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Freeport UK

FREEPORT UNITED KINGDOM

Summary

Freeport UK is a proposal to refocus trade policy on benefiting UK consumers and the domestic economy. Free trade is too often identified as being an issue for exporters or for the protection of businesses from (supposedly) unfair competition. Under a Freeport UK approach, the entire country would be established as an open market – this is not a policy simply to extend current initiatives for special tax or trading zones.

The heart of implementing the policy would be to adopt the combination of:-

- zero tariffs; and
- unilateral recognition of overseas countries' product standards.

This approach is now possible for the UK as it has left the EU.

Through this policy, the UK would apply the economic theories first set out in the 18th and 19th centuries by Adam Smith and David Ricardo.¹ Free trade enjoys overwhelming support amongst economists.² Although politicians of all parties do make the right noises about free trade, the reality is that the mercantilist mindset runs deep. To benefit consumers and strengthen our economy, the UK can go beyond the tottering global model of 'managed free trade' first established by the GATT and now under the WTO.

¹ Adam Smith outlined his ideas in 'An Inquiry into the Nature and Causes of the Wealth of Nations' published in 1776. David Ricardo established the law of comparative advantage in 1817 in his book 'On the Principles of Political Economy and Taxation'.

² In the paper 'Is There a Consensus amongst Economists in the 1990's' in the American Economic Review, May 1992, it was found that over 90 per cent of United States economists generally agreed with the proposition that the use of tariffs and import quotas reduced the average standard of living.

Free trade policy – talk the talk but not walking the walk

UK politicians of all stripes talk a good talk on free trade. As Boris Johnson has said, Brexit provides an opportunity for the United Kingdom to re-emerge ‘after decades of hibernation, as a campaigner for global free trade.’³ The Prime Minister has also highlighted how free trade can benefit UK consumers, for example with Australian Tim Tams.⁴

However, there is always a tendency to see trade through the mercantilist lens. Public statements on trade deals *largely* focus on new opportunities for exporters. An example of the focus of the Department for International Trade (“DIT”) can be seen in how it describes itself for its recruitment efforts for which it states that it ‘promotes British trade across the world and ensures the UK takes advantage of the huge opportunities open to us.’⁵

The current programme from the DIT to establish free trade agreements bilaterally across the world as well as applying to join CPTPP⁶ is good in so far as it goes, but there is not enough focus on imports and improving choice for UK purchasers. Consumers benefit the most whenever they have the greatest freedom to buy goods and services at the lowest prices for the quality they seek.⁷ This side of the trade agenda that needs far more attention.

Brexit – an opportunity to make the case for free trade

Part of the Freeport UK initiative would be for ministers to highlight the benefits of free trade. With the UK now outside of the EU, it is free to have a fully open market and the good news is this approach will provide plenty of opportunities to bring benefits to UK purchasers.

Consider the ending of the Brexit transition period in January 2021. The press was full of negative stories about the adverse impact of Brexit. For example, it was reported that UK wine drinkers would face higher prices as new procedures on the import of wines from the EU added costs.⁸ Some fine wine imports were reported to be likely to stop altogether as a bottle within a small batch would need to be sacrificed to a test making it uneconomic.⁹

To this author, the correct observation on this story for a minister would have been:-

- (a) what on earth is the UK doing imposing difficult customs procedures on the import of EU wines?¹⁰ Wine drinkers in Brexit UK should have the best access possible to wines from all over the world as well as our own UK wines;
- (b) no testing of any wine is required if such a wine may be sold in its home country. We trust UK consumers to make their own judgements. If a bottle of wine is available for sale in Paris, Los Angeles or Auckland then we leave it to consumers to decide when one of those same bottles is for sale on the shelf in the UK;
- (c) from tomorrow all rules are simplified, the only additional filing, if any, relates to wine duty (a cut to such duty to announce at the same time would be welcome); and
- (d) Cheers! ¹¹

³ Boris Johnson [speech](#), Greenwich, 3 Feb 2020.

⁴ Boris Johnson [video](#), 17 June 2020 released on Twitter.

⁵ Working for DIT, [recruitment lead page](#) at gov.uk.

⁶ The Comprehensive and Progressive Agreement for Trans-Pacific Partnership of 11 Asian and Pacific Nations.

⁷ IEA In Conversation with Dan Hannan, [video](#), 23 February 2021 on YouTube 0.30” onwards.

⁸ How has Brexit affect the wine trade, [Financial Times Magazine](#), 27 March 2021.

⁹ A Culinary Tour Of Brexit. [The Indicator from NPR Planet Money](#), 17 March 2021.

¹⁰ The author notes that these cost-adding procedures and tests have presumably been applied to the wines of the non-EU countries such as USA, Australia, New Zealand, Argentina and others for decades without attracting such great attention.

¹¹ The agreement recognised as the first free trade agreement being the UK France Cobden-Chevalier Treaty of 1860 ended tariffs on key imports from France including wine. There would be a certain historic joy to lead our efforts for free trade by fully opening the UK to wine imports with the simplest procedures in the world.

Implementation

1. Department of International Trade to be renamed the Department for Free Trade.

The roles of the Secretary of State and supporting Ministers are redefined including a specific Minister for Imports as well as oversight of HM Customs and labelling standards.
2. The import of any product to the UK would be tariff and quota free. The UK Global Tariff abolished. Note this removal of tariffs would apply to *all* countries and not be limited to partners recognised as advanced economies.
3. The UK's unilaterally recognises all standards of a long list of recognised advanced economies.¹² Any product would be automatically deemed approved for sale in the UK if it meets either an existing UK standard and/or is capable of being sold in a recognised advanced economy.
 - (a) The list of advanced economies would extend to almost all of the UK's major trading partners. For example, it would include all EU and EFTA countries, USA, Canada, Israel, Japan, South Korea, Taiwan, Hong Kong, Singapore, Australia and New Zealand.¹³
 - (b) The only product exceptions would be where distribution in the UK is already controlled, for example weapons or drugs.
 - (c) All food products are explicitly *included* in the policy with consumers free to make their own choices.
 - (d) Professional qualifications from advanced economies would also be recognised as well as standards which promote the import of services.¹⁴

This initiative goes beyond the handful of Mutual Recognition Agreements implemented by the UK,¹⁵ as well as the 'Provisions of the Ideal FTA' set out by a combined group of organisations, including the IEA, in 2018.¹⁶

4. For imports from other countries, the UK would look to recognise those countries' standards on a sector-by-sector basis as a first step working towards full recognition. For example, recognition of food and certain consumer product standards from other countries where there are strong UK population links.¹⁷
5. Further measures in a new Freeport UK Act to include:-
 - (a) Simplification of import procedures. This would be the primary role of the Minister for Imports who would be given direct oversight of HM Customs;
 - (b) Labelling laws amended so that in the case of a product relying on an overseas country's standard, that is clearly (and simply) indicated to consumers. The Minister for Imports to be given oversight of this; and

¹² For example the IMF Advanced Economies and/or High-income OECD members.

¹³ China is the only exception as a major UK trading partner which is not classified within either the IMF or OECD list.

¹⁴ This builds on existing measures under which, for example US accountants can register to practice in the UK whilst US lawyers must still pass additional qualifying examinations.

¹⁵ Mutual recognition agreements exist with Australia, New Zealand, United States of America with some provisions in trade agreements with Switzerland, Israel and Japan. [UK trade agreements guidance](#), gov.uk

¹⁶ [IEA publication](#), 18 September 2018. A notable difference being that no mutual recognition by another country is required.

¹⁷ India, Pakistan, Bangladesh and China lead the list of countries of birth amongst migrants living in the UK according to the [Migration Observatory briefing](#), 6 November 2020, at a combined total of 20% of the total (beyond those countries whose product standards would in any case be recognised as they are from advanced countries).

- (c) Any party would have the right to propose import procedure changes for any product as well as amendments to labelling rules. The Minister for Imports would, under the law, be timebound (e.g. 30 days) to either remove the existing rule or set a revised rule. The message to those frustrated by import bureaucracy would be that they are invited to propose solutions to problems and these will be resolved quickly.
- 6. The UK's points-based immigration system would be reviewed to enable greater flexibility for overseas businesses to establish operations in the UK to take advantage of new market opportunities. Any activity which would be likely to enhance competition or more generally be in the interests of consumers would be encouraged.
- 7. Government to set a goal for the UK to be the most open market in the world. Specific measures of performance against this objective to be established and monitored.

Policy assessed by the content criteria

Encouraging an entrepreneurial and ambitious mindset across the whole of the society

This policy would promote such a mindset by providing more opportunities for new and existing businesses based on the use of imports. Additional domestic and foreign investment would also follow with further benefits to the UK entrepreneurial environment.

A key advantage of this policy is that it would leave it to the market to realise the full potential of what is enabled by a Freeport UK approach. In addition to businesses focused on distribution of imported products, there would also be enhanced opportunities to use imports for other business types such as manufacturing, services and trading.

Reducing red tape, bureaucracy and barriers to entry for individuals and/or businesses

The recognition of overseas standards inherent in the policy would support this objective by removing the need for a range of overseas products and individual professionals to go through a UK testing or compliance procedure.

Further, with the abolition of the UK's Global Tariff, whole categories of bureaucracy could be removed. It is hoped that such a wholesale dismantling would be a model for other deregulation.

Recognising and supporting the needs of regions across the UK, rather than being London-centric

The policy sees no differentiation for any area of the UK and involves no attempt to cherry pick or favour any area over another.

That said, there would be a relative improvement in the position of the regions beyond the South East of England. This arises because the core sectors of London and the South East (finance, consulting and legal services) have been helped by global trends over the past several decades. For example, the financial services industry has benefited tremendously from the improvement in communications and information technology.

Those regions whose core economic sectors have not benefited from global trends, such as manufacturing, have seen a relative decline in their position within the UK. A Freeport UK policy benefits all areas, but regions whose core industries and skills have not benefitted from historic global trends benefit relatively more. For example, we can expect activities which use imports whether for further manufacturing or distribution to increase in the lower cost areas which exist outside of London and the South East.

Individuals and businesses with existing links overseas would be advantaged. These links exist across the United Kingdom. An indicator (but by no means the only) of the type of links regions in the UK have overseas is seen in the data shown in the table below.

Percentage of population, overseas country of birth	%
United Kingdom	14
England	15
North East	6
North West	9
Yorkshire and The Humber	9
East Midlands	12
West Midlands	13
East	12
London	35
South East	13
South West	9
Wales	7
Scotland	10
Northern Ireland	7

Source: ONS July 2019 to June 2020

Concluding points – counteracting sceptics

Some of those who are against free trade are explicitly protectionist – Keir Starmer’s Labour Party for example.¹⁸ In other cases, protectionists dress up their arguments in various ways as they set out to ensure favoured producers benefit against the interests of the wider population and economy. This has always been a challenge for free traders – gains are widely dispersed whilst protectionism gives large benefits to a small number of favoured producers (although the long term effect may be disastrous¹⁹).

The arguments against free trade have always been and always will be false and disingenuous. Just as in the 1840s when the UK threw off the Corn Laws, we can act to benefit the people and economy of the country through free trade.

As a final section in this paper, the latest versions of protectionist arguments are reviewed and how they should be dismissed.

Unilateral free trade gives up our negotiating tools for exporters

This is a mercantilist argument which has been used to make a case against unilateral free imports. Put another way, the proposition is that we should impose additional costs on consumers and domestic businesses until such time as we can secure better access for our exporters. In the 1980s, free traders argued against this noting that ‘mining your own harbours’ could never strengthen your own economy. That argument is still true today. The UK economy is large and flexible enough to adapt to whatever the overseas environment may be and we will maximise our success through open borders.

In the press stories in early 2021 about the impact of Brexit, a loss of market was reported for British firms who have historically sold oysters into the EU. The largest number of losers of the EU’s position to frustrate that trade are the consumers of the EU. If the EU wants its consumers to have less choice and pay higher prices that is ultimately a matter for them²⁰ and imposing barriers or adding costs for UK consumers on these or other products will not address this problem. Depressingly, the UK is due to lay down new mines into its harbours in the months ahead.²¹

¹⁸ The Labour policy forum Economy, Business and Trade 2020 Interim [Report](#): Principle 8: ‘Build it in Britain. The UK’s world leading manufacturing industry is the cornerstone of communities across the UK. Britain’s industrial base needs to be protected and championed as the country transitions to net zero.’

¹⁹ A global example of this problem is the Indian Automotive industry which struggled for decades under protectionism and since liberalisation has grown to the 5th largest in the world and is now also a successful exporter.

²⁰ Brexit: EU shellfish ban indefensible, says minister. [BBC](#), 25 March 2021.

²¹ EU companies risk halting food exports to Britain over checks. [Daily Telegraph](#), 30 April 2021 (original printed paper headline amended in online version).

Unfair competition – a protectionist myth

Accusations of product dumping or otherwise unfair competition have been mainstays of protectionists for decades. The authors notes these claims are almost all called for by sectors suffering long term decline as shown in the table below.

Anti-dumping announcements by sector	Number of announcements
Iron, steel products	33
Aluminium products	10
Chemicals	9
Glass fibre	8
Bicycles	6
Glass and ceramics	4
Wood and Paper	3
Trout	2
Other	4
Total	79

Source: Announcements at gov.uk. Jan 2020 - March 2021

Almost exactly the same sectors are seen in a review of EU anti-dumping measures 1998-2008.²²

Infant industry

In this argument protectionists argue that a new or emerging business cannot be exposed to full competition until it reaches a later stage of development – a moment which rarely then seems to arrive. In the meantime, tax payers provide ‘nascent industry’ support for decades.²³

Unfair producer standards

The latest version of the unfair competition argument is that protection is needed to support the high standards of producers in the UK - standards on which consumers are not permitted to take their own view. This argument has apparently been accepted in 2020 by the UK Government for the agriculture sector.²⁴ I would highlight that this argument is the equivalent of organic, free-range egg producers calling for the ban of the sale of any eggs not meeting the standards determined by organic, free-range egg producers.

The fallacy of needing to protect UK consumers – it’s always chicken

Millions of our citizens travel (in a non-pandemic year) and make their own judgements on, for example if they want to purchase electrical products to take home (USA 110v hairdryer anyone?). Quite simply there is no need for complex UK product standards which are then captured by protectionists. Sadly, the need for the UK to have its own standards to protect its consumers against dangerous (foreign) goods on a precautionary principle basis has been a mainstay of policy for decades.²⁵

This author has travelled extensively and met many others who have done the same. I have spent much of my life overseas and hosted many visitors from the UK. When outside the UK, travellers are more than capable of taking decisions about which goods or services to buy and which food to eat. They deserve to have the same ability within the UK. I have never, never heard anyone tell me about a holiday to the USA for which they made sure to avoid the chlorinated chicken.²⁶

²² Ten years of anti-dumping in the EU: economic and political targeting. [ECIPE Working Paper](#), No. 02/2009.

²³ EU paid Airbus billions in illegal subsidies, WTO rules. [BBC](#), 15 May 2018.

²⁴ LIZ TRUSS and GEORGE EUSTICE: It's our mission to help heroic farmers thrive and feed the world the best of British. [Daily Mail](#), 4 November 2020.

²⁵ ‘Products should only be sold if their compliance with product safety regulations has been demonstrated appropriately’. Understanding the law on product safety [page](#) at gov.uk.

²⁶ UK will not import chlorinated chicken from US, ministers say. [The Guardian](#), 1 Nov 2020.