was launched on the morning of September 24th 2018 and received more media coverage than any previous UK think tank publication.

The launch at the Gladstone Library of the National Liberal Club was attended by hundreds, aired live on BBC News and Sky News and covered by every daily and Sunday newspaper, many times in some cases. Reports on the press conference were featured on all national news programmes the same day. The launch was watched by tens of millions of people.

The document was launched by former Brexit secretary David Davis, ex-Northern Ireland secretary Theresa Villiers, influential Conservative Brexiteer Jacob Rees-Mogg, and former Labour MP Gisela Stuart, as well as Shanker Singham and Mark Littlewood.

On the morning of the launch, Boris Johnson, doorstepped by reporters, said the document showed there was ‘a real alternative’ to what he had called “colony status” implicit in the Chequers plan (Tapsfield 2018). The report became known as “the Canada Option” and soon became seen among Brexit supporters as the viable alternative to the Prime Minister’s plans.

In all, Plan A+ was sent to more than 320 politicians. Over 70 senior politicians had come to the IEA for one-on-one talks, including ministers, past and future Conservative party leaders, leaders of the European Research Group of Eurosceptic MPs, and leaders of other parties – an intensive version of the normal activities of any think tank.

In the media coverage that followed, the BBC reported that the IEA researchers had suggested Mrs May “change tack” to pursue an advanced free trade agreement with the European Union, with full reciprocal market

access, no tariffs on goods including agriculture and maximum recognition of regulatory standards.²⁹ As dozens of MPs tweeted their support (“The IEA have done the work for No10. The PM needs to pick this up and run with it”³⁰) even the Guardian, which had claimed that “at every turn”, all Brexiteers had offered “are lying slogans and cynical insults”, felt the need to say that “on Monday, to be fair, this changed a little.”³¹

For the Telegraph, Janet Daley said this had been the moment for “something that looked practical in detail, optimistic in its outlook, convincing in its expertise and feasible within the time limits that remain” and that “Plan A+... is suddenly the closest thing we have to a British government plan, for all the signs are that the Cabinet is shutting down Chequers”³². Her newspaper stated: “the [Conservative] party’s centre of gravity has suddenly shifted”.³³ The Express reported that as a result of Plan A+ the Cabinet was beginning to “turn up the political heat” on May, as Dominic Raab now “appeared to implore her” to seek a Canada-style deal.³⁴ Jeremy Hunt “urged” the PM to drop Chequers and at the next meeting of the Cabinet, May was told that a free trade agreement as outlined in Plan A+ was “the only form of Brexit that could command a majority”.³⁵

29 ‘Brexit: No 10 says cabinet “fully behind” PM’s plan’, *BBC News Online*, 24 September 2018 (<https://www.bbc.co.uk/news/uk-politics-45624789>)

30 <https://twitter.com/nadinedorries/status/1044145653608255488>

31 ‘The Guardian view on Brexit options: time to speak for Britain’, *The Guardian*, 24 September 2018 (<https://www.theguardian.com/commentisfree/2018/sep/24/the-guardian-view-on-brexit-options-time-to-speak-for-britain>).

32 ‘The IEA has provided a workable alternative to Chequers: Now the Prime Minister must take it’ *The Telegraph* 24 September 2018 (<https://www.telegraph.co.uk/politics/2018/09/24/iea-has-provided-workable-alternative-chequers-now-prime-minister/>)

33 ‘The IEA’s fighting Brexit plan offers the Tories a way out of the Brexit quagmire’, *The Telegraph* 24 September 2018 (<https://www.telegraph.co.uk/business/2018/09/24/ieas-fighting-brexit-plan-offers-tories-way-chequers-quagmire/>).

34 ‘Cabinet On Brink of ditching Chequers as Brexiteer rebels plan to stage Major intervention’, *The Express*, 24 September 2018 (<https://www.express.co.uk/news/politics/1021847/Brexit-news-Dominic-Raab-Chequers-theresa-may-conservative-brexiteer-Tory-conference-2018>).

35 ‘Cabinet backs Canada-style Brexit deal as Hunt urges PM to drop Chequers’, *The Telegraph* 23 September 2018 (<https://www.telegraph.co.uk/politics/2018/09/23/majority-cabinet-now-supports-move-towards-canada-style-brexit/>).

Unexplained events

A series of events that occurred around the time of publication illustrates the febrile environment in which Plan A+ was conceived and published. Overnight on 20th September, four days before the document was launched, the IEA was burgled, resulting in the loss of several laptops and their data. The burglary targeted the offices of the authors of Plan A+ and the rest of ITCU and the Brexit Unit, and of Director General Mark Littlewood, on whose desk was placed a draft hard copy of the book, taken from the authors' office. The Metropolitan Police deemed the burglary sufficiently important to involve the Diplomatic Protection Squad in the investigation. Yet despite the IEA office being just a few hundred yards from the Houses of Parliament, no CCTV evidence to identify the culprits was found. The Met suggested Westminster Council had turned off most of the CCTV in the area to save money. The investigation was swiftly closed on 23rd October.

The same month the home of the lead author, Shanker Singham, was burgled. Shortly afterwards, co-author Radomir Tylecote and his pregnant wife were the target of trespass and political intimidation during the night at their home.

There is no way of knowing who carried out these actions. Whether the break-ins were part of some coordinated action, or more likely just random events, will probably never be known. If they were intended to intimidate ITCU, the perpetrators must have felt deeply threatened by the work being carried out at the IEA. But whatever their provenance, these events certainly added to the stress felt by some members of the team at this time.

The content of Plan A+

The passages from Plan A+ that follow outline the capacity of the plan to restore sovereignty, and then independent trading capacity, to create wealth and alleviate poverty in the United Kingdom and beyond.

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, Prime Minister Theresa May 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") proposed 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 regulating 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, we propose, what makes the gains possible.

Four pillars

This approach is based 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 unilateral, bilateral, plurilateral and multilateral.

...The UK should be playing chess on multiple chess boards, maintaining freedom to pursue all areas simultaneously.

Membership of the European Union stifles prosperity just as it stops the UK governing itself. It saddles the UK with regulations that protect large incumbent businesses from competition, harming innovation... And it prevents the UK from entering into its own free trade agreements (FTAs) with countries outside the EU. This increases the prices paid by consumers and diverts capital and labour away from their most productive uses.

Brexit thus presents the UK with a rare opportunity... but the opportunity is a brief one. To take that opportunity, the UK's setting of regulations and trade relations must become truly independent of the EU.

At one time, Theresa May seemed to envisage such a Brexit. In her speech at Lancaster House, she said that Brexit would set the UK free to have an independent trade policy, with the ability to strike agreements outside the EU and the customs union's Common External Tariff. In her Mansion House speech, she clarified that the UK's regulations need not be identical to the EU's, even if they would achieve the same outcomes.

This summer, however, the government's White Paper proposed substantially harmonising UK regulations with those of the EU... Combined with the customs arrangement it also outlined, this would make an independent trade policy all but impossible. Keen to avoid potential disruption in our trading relationship with the EU, the prime minister is now set to throw away the potential gains of Brexit.

Keeping our eyes on the prize

A major G7 economy has the chance to embrace independent trade and regulatory policy for the first time in forty years. This is unprecedented, and could lead to huge opportunities for the UK and the world... A free people exercising their sovereign rights is a prize in and of itself; we will focus on the economic dimensions of the prize.

Opening [one] WTO report, DG Azevedo said:

...We are heading in the wrong direction, and we seem to be speeding up. Growth, jobs and recovery are at stake...

The EU regulatory system is moving in the wrong direction

The direction of travel of the EU economy from which the UK is emerging is crucial to this analysis. If the EU were moving in a pro-competitive and liberalising direction, then this analysis would be very different. It is our proposal that, in the round, the EU is moving in a more prescriptive and anti-competitive direction.... Anti-competitive regulations can raise costs for businesses or, unlike tariffs, actually prevent products and services being created at all... any harmonisation to the EU rule book would be harmonisation to the rule book now and as it will be in the future.

The global regulatory system is moving in the wrong direction

There has been a marked increase in the volume of global regulatory barriers and distortions since the Global Financial Crisis. In this environment, the UK has the opportunity to advocate pro-competitive regulatory policies [with] a significant gain for the world economy and for the UK.

Trade policy is not only about commercial considerations, but forms a vital part of a nation's geostrategic and geopolitical approach... A battle is underway between a system of competition-based capitalism, such as (broadly) found in the US, UK, Hong Kong, Singapore, New Zealand and others, and more cronyist systems of capitalism, which have been seen in the former Soviet Union and China, for instance.

Cronyism is carried by a network of anti-competitive regulation, on the basis that such regulations can be used to damage competitors... The UK can play a major part in this battle, where wealth creation is at stake and where either the new normal will continue, or growth and economic opportunity for all can be created. No modern economy can thrive if groups of firms are given unfair advantages over others by government action...

Why the Chequers proposal removes independent trade and regulatory policy³⁶

[The] Lancaster House [speech] expressed an approach that enabled all four pillars of an independent trade and regulatory policy to be meaningfully realised, because the UK would maintain control over tariff schedules and regulatory policy [but] the government White Paper takes that independent trade and regulatory policy off the table, and puts the Brexit prize out of reach.

A deeper dive into independent trade and regulatory policy³⁷

A. Unilateral

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

- *Improving the way regulations are made to better support competitive markets... where continued adherence to EU norms would be detrimental to growth.*
- *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.*

Domestic tariff and regulatory improvements

The UK should lower tariffs where it can, especially on food, clothes and shoes. These tariffs keep the price of basic goods and staples higher, which is liable to harm the poorest in society the most. The UK should lower tariffs to zero on a unilateral basis for intermediate goods, so that its domestic manufacturing competitiveness can increase.

It should lower tariffs to zero for agricultural products that it does not produce, increasing the supply of these goods into the UK market. This includes products such as bananas, oranges, rice and avocados.

Recognising that this would subject UK farmers to competition from highly subsidised agri-food from continental Europe and elsewhere, the UK would have to develop a mechanism which would let UK farmers challenge such distortions through countervailing duties, or through a mechanism to deal with Anti-Competitive Market Distortions (ACMDs)... [now] UK farmers must compete head on with heavily subsidised continental European farmers).

UK agricultural policy

- *The EU's Common Agricultural Policy (CAP) is a system of tariff protection, subsidy, and regulatory control which unfairly restricts imports from the developing world, raises prices for the British consumer and has led to the state of European agriculture being described as a "museum of world farming".*
- *The government's White Paper would continue the use of EU agri-food regulation in the UK, without a say on how it is made.*

Tariffs and quotas

- *After binding at the CET rate through technical rectification or modification of our WTO schedules, gradually convert quotas and tariff-rate quotas (TRQs)³⁸ to tariffs for all products that the UK does produce, recognising that the country is not self-sufficient in most agricultural products.*

Regulation

- *Regulate on the basis of sound science, and in compliance with the letter and the spirit of WTO SPS and TBT Agreements, not the EU's anti-innovation application of the precautionary principle.*

UK fisheries policy

The EU's Common Fisheries Policy (CFP) has denied the UK control of its own waters, depleted its fish stocks and caused severe ecological degradation... The White Paper, however, promises that the UK will leave the CFP, but states that it will continue to regulate its waters jointly with the EU.

...Negotiating bilateral agreements with the EU, Norway, Iceland, and the Faroe Islands, on access to respective Exclusive Economic Zones (EEZs) and management of fish stocks, can be a priority.

³⁸ A tariff-rate quota allows a quantity of a product to be imported at lower import duty rates (in-quota duty) than the duty rate normally available for that product.

B. Bilateral

EU – A Free Trade Plus deal

So far, the UK has spent a lot of time negotiating with itself, not with the EU... the UK has gone as far as to consult with the EU on how negotiable its proposals might be (see Oliver Robbins's testimony at the European Scrutiny Committee on how critical negotiating documents were shared with the EU to assess negotiability, even before their release to the members of the Cabinet).

The EU meanwhile... will probably seek further concessions... Instead of continuing with the White Paper proposals... we advise that the UK now make [a] UK offer based on the following concepts, which are broadly similar to Council President Donald Tusk's offer of an advanced Free Trade Agreement (made on 7 March 2018).

(i) Market Access and National Treatment for Goods. All tariff lines to be zero. There are currently zero tariffs in goods, and this can be replicated.

(ii) Draft, and agree, chapters that are relatively uncontroversial, such as baseline intellectual property protection, government procurement, and investment rules.

(iii) Start negotiating other chapters which will require more time.

(v) Maximum regulatory recognition for both goods and services and a mechanism to manage differences that arise because the UK or EU diverge.

Key elements on the Irish border issue.

...It will be necessary to agree binding commitments as to what measures will pertain in respect of the Irish border if no full free trade agreement is agreed at the end of the transitional period [and] achieve a border with no physical infrastructure...

The solution must respect the sovereignty of Ireland and the EU's control of its borders, and the consequences of the UK being a third country. It must recognise that for some goods, border controls on imports from third countries are more sensitive than others, in particular agriculture and animals. The UK should therefore commit to aligning

trade-relevant aspects of the SPS regime in Northern Ireland with that of the EU, with suitable powers devolved to the government of Northern Ireland to enable them to fully cooperate and coordinate with the Irish authorities, in accordance with the Belfast Agreement. It is recognised that this may entail border inspections at designated posts at ports for imports of meat and animal products to Northern Ireland from mainland Great Britain, but also that this is already the case under existing arrangements, as there is an all island regime in operation at present [and] veterinary inspections are a key component of the EU's protection of its internal market. Other regulatory matters can be enforced away from the border...

In respect of movement of people, both the UK and Ireland wish to retain the Common Travel Area, the well-established arrangement that allows British and Irish people to travel to, live in, and work in each other's territories.

Regulatory autonomy and mutual recognition

In her speech at the Mansion House... Theresa May was right to state that UK regulations would 'achieve the same outcomes' as EU law, but need not be identical... The regulatory system the UK needs involves three components: regulations (rules made by an authority, in particular for products and services); standards (which show a product or service has met regulations, or are marks of quality); and conformity assessment (the system of bodies such as laboratories and professional bodies that assess conformity to standards, providing certification).

The UK may choose to retain EU regulations at times in some sectors, but needs to be able to choose not to. Withdrawal must therefore deliver the following five points:

1) Autonomy for the UK to make its own regulation (for both goods and services)

2) Autonomy for the UK to set its own standards (for both goods and services), which can include using global standards

3) Autonomy for a UK system of conformity assessment (able to assess conformity to UK and EU standards and regulations)

4) *Unilateral recognition by the UK of EU regulations, standards, and its conformity assessment system (able to assess conformity to EU and UK standards and regulations)*

5) *Seek recognition by the EU of the UK's regulations, standards, and its conformity assessment system.*

...New Zealand former trade minister Sir Lockwood Smith has noted that [regulations' current] identity is precisely why the EU and UK can agree the most advanced trade agreement in history.

UK-US FTA: the renewal of the Special Relationship

- *A UK-US FTA is one of the great opportunities of Brexit in the immediate future, and a UK government should greet the prospect of such a bilateral deal with our greatest ally with genuine enthusiasm.*

The UK-US FTA we seek must encourage trade and economic liberalisation, reduce domestic protectionism, and help create a more competitive economy for both parties, to the improvement of consumer welfare...

An alternative model of bilateral relationships for developing countries and emerging markets

The UK... has an historic opportunity to transform previous EU arrangements into genuine Economic Partnership Agreements that... do not discourage or hinder developing countries' growth, unlike current EU development models.

The current model is based around the concept of the Generalised System of Preferences (GSP and the special programme GSP+) [but] the preferences can be lost if a country graduates out of the programme or a particular product exceeds a specified share of trade.

For example, many cocoa producers have had their tariffs lowered on exports to the EU through the GSP programme. Without GSP benefits, these exports would be subject to tariff escalation, charging a lower tariff on the basic raw material, but a higher tariff on the

processed good. This means firms in developed countries are more likely to reap the value-add from processing.

Perversely, countries therefore lose their preferences if they succeed, discouraging investment, locking in existing supply chains... So developing countries remain stuck in a poverty trap.

The UK can avoid penalising developing country exporters for success by being more open to the products of developing countries without strings and conditionality... but this requires 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.

Accession to the CPTPP

The CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) replaces the Trans-Pacific Partnership (TPP), following the withdrawal of the US. This plurilateral agreement consists of eleven countries – Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. CPTPP is an open agreement and its signatories indicate they would welcome the UK seeking to be a member.

CPTPP accession for the UK is also a central geostrategic move.

D. Multilateral

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

The UK's relationships at the WTO in general

The UK can play [a] leading role, supporting the rules-based international order in its own interest, and bring a strongly pro-trade,

pro-development message to the table. This also means contributing significantly to needed reforms of a system in crisis... If the US sees progress here, it is less likely to subvert the system, because it will see the WTO framework as one capable of dealing with major global challenges such as distortions in China... there are many WTO groups the UK might join as soon as possible. This would signal [that] the UK has a liberalising vision...

(i) The UK could join the Cairns Group of agricultural exporters. The founder nations have sought the reduction of agricultural trade barriers, and while the UK is not currently a major agricultural exporter, it is locked into EU supply chains...

(ii) The Manchester Group. Just as Australia launched the Cairns Group of agricultural exporters (the brainchild of Australia's former Ambassador to the GATT Alan Oxley), as the world's second-largest services exporter the UK can launch the Manchester Group of Services Exporters [named for] the central role of that city in the Victorian free trade movement.

Defence and security

The UK should remain open to cooperating on an ad hoc basis with EU allies, but not to the detriment of its Five Eyes relationships. This is an area of particular concern. The EU is moving in the direction of a common European army, even according to the President of the European Commission, and a common defence policy, with severe implications for our negotiations and sovereignty. It is crucial that nothing is done with the EU to imperil major UK security partnerships, such as NATO and the US-UK relationship.

It will be especially important for the UK to avoid the White Paper's proposals of 'coordination on foreign policy [and] defence'. The White Paper makes a range of hazardous commitments to UK-EU defence integration, with the implication that the EU itself will be able to use 'civilian and military assets and capabilities'.

Fallout

By late September, the media were reporting that the Cabinet was “on [the] brink of chucking Chequers”. Dominic Raab resigned as Foreign Secretary on 15th November following the release of the draft withdrawal agreement based on that White Paper.

In November 2018, after 524 days of negotiations, Theresa May agreed a deal with the other EU heads of government to go before Parliament before the Brexit deadline of 29th March 2019. It included the controversial backstop for Northern Ireland. But in the months that followed, the esteem of the Chequers White Paper never recovered, with the Withdrawal Agreement that emerged from it losing three votes in Parliament, unprecedented in modern times.

After the EU had rebuffed as “magical thinking” the UK’s proposed technological solution, the backstop would have seen Northern Ireland aligning to much single market regulation in order to ensure a frictionless Irish border (despite the EU’s initial proposal of Northern Ireland remaining in the single market and customs union having provoked a “furious” response from Theresa May). The deal was opposed immediately by the DUP and Conservative Brexiteer MPs.

The plan also contained a section called the Political Declaration. It said UK goods access to the EU market would rest on ‘respecting EU competition, tax, environment, and social and employment protection standards.’³⁹ On “regulatory cooperation”, the document described how “the parties envisage” the “alignment of rules”. It promised “a level playing field” for trade in goods. Despite the promise of an independent UK trade policy, like the Agreement, the document described a “single customs territory” for the UK and EU.^{40,41} On foreign and security policy, the document envisages a “broad... security partnership” with the EU as it developed military integration towards what Jean-Claude Juncker had called an “EU Army”.

39 Institute for Government (2020). Explainers: Irish Backstop. Updated 24 February 2020. <https://www.instituteforgovernment.org.uk/explainers/irish-backstop>

40 ‘Brexit: What’s in the political declaration?’, *BBC News Online*, 22 November 2018 (<https://www.bbc.com/news/uk-politics-46303751>).

41 ‘Brexit deal explained: backstops, trade and citizens’ rights’. *The Guardian*, 25 November 2018 (<https://www.theguardian.com/politics/2018/nov/25/may-brexit-deal-explained-eu-withdrawal-agreement-trade-backstop-citizens-rights>).

After 48 Conservative MPs triggered a secret ballot, on 12th December 2018 Theresa May survived a confidence vote, making her immune from a leadership challenge for a year, as Jeremy Corbyn claimed May's government was "in chaos... she's unable to deliver a Brexit deal that works for the country".⁴²

On 15th January 2019, after five days of debate, the Commons rejected May's deal by a majority of 230, the heaviest defeat for a British government in modern times. On 12th March the Commons rejected the deal again, by a margin of 149, and rejected it a historic third time on 29th March. On 10th April EU leaders granted May's request for a six-month extension to withdrawal with a new deadline set for 31st October. Donald Tusk sent a "message to British friends" that they should "not waste this time", as the UK headed for European Parliament elections despite having voted to leave the EU.⁴³

Following her party's defeat by Nigel Farage's hastily formed Brexit Party, Theresa May stepped down as Conservative leader on 7th June 2019.⁴⁴

After beating Jeremy Hunt with 92,153 votes to 46,656 in the final round of the Conservative leadership election, Boris Johnson became Prime Minister on 24th July 2019. He immediately appointed David Frost as his Europe Adviser, Liz Truss as his Trade Secretary and Dominic Raab as Foreign Secretary.⁴⁵

42 BBC News Online (2018). 'Theresa May survives confidence vote of Tory MPs', *BBC News Online*, 12 December 2018 (<https://www.bbc.co.uk/news/uk-politics-46547246>).

43 'Brexit: UK and EU agree delay to 31 October', *BBC News Online*, 11 April 2019 (<https://www.bbc.co.uk/news/uk-politics-47889404>).

44 'Theresa May announces she will resign on 7 June', *The Guardian*, 24 May 2019 (<https://www.theguardian.com/politics/2019/may/24/theresa-may-steps-down-resigns-tory-leader-conservative-brexit>); 'Theresa May officially steps down as Tory leader', *BBC News Online*, 7 June 2019 (<https://www.bbc.co.uk/news/uk-politics-48550452>).

45 'Boris Johnson wins race to be Tory leader and PM', *BBC News Online*, 23 July 2019 (<https://www.bbc.co.uk/news/uk-politics-49084605>); 'Boris Johnson becomes PM: As it happened', *Politico*, 23 July 2019 (<https://www.politico.eu/article/boris-johnson-tory-conservative-party-uk-prime-minister-brexit-live-blog/>).

The Charity Commission's intervention

Shortly after the launch, the Charity Commission contacted the IEA and instructed the think tank to remove Plan A+ from publication, including from the IEA's website. The Commission then issued the IEA with an Official Warning.

The following timeline describes events before and after the release of Plan A+.⁴⁶ These happened in the context of the IEA having applied to expand its 'charitable objects' in February 2018, reaching out to the Commission to demonstrate they were keen not to breach the rules governing think tanks which are also registered charities. Despite chasing the Commission, the IEA had received no response.

A timeline: the censorship of a document

21st September 2018. The IEA sends out a press notice at midday to several hundred journalists promoting the 24th September launch of Plan A+. An hour later, the IEA's Chairman receives a 5-minute phone call from the IEA's 'case officer' at the Charity Commission. This call gave no specific instruction, but contains the cryptic phrase "Don't do anything political". The Chairman explains that he does not understand what this means, and calls for clarification from the IEA's lawyer, who contacts the case officer. No further clarification is provided, despite section 2.2 of the Regulators' Code stating: "regulators should clearly explain what the non-compliant item or activity is".

46 This timeline is adapted from the re-released edition of Plan A+, discussed below.

22nd September. The IEA Chairman and Director General agree a series of actions to ensure compliance with the Charity Commission's rules, including a scripted piece by the Director General at the beginning of the launch event which made it clear that the panellists would speak for themselves and that the ideas in the paper were those of the authors and not of the Institute of Economic Affairs.

24th September. Plan A+ is launched at the National Liberal Club before an audience of hundreds, including many representatives of the broadcast and print media. Its authors publish articles and carry out interviews in the days that follow.

Shortly after the launch, a piece is posted on the BBC news website that falsely accuses the 'right-wing' IEA and Plan A+ of bad maths (the IEA had repeatedly requested that the BBC refer to it as a 'free market' think tank). The authors of Plan A+ spend the next day composing a response to the BBC explaining why the allegations are false. During this time the BBC website publishes a number of new iterations of the article that appear to rescind the original accusation, but without announcing that these are edits, against its own editorial policy. Four days after its publication the article is removed in its entirety.

2nd November. The Charity Commission informs the IEA that it intends to issue an Official Warning for the publication and launch of Plan A+. It instructs the IEA to remove Plan A+ from its website and destroy all physical copies. It also tells the IEA to implement a new sign-off process for future publications and give written assurance of future compliance.

The Commission offers the following grounds for its intention to issue an Official Warning:

- Because it recommends an alternative to government policy (i.e. the Chequers scheme, which it claims is why Plan A+ constitutes "political activity");
- That the launch was in public meant that it was not educational;
- It is insufficiently balanced and neutral;
- That in his speech the Director General said he hoped people would find the report "persuasive, perhaps even compelling", which demonstrates "advocacy";
- That it was written by staff writers meant it must be the IEA's corporate

view; and

- That the launch panel were all Eurosceptics.

6th November. A former Charity Commissioner publishes a complaint to the Commission CEO linking the 2017 pursuit of Shanker Singham and the team at Legatum to the team's work at the IEA. (Today it is believed that the case remains open but the rejection of FOI requests by the IEA means this is uncertain).

19th November. With no choice but to comply, the IEA surrenders copyright on Plan A+. Plan A+ is removed from the IEA website and distribution of hard copies ceases. Four days later the IEA requests dialogue on a new review process. The IEA also indicates that it will seek to challenge any Official Warning.

7th December. Without consultation, the Commission issues a 'Regulatory Alert' notice to 118 think tanks⁴⁷ which, despite taking the form of legal guidance, could be used to infract – and effectively suppress – the output of virtually any think tank. The notice informs think tanks that it is “not acceptable” if reports contain “arguments based on opinions or suppositions”. The Commission claims this simply clarifies existing guidance, but the notice arguably constitutes one of the most repressive statements to publishers ever to emerge from an agency of the British state⁴⁸.

5th February 2019. The Charity Commission publicly issues the IEA with an Official Warning. The actions it demands of the IEA remain the same, although the grounds have changed slightly, including:

- The launch was in the public media spotlight, which meant it was a campaigning or lobbying activity; and

47 Charity Commission News story: Regulatory alert issued to charitable think tanks, 7 December 2018. <https://www.gov.uk/government/news/regulatory-alert-issued-to-charitable-think-tanks>

48 The Charity Commission for England and Wales is a non-ministerial government department. Its statement on “what is/is not acceptable” would seem to preclude authors being linked to a particular view or opinion (for example that of Hayek, Friedman, Marx, or Keynes). That all events require a range of views would surely prohibit individual lectures; that research must not risk being used as a political vehicle would mean that, should a politician claim to read a think tank paper and want to make sure it becomes party policy, the think tank could in theory be subject to possible disbandment by the state.

- The launch panel contained vocal supporters of Brexit who opposed government policy, and this meant the event was political activity rather than educational in nature (the implication of this seems to be that if a think tank launches a research report calling for, say, greater state support for renewable energy, they would have to have someone like Nigel Lawson on the panel to put the contrary view).

On the same day a Commission press release says: “The IEA remains subject to an ongoing regulatory compliance case examining concerns about the trustees’ management and oversight of the charity’s activities”.⁴⁹

19th March. Asking the Commission to conduct a Decision Review of the Official Warning, the IEA sends submissions. On 11th April the IEA contacts the Commission again to check they have received the request for a Decision Review. It responds: “we are still receiving a lot of complaints about the IEA”. After the IEA contacts the Commission again on 29th April, the Commission confirms the request has been received and taken up at board level. On 20th May, the Commission states that the Commission’s former Head of Legal will be conducting the Decision Review. The following day the IEA writes to the Commission noting that as Head of Legal until 2018, the individual concerned would likely have advised senior staff on previous complaints against the IEA, that his legal opinions on a point of charity law had already been referenced in submitted evidence, and that it is unusual for lawyers to act as judges over their own previous decisions and advice. This is not accepted by the Commission.

27th June. The Charity Commission publishes its Decision Review on the Official Warning. Although the Official Warning is finally to be withdrawn with immediate effect, the Review accepts only some errors, and only a limited part of the complaint of unfair treatment.

10th July. The Official Warning against the IEA on the Commission’s website is amended to say “Withdrawn” at the top. But against usual practice it is not withdrawn from view.

30th July. The Commission confirms that a revised Plan A+ goes “a long way to resolving the issue [however] some limited additional work is still

49 This had appeared to be the case from an article on 30th July, 2018, in which a spokesperson had told *Third Sector* magazine that “we have an open regulatory compliance case into the charity.” But this was the first the Commission had told the IEA about the case, and it had not been given a clear explanation of what to do to bring it an end.

necessary”. It instructs the IEA to change the tone of the report, stating that for example it is not appropriate to say, “should implement the strategy”. “In a number of cases, simply changing ‘should’ to ‘could’ would resolve the issue.” The Commission states that its aim is “the benefit of the public – including Government.”

September 2019. A year after it was first released, having made additional changes amounting to 3113 edited words or phrases, the amended version of Plan A+ is released by the IEA.⁵⁰

The IEA’s response to the Charity Commission for its actions was led by its Chief Operating Officer Andy Mayer. In response to the Commission, the Institute outlined many aspects of the Commission’s behaviour, including errors in the Official Warning that included the Commission’s failure to provide an opportunity for dialogue, in breach of the Regulators’ Code.

It breached this again by its failure to respond proportionately, acting against its own guidance that stated that “[t]he Commission is unlikely to issue an official warning where [trustees] have acted honestly and reasonably”. The Commission also stated that “The charity... does not have any Human Rights”. But people working for the IEA or attending events do. So when it claimed that: “Those presenting... could have commented on the merits or not of the free trade principles set out in the report without calling for a change in government policy”, the Commission was “directing the IEA (or any charity) to tell independent guests what they can say”. The IEA explained that it “can direct what IEA employees say at IEA events, although we prefer not to, [but] invited speakers, whether elected politicians or anyone else... speak for themselves, as is their right”. In effect, the Commission was telling the Institute to insist to guest speakers that they “must not... criticise Government policy”.

The IEA also noted how the Commission CEO had assured a Parliamentary inquiry into the Commission on free speech that: “Our guidance... is not intended ever to be used to prohibit speakers with lawful... views”, six months before the Commission did precisely that.

Finally, the IEA referred the Commission to the protection of academic freedom in the 1988 Education Reform Act: “to ensure that academic staff have freedom within the law to question and test received wisdom, and

50 Singham and Tylecote (2019).

to put forward new ideas and controversial or unpopular opinions, without placing themselves in jeopardy of losing their jobs”.

Again on 5th February, the Commission released a Decision Review, but this did not mention the IEA’s 7th February 2018 submission for a Change of Objects, creating a misleading picture of the IEA’s efforts to cooperate with the Commission. The Decision Review (conducted by the Deputy CEO, despite his boss, the CEO, having issued the Regulatory Advice linked to the case) also included the extraordinary statement that: “Education can be based on broad values that are uncontroversial which would be generally supported by objective and informed people”.

Although ‘whataboutery’ is always a problematic defence strategy, the Commission does appear to have treated the Institute for Public Policy Research (IPPR), a think tank associated with the left, somewhat differently. In 2014, the IPPR was allowed to keep its *The Condition of Britain* report on its website while responding to concerns about perception of political bias: it remains there today. The Commission did not attempt to censor the IPPR for holding a high-profile launch event with a politician and was allowed to change its Objects a few months later.

The IPPR also published *The Shared Market* (Kibasi and Morris, 2017), in which staff writers proposed their alternative to the Chequers proposal, without any comeback. On the face of it, their paper – while making very different proposals – is essentially doing the same thing as Plan A+. It advocates a post-Brexit trade policy different from that of the government.

The Principles of Good Administration state: “People should be treated fairly and consistently, so that those in similar circumstances are dealt with in a similar way.”

Given that the actions of the Charity Commission seemed to align with the then Government’s Brexit policy, the IEA asked:

Please affirm further whether or not any member of the Government, their staff, or the Prime Minister’s staff at Number 10 contacted ... the Charity Commission directly... to lay out any concerns they might have had with Plan A+, between the issuing of the press notice in September and your Intention Notice in November.

The IEA ended by stating: “we are being made an example to discourage others.”

Redaction: the implications for free speech

The Charity Commission made the authors edit their work in detail, for example changing the word “should” to “could” or “might”, over and over in the text.

Despite originally being used by the Prime Minister in her early speeches, the phrase “the Brexit prize” was removed as it was considered too emotive, with the title of the executive summary changed from “Delivering the Brexit prize” to “Delivering the opportunity”. Following the Commission’s insistence, “florid language” was removed to dull the text, and it was emphasised that the book’s proposals occupied “a place in a spectrum, rather than being the only possible action one could take.” What the Prime Minister “must” do became “could” or “can”, as the Commission enforced a bizarre ritual apparently designed to sap the text of vim and confidence. Among dozens of examples, paragraphs like this:

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.

became:

The opportunity before the UK as a result of Brexit is, this paper proposes, a great one: but if the UK squanders it, what has been described as the ‘new normal’ of limited economic growth could prevail, with an EU system that does not appear to be responding on a competitive level to the challenges of the modern economy.”

In sum, the Commission essentially took on the role of state censor. In June 2019, four months after the Official Warning was issued, the Commission withdrew it, citing errors of process, rather than conceding fault. However it left the Warning up on its website, including the original claims of breaches of charity law, with the words ‘withdrawn’ written across it. The IEA was obliged to fight the Commission for another eight months, issuing multiple FOI requests, and two maladministration complaints, that the Commission stonewalled. This lasted until the matter was escalated and the Commission

found itself under investigation by the Information Commissioner's Office, at which point it conceded and fully withdrew the Official Warning in February 2020. It no longer exists on any Government website.

There is a strong case that the Commission broke the law four times; breached the Regulators' Code five times; breached its own Guidance, its own complaints procedure, and misinterpreted a charity's objects at least once each; and it breached the Principles of Good Administration at least twice.

The Charity Commission instructed a charity to remove a publication from circulation. It did so while notifying the charity that it intended to issue an Official Warning, in part because that book recommended an alternative to government policy; because it was launched in public; and because the head of the think tank said he hoped it was "persuasive".⁵¹

Only six months after Commission CEO Helen Stephenson assured a Parliamentary inquiry on the question of freedom of speech that "[o]ur guidance should not be used, and is not intended ever to be used, to prohibit speakers with lawful, albeit unpopular, views", the Commission told a charity its authors should not have "called for a change in government policy".

The Commission instructed a charity to remove from publication – even to destroy – a text that, amongst other things, criticised the government of the day. This agency also infringed freedom of association by attempting to censor an event at which the book in question was discussed. That an agency of the state has begun to behave in this way should be a canary in the coalmine for freedom to speak and publish in the United Kingdom.

51 By way of contrast, the regulator responsible for overseeing lobbying activity, the Office for the Registration of Consultant Lobbyists, received the same complaints about the IEA from Greenpeace. They took just a few weeks to find no merit in them and close their case. It is not difficult to see the difference between these two approaches as suggestive of some political bias on the part of the Charity Commission.

The settlement

On 4th September 2019 the Commons debated a bill blocking an impending no deal Brexit on 31st October, as Conservative rebels joined Opposition MPs to pass the bill by 327 votes to 299.

The bill forced Boris Johnson to ask for another extension after 31st October in the event of no deal being reached with the EU. To break the impasse, the Prime Minister called for a general election, but was stopped by David Cameron's Fixed Term Parliaments Act, with a motion calling for an early election failing to secure enough support. The whip was removed from 21 Conservative MPs who rebelled against the party to pass the anti-no deal bill, including former Chancellors Kenneth Clarke and Phillip Hammond.

On 2nd October, Johnson set out what he called a "reasonable compromise" Brexit deal, which would have Northern Ireland in the single market for goods but outside the customs union (meaning new customs checks but replacing the previous backstop). This would mean just a "very small number" of physical checks, which would take place away from the border at business premises or "other points in the supply chain". The Democratic Unionist Party expressed support for the deal,⁵² but following a call between Boris Johnson and Angela Merkel on 6th October, a source claimed that Merkel had insisted that the deadlock would not be broken unless Northern Ireland remained in the customs union and permanently accepted single market rules for trade in goods, adding that a deal is therefore "essentially impossible".⁵³

52 Brexit: Boris Johnson sets out deal to MPs', *BBC News Online*, 3 October 2019 (<https://www.bbc.co.uk/news/uk-politics-49914326>).

53 'Brexit: Deal essentially impossible, No 10 source says after PM-Merkel call', *BBC News Online*, 8 October 2019 (<https://www.bbc.co.uk/news/uk-politics-49970267>).

However, by 18th October, the UK and the European Commission announced the agreement of a new protocol on Northern Ireland, before a vote in Parliament within the week. The deal would mean that the protocol would cease to be a backstop, operating as a fixed arrangement to allow the genuine negotiation of a future relationship for the entire United Kingdom, “resetting the negotiating dynamic”. The new arrangement would be subject to a vote in the Northern Ireland Assembly after four years. Highly unusually for the EU, this negotiated solution on customs was seen as a “negotiating win” for the UK, with Victoria Hewson writing in an IEA blog that “[f]rom a free market perspective, this is vastly preferable to Theresa May’s deal”.⁵⁴

Under the protocol, Northern Ireland would remain within UK customs territory, so Northern Irish goods would be included in UK trade agreements, avoiding the customs union between the British mainland and the EU which would put Northern Ireland in EU customs territory. However Northern Ireland would have to align with single market rules on the technical regulation of goods, agricultural and environmental production and regulation, and state aid, and would remain part of the Single Electricity Market.⁵⁵

The Bill included a role for the European Court of Justice in the arbitration procedure for disputes about the Withdrawal Agreement; it prohibited any extension to the transition period beyond the end of 2020, even if no free trade deal were to be agreed. The entire UK would decide its own tariffs.

The next day, a group of MPs led by Oliver Letwin passed an amendment withholding their support for this deal and forcing Boris Johnson to request a three-month extension.⁵⁶ The Brexit deadline was pushed back again, now to 31 January 2020.

On 29th October 2019, the Prime Minister again called for a General Election. The Commons approved this by 438 votes to 20 and the government went to the electorate seeking a mandate for Johnson’s Brexit

54 ‘The new Brexit deal: What’s changed, is it preferable?’ IEA blog, 18 October 2019 (<https://iea.org.uk/the-new-brexit-deal-whats-changed-is-it-preferable/>)

55 ‘What is the Withdrawal Agreement Bill?’, *BBC News Online*, 23 January 2020 (<https://www.bbc.co.uk/news/uk-politics-50125338>); ‘UK Parliament: European Union (Withdrawal Agreement) Act 2020’, 30 January 2020 (<https://services.parliament.uk/bills/2019-21/europeanunionwithdrawalagreement/stages.html>).

56 ‘MPs put brakes on Boris Johnson’s Brexit deal with rebel amendment.’ *The Guardian*, 19 October 2019 (<https://www.theguardian.com/politics/2019/oct/19/mps-put-brakes-on-boris-johnsons-brexit-deal-with-rebel-letwin-amendment>).

deal to break the Commons deadlock.⁵⁷ In the election on 12th December, the Conservatives won 365 seats, Labour 202, the SNP 38 and the Liberal Democrats 11. Conservative gains included traditionally Labour-voting seats in the North of England such as Blyth Valley (Labour since 1950), Leigh (which had not elected a Conservative since 1922), and Redcar (which had never elected a Conservative).⁵⁸

The European Union (Withdrawal Agreement) Act was passed and gained Royal Assent on 23rd January 2020, repealing the European Communities Act which took the UK into the European Communities almost half a century previously. On 31st January, Boris Johnson's Withdrawal Agreement Bill took the United Kingdom out of the European Union. The next day, a transition period lasting until 31st December 2020 began.

We are ready

In February, Prime Minister Boris Johnson hosted a press conference to announce that the United Kingdom will be the "global champion of free trade". Mark Littlewood and the Plan A+ authors were all invited.

"[T]oday in Geneva", said the Prime Minister, "as our ambassador Julian Braithwaite moves seats in the WTO and takes back control of our tariff schedules, an event in itself that deserves to be immortalised in oil - this country is leaving its chrysalis. We are re-emerging after decades of hibernation as a campaigner for global free trade. And frankly it is not a moment too soon because the argument for this fundamental liberty is now not being made."

In his speech,⁵⁹ the Prime Minister described the danger of forgetting the

insight of those great Scottish thinkers, the invisible hand of Adam Smith, and of course David Ricardo's more subtle but indispensable principle of comparative advantage, which teaches that if countries learn to specialise and exchange then overall wealth will increase and productivity will increase, leading Cobden to conclude that free

57 'UK set for 12 December general election after MPs' vote.' *BBC News Online*, 29 October 2019 (<https://www.bbc.co.uk/news/uk-politics-50229318>).

58 'General election 2019: How Labour's 'red wall' turned blue.' *BBC News Online*, 13 December 2019 (<https://www.bbc.co.uk/news/election-2019-50771014>).

59 Prime Minister's Office, 10 Downing Street. PM speech in Greenwich, 3 February 2020 (<https://www.gov.uk/government/speeches/pm-speech-in-greenwich-3-february-2020>).

trade is God's diplomacy – the only certain way of uniting people in the bonds of peace since the more freely goods cross borders the less likely it is that troops will ever cross borders.

Since these notions were born here in this country, it has been free trade that has done more than any other single economic idea to raise billions out of poverty and incredibly fast.

“And yet my friends”, the Prime Minister went on, “I am here to warn you today that this beneficial magic is fading.”

The mercantilists are everywhere, the protectionists are gaining ground. From Brussels to China to Washington tariffs are being waved around like cudgels even in debates on foreign policy where frankly they have no place - and there is an ever growing proliferation of non-tariff barriers and the resulting tensions are letting the air out of the tyres of the world economy.

World trading volumes are lagging behind global growth. Trade used to grow at roughly double global GDP – from 1987 to 2007.

Now it barely keeps pace and global growth is itself anaemic and the decline in global poverty is beginning to slow. And... at that moment humanity needs some government somewhere that is willing at least to make the case powerfully for freedom of exchange, some country ready to take off its Clark Kent spectacles and leap into the phone booth and emerge with its cloak flowing as the supercharged champion, of the right of the populations of the earth to buy and sell freely among each other.

And here in Greenwich in the first week of February 2020, I can tell you in all humility that the UK is ready for that role...

Quoting Plan A+, the Prime Minister described how

We are ready for the great multi-dimensional game of chess in which we engage in more than one negotiation at once and we are limbering up to use nerves and muscles and instincts that this country has not had to use for half a century...

There is no need for a free trade agreement to involve accepting EU rules on competition policy, subsidies, social protection, the environment, or anything similar any more than the EU should be obliged to accept UK rules...

Well folks I hope you've got the message by now. We have made our choice: we want a comprehensive free trade agreement...

That is our ambition....

There lies the port, the vessel puffs her sail...

Three days later Liz Truss described how it would be vital to “move away from the complex tariff schedule imposed on us by the European Union. High tariffs impinge on businesses and raise costs for consumers.”⁶⁰ In March, she addressed the WTO as the independent representative of the United Kingdom, describing the UK as a “liberal, open, outward looking nation” and how this was rooted in our history, like “the abolition of the Corn Laws, seeing ports like Liverpool, Glasgow and Teesside flourish with new commerce, trading cheaper goods more efficiently, and overcoming the objections of vested interests and wealthy land owners to the benefit of the majority...”

In words that could have come from Plan A+, Ms Truss described the “opportune moment... World trading volumes are lagging behind global growth, which is itself anaemic, 2019 being its slowest year since the 2008 recession. The rate of decline in global poverty is also beginning to slow. And in some cases we are seeing a worrying retreat from market principles.” This year, she said, “Britain is back, as an independent, free trading nation.”⁶¹

In May, Truss and US Trade Representative Robert Lighthizer announced the launch of the first round of UK-US Free Trade Agreement negotiations.⁶² The same month, the government released its post-Brexit approach to a

60 Department for International Trade. News story: UK consults on new Global Tariff Policy, 6 February 2020 (<https://www.gov.uk/government/news/uk-consults-on-new-global-tariff-policy>).

61 Department for International Trade. Speech: Elizabeth Truss outlines bold new era for trade, 3 March 2020 (<https://www.gov.uk/government/speeches/elizabeth-truss-outlines-bold-new-era-for-trade>).

62 Department for International Trade. Press release: UK and US start trade negotiations, 5 May 2020 (<https://www.gov.uk/government/news/uk-and-us-start-trade-negotiations>).

trade deal with the EU, confirming that it would adopt the recommendations and approach to simultaneous negotiations described in Plan A+.

On 17th June, choosing to follow what had been one of the most derided recommendations in Plan A+, the United Kingdom announced its intention to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).⁶³

On 24th December the UK and EU announced a Trade and Cooperation Agreement addressing their future relationship. Gone were the commitments to enforce a 'level playing field': instead either party would be able to implement countermeasures such as tariffs for trade-distorting practices such as the European cartels that once brought down free trade in Britain. It included a commitment that, under normal circumstances and providing rules of origin are met, goods traded between the United Kingdom and European Union would face no quotas and no tariffs.

At midnight on 31st December 2020, the transition period ended and the United Kingdom finally left the European Union.

63 Department for International Trade. Policy paper: An update on the UK's position on accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, 17 June 2020 (<https://www.gov.uk/government/publications/uk-approach-to-joining-the-cptpp-trade-agreement/an-update-on-the-uks-position-on-accession-to-the-comprehensive-and-progressive-agreement-for-trans-pacific-partnership-cptpp>).

Afterword: the return of the Free Trade Nation

For three years from 2017, the team at the IEA wrote hundreds of thousands of words, in books, papers, briefings for parliamentarians and scores of articles in the press, carrying out dozens of interviews, meeting every possible policy-maker and making themselves available to Boris Johnson, Michael Gove, Liz Truss and other future leaders.

UK government has undergone a tectonic shift as it pursues its bilateral, plurilateral and multilateral agenda, with a democratically elected UK government in control of its trade policy and domestic regulations, following the framework of Plan A+ almost to the letter. That the United Kingdom is planning to join the CPTPP⁶⁴, a proposal which was mocked when it appeared in Plan A+ but has ceased to be controversial, demonstrates a new paradigm in how we can see this country's role in the world.

But there is still much work to be done on the question of what the UK will do with its domestic autonomy. If we are to rejuvenate growth, the thinking of government departments will need to change, away from dirigiste constructs such as the digital services tax, for example, which might prevent global Britain from flourishing. It will be the work of a generation to help people fully understand the consequences of these choices.

Unlike the unilateral, zero-tariff approach that Cobden and Bright would have understood free trade to mean, whereby the country kept an open door without regard to other countries' use of tariffs, subsidies or dumping,

64 Department for International Trade. News Story: UK welcomes CPTPP nations' invitation to begin accession. 2 June 2021 (UK welcomes CPTPP nations' invitation to begin accession - GOV.UK (www.gov.uk))

the United Kingdom now works within the multilateral system whose construction it helped lead through GATT after World War II. This means steadily lowering tariffs and domestic barriers instead of eliminating them at a stroke. But the UK can now maintain national sovereignty over decision-making.

In the late nineteenth century, Britain faced a rising Germany. Today, the rise of a new mercantilist and militarist superpower, China, is perhaps the greatest challenge ahead. The lack of an organised response in the nineteenth century meant support for free trade could not be maintained in Edwardian Britain. If politicians here and in other countries such as the United States do not work out how to respond in the coming years, they will not long be able to look the people of Port Talbot or Pittsburgh in the face.

But today, free trade and its relationship with democracy have once again become matters of public debate. The United Kingdom is an independent trading nation leading the cause of trade liberalisation in the world once more. As the European Union continues to harmonise, this new autonomy has come not a moment too soon, while the rejuvenation of Commonwealth relationships is facilitating the United Kingdom's pivot to the Indo-Pacific.

The Institute of Economic Affairs once laid the intellectual foundations of the free-market revolution that became known as Thatcherism, helping unleash the energies of a Britain whose economy had become state-dominated and calcified. Between 2016 and 2020 the IEA once again helped shape the new era, informing a new opportunity for freedom and prosperity.

Writing in *The Telegraph* in April 2021, the respected economic commentator Ambrose Evans Pritchard described “a breathtaking turn of fortunes” for the denigrated Brexit economy.⁶⁵ “Britain’s economic resurgence has caught the whole world by surprise”. Long may it continue.

65 ‘Britain’s economic resurgence has caught the whole world by surprise’, *The Telegraph*, 15 April 2021 (<https://www.telegraph.co.uk/business/2021/04/15/britains-economic-resurgence-has-caught-whole-world-surprise/>).

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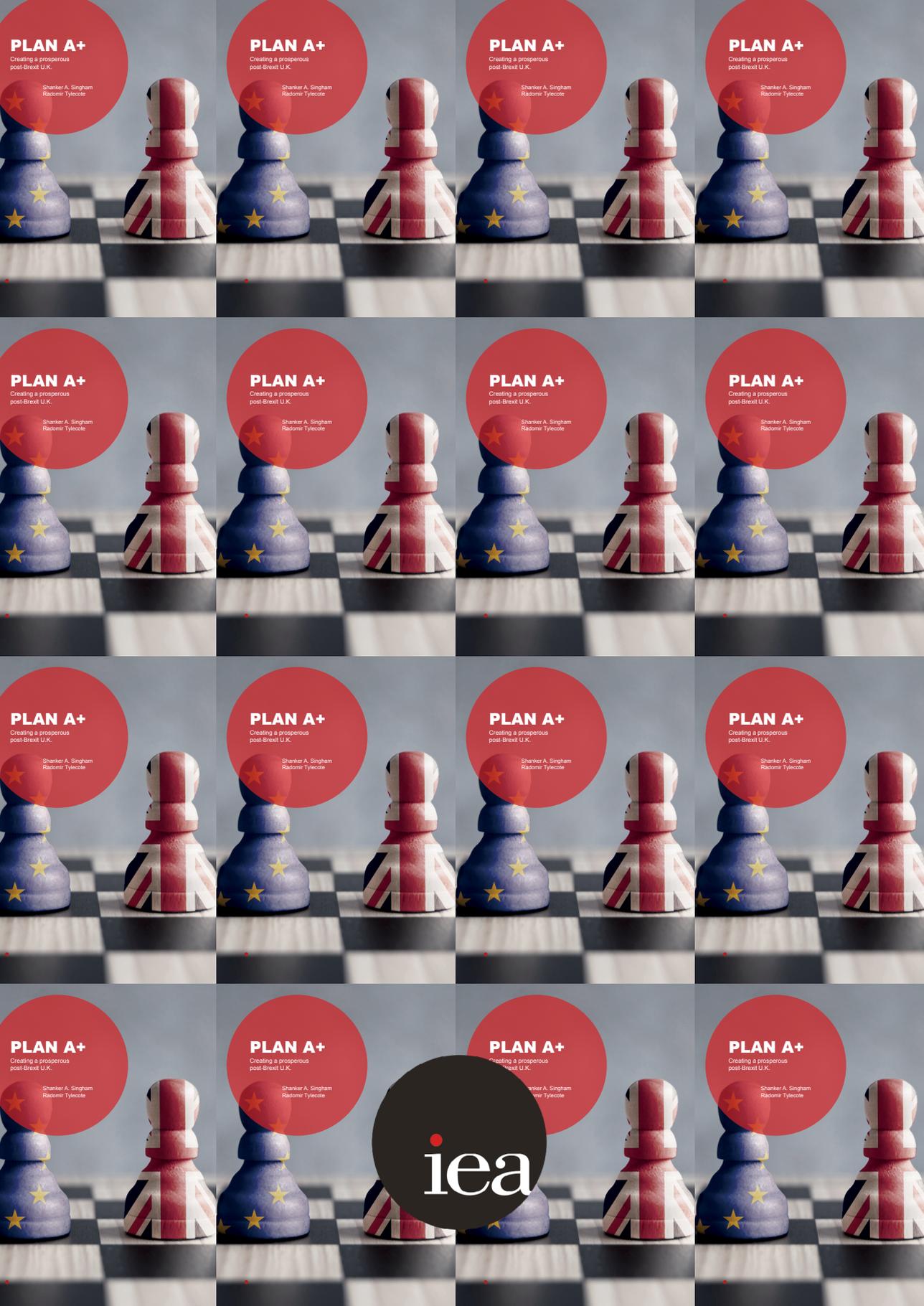
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PLAN A+

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