DEVELOPING TRADE

David Vines,* Paul Gretton** and Anne Williamson***

Executive Summary

The UK faces no easy options in determining how to develop its approach to international trade post-Brexit. If it finally decides to leave the European Customs Union and Single Market, it faces the possibility either of simply crashing out of the EU without a deal; trying to form market-access agreements and Free Trade Areas (FTAs) with the EU and other countries; or unilaterally reducing tariffs and liberalising trade with all countries. Each course raises significant practical difficulties, and entails major disadvantages compared with staying in the Customs Union and Single Market.

The economic costs of a 'no-deal' approach stand to be very large, including inevitable tariffs, obstruction of UK access to EU markets, physical disruption at borders, a damping of investment and the much-discussed problem of the Irish border. Assuming 'no-deal' does not happen, negotiating FTAs with other countries would be possible only after a lengthy transition period, as in the Withdrawal Agreement voted down in Parliament, and would depend on the shape of the ultimate post-Brexit trading relationship between the EU and the UK. The process would be difficult, costly, and protracted; would likely be concluded on disadvantageous terms; would be even harder to apply to trade in services; and would yield extremely small gains given the volume of UK non-EU trade that is already covered by FTAs. Finally, unilateral liberalisation, while ameliorating some of the drawbacks of the first two options, faces the same problems of loss of access to European markets and disruption to trade; and would entail severe economic pain with only very gradual gains.

The UK needs to conduct a much more profound and considered debate on these issues before deciding to set aside the large benefits of membership of the Customs Union and Single Market for the significant difficulties and tenuous gains offered by the alternatives. Public debate on the economic effects of trade policy has so far lacked the detailed but necessary analysis of these questions. It seems essential to establish a national policy review institution, modelled on the Australian Productivity Commission, in order to stimulate such a debate.

Introduction

Remain supporters argue that the UK should stay in the European Customs Union and Single Market. But if the UK does not do this, it will be faced with a stark choice between just three possibilities:

1. *The UK can merely withdraw into a more protectionist environment*, simply crashing out of the European Customs Union and Single Market. This is the 'No Deal' Brexit option.
2. *The UK can withdraw into a protectionist environment in which it leaves the Single Market and Customs Union*, but at the same time it can attempt to form free-trade areas (FTAs) and wider economic partnership agreements both with the EU and with other countries outside Europe. This was the policy of Theresa May's government.

*Balliol College, Oxford; Oxford Martin School; CEPR. E-mail: david.vines@economics.ox.ac.uk. ** Visiting Fellow Crawford School of Public Policy; Australian National University. *** Partners in Health Mexico. This paper has benefited from significant and substantive comments from L. Alan Winters (University of Sussex; CEPR; IZA). Disclaimer: The views, judgements and policy proposals expressed in this chapter are those of the authors, but not necessarily those of the critical commentator, Gatehouse Advisory Partners, Llewellyn Consulting, the Federal Reserve Bank of San Francisco or the National Institute of Economic and Social Research.

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3. *The UK can leave the Customs Union and Single Market but attempt to do this in a way that is not protectionist*: instead of attempting to form independent FTAs, it could aim to reduce its own tariffs and liberalise its own borders with all countries, in an attempt to open up its trade with the rest of the world. This possibility – 'unilateral trade liberalisation' – has been advocated by some Brexit supporters, including Patrick Minford.

This paper discusses the merits and demerits of each of these three possibilities.

The costs of a No-Deal outcome

The economic costs to the UK of withdrawing from the Customs Union and Single Market without a deal stand to be very large: 44 per cent of the UK's exports went to the EU in 2017, and 53 per cent of the UK's imports came from the EU. There are three issues.

First, no deal would necessarily lead, immediately, to tariffs being imposed on UK trade with Europe. The EU would have to impose tariffs on imports to Europe from the UK which are the same as the tariffs which the EU imposes on imports from all other countries that belong to the World Trade Organization (WTO); the EU will not choose to reduce those general tariff rates just for the sake of the UK. Similarly, the UK would impose tariffs on imports from Europe at the same general rates as it imposes on all other countries.

It is true that EU and UK tariffs are now small, apart from those on textiles and clothing (for example a tariff rate of 12 per cent on trousers), on heavy industry goods (including motor vehicles on which the tariff rate is 10 per cent), on agricultural goods, and on certain processed agricultural products.

Nevertheless, these tariffs would impede exports of goods and services from the UK to the EU, and *vice versa*, raising costs to UK consumers and industry. By raising business costs, the tariffs would interrupt international supply chains of which UK firms are part. The effects would be much larger than it seems at first sight because tariffs would be levied at each point in the supply chain, both in the EU and the UK. The result would be lower UK living standards. This is what 'leaving the EU on WTO terms' actually means.

Despite what has been claimed by no-deal supporters, the UK would not be able to escape this problem by choosing to apply zero tariffs only on its imports from the EU: the WTO's Most Favoured Nation (MFN) rule prevents this. That rule prohibits countries from discriminating between different WTO members in the tariffs which they levy; all imports must face the same tariff, except where countries are part of an FTA. As discussed below, in order to moderate the economic and social costs of transition, the UK would not wish to set zero tariffs on *all* imports from everywhere in the world on the day that it leaves the EU without a deal; nor would the EU be likely to do this in order to let in imports from the UK.

It might seem that Article XXIV of the General Agreement on Tariffs and Trade (GATT) would allow tariffs to be removed only on trade between the UK and the EU. But it would do so only *after* an agreement had been reached by the UK and the EU to form an FTA. It has also been suggested by no-deal supporters that the WTO might allow this even if the UK and the EU had merely signed an 'interim agreement', before actually signing an FTA. But such interim agreements are nevertheless agreement between two parties, and the EU shows no enthusiasm at all for signing one. Furthermore, they are permitted by the WTO only if an interim agreement for an FTA has already been adopted, which would not have happened in the case of a 'no deal'.

Second, withdrawing from the EU's Single Market without an agreement would mean that the UK would immediately withdraw from Europe-wide regulatory processes. As a result, UK exporters to Europe would require certification that they satisfy European standards. This would be true in many European markets, including – but going way beyond – agriculture, aerospace, air transport, automobiles, telecommunications, and pharmaceuticals. Furthermore, the UK would lose its access to the EU financial market, and to markets for other services. Contingency plans for the necessary cross-country flow of data in all of these markets are seriously lacking, partly because these flows are managed by the corresponding regulatory agencies.

Third, a 'No deal' would cause massive physical disruption at borders, the result both of the imposition of tariffs and of the need to comply with standards. At present, there are no good estimates of how large these effects stand to be. But it is clear that small effects would ramify: logistics linking UK and EU markets would be at risk; delays at borders would damage retailing in the UK; delays in the entry of parts would impede the production of finished cars and other manufactures. Interruptions in the importation of radioactive isotopes

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would put cancer and other medical treatments at risk. Many more activities would be disrupted.

All these effects would depress investment in the UK – in particular investment by British firms and multinationals aiming to serve the European market by exporting from the UK. Productive potential would sag and UK competitiveness in global markets would decline, while consumers would be worse off. Substantial long-term negative effects on GDP and national income can be expected. These would damage tax receipts and limit the ability of government to provide all manner of public services, including health. Such national protectionism would greatly damage the UK's future.

Fourth, there is the issue of the Irish border. Because Ireland is a member of the Single Market and Customs Union, the EU will require a hard border between the Irish Republic and Northern Ireland, as and when the UK leaves the EU, just as the EU requires a hard border with any other country. Such a border would put at risk the Good Friday peace agreement of 1998. Partly as a consequence, last December, the UK gave an undertaking that it would maintain an open border between Northern Ireland and the Irish Republic. Resolving this contradiction requires a technological solution that is agreeable to the EU. So far neither technological solution nor European agreement are on the horizon, imposing a serious barrier to the negotiation of a mutually acceptable Brexit deal. The uncertainty created by the prospect of a hard border is already harming investment and economic activity in both Northern Ireland and the Irish Republic.

How much could be gained by agreeing FTA deals with the EU and other countries?

The aim of the previous UK government was to achieve Option (2): not simply to leave the Single Market and the Customs Union, but first to negotiate the UK's own new agreement with Europe, and at the same time to negotiate agreements with other countries. This will take time, and so – to avoid the problems of a hard Brexit – necessitates a transition period.

The agreements that might be reached with Europe spread across a wide range of possibilities. The closer the alignment on tariffs and standards which the UK retains with Europe, the easier it will be to avoid the loss of foreign firms which have used investment in the UK as a platform from which to serve the European market (for example in the car industry). But the more this happens, the less the room for the UK to reach independent agreements with other countries. And, conversely, the larger the number of agreements on tariffs and standards that are reached with other countries, but which differ from those in Europe, the more checks there will need to be at borders between Northern Ireland and the Irish Republic and, more generally, between the UK and the rest of Europe.

During any transition period, the UK would need to maintain a common rulebook with the EU on a range of goods, including food, so as to provide for frictionless trade at borders with the EU. And a customs union agreement would need to remove the need for tariffs, checks on country of origin, and checks on compliance with rules and standards. These would be rules and standards over which the UK has no jurisdiction. These features were incorporated in the Withdrawal Agreement negotiated by Theresa May.

Any transition agreement also has to deal with services. In Theresa May's Withdrawal Agreement, the UK would not have aligned with EU financial regulation at the time of its departure from the EU, possibly in order for the UK to avoid losing control of the regulation of its very large financial sector. But this meant that the UK would have immediately lost current levels of access to European financial markets. Whatever happens, the UK will need to seek some kind of mutual recognition of standards in financial services, and of professional qualifications and standards in other service industries. It will take time to put such arrangements in place; much disruption would be inevitable during transition and the outcome is likely to fall short of current levels of access.

In any new agreement to follow on from transition, the UK might hope to attain the right to participate in relevant EU working groups and technical committees so that it might play a role in designing and implementing rules, even if it had no voting rights. But, in due course, any trade agreements which the UK reaches with countries outside Europe would – of necessity – mean that border checks between the EU and the UK on tariffs, on country of origin, and on compliance with standards would need to be introduced. This would – of course – trigger the Irish-border problem.

Even ignoring these European constraints, the gains likely to be obtained from negotiating FTAs with other countries are likely to be extremely small, for four key reasons:

- First, the cost of actually negotiating agreements is high, and the negotiations are time-consuming.

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- Second, 'gravity' analysis suggests that, even if the UK were to achieve deep, significant, FTAs with non-EU economies, the distance of trading partners matters, as does size in terms of population and income. The EU is large, wealthy, and on the UK's doorstep; other countries are mostly further away, small, or poorer. Although regions outside of Europe may be achieving higher economic growth, raising mutual trading opportunities, the ensuing economic benefits for the UK may be slow to be realised at a nationally meaningful scale. Even rapid growth from a low base still produces a small number.

- Third, such agreements inevitably include regulations designed to enforce preferential rules of origin. These rules mean that the take-up of negotiated market-access preferences would be only partial, as is the case with all FTAs; they also sap productivity because they can lead firms to replace imported inputs with higher-cost domestic substitutes.

- Fourth, discussions over standards are always difficult. The UK might need to concede lower standards in such negotiations – the 'chlorinated chicken' problem – thereby driving a wedge between standards in the UK and those in the EU. The UK might not wish to do this, which would make negotiation more difficult and time consuming.

Further difficulties would arise for the UK because, when it leaves the EU, it will drop out of FTAs which the EU already has with countries receiving another 17 per cent of the UK's exports of goods, including Korea, Canada, Singapore, and the countries in EFTA. The UK is seeking to roll over these agreements, and has now done so with countries making up about half of the relevant trade. But these rollover agreements cannot reproduce current conditions, because the EU will not allow UK output to count as local content in satisfying the EU's rules of origin (even if the UK agrees to allow EU output to count as local content in satisfying the UK's rules of origin). These agreements can also not allow the mutual recognition of standards to be carried forward, because these countries' agreements with the EU tie them to EU standards, from which the UK may well diverge in the future.

What is more, some countries, including Canada, have recently become less, rather than more, reluctant to renew their FTAs with the UK. This is mainly because the UK is of smaller size than the EU. But it is also because, as discussed below, the UK has said that, if there is a 'No Deal' Brexit, it will lower many of its tariff rates, reducing the preferential benefits which such countries might aspire to receive by renewing their agreements with the UK.

Related difficulties would arise for the UK in that it will not be included in the FTAs which the EU is currently negotiating with countries that receive a further 19 per cent of the UK's exports. To make up for this gap, the UK would need to negotiate its own separate agreements with these countries over time. The outcomes of such negotiations might be much worse for the UK than for the EU, because the UK will have much less to offer in these negotiations than does the EU.

Some have suggested that the European Free Trade Area, or EFTA, might help to provide some kind of desirable outcome for the UK. This is an already existing agreement between four European states: Iceland, Liechtenstein, Norway and Switzerland, one which is flexible, in that it leaves members free to negotiate free trade deals bilaterally. But the four EFTA states are tiny and so do not provide good examples for the UK. Even Switzerland has a population of only 8.5 million. What Switzerland, and the others, do well is concentrated in very few specialised sectors about which particular arrangements have been made. This would not carry over to the UK. Furthermore, it does not solve the Irish border problem. Nor does it deal with any of the regulatory problems that leaving the EU would cause for the UK.

Over the past 20 years there has been a global shift towards services trade, with the UK at the forefront. Services trade today contributes around half of the value of UK total exports of goods and services: the export surplus of services from the UK supports its deficit in the import of goods. The trade in services by the UK with the EU has multiplied by some 350 per cent since 1992, whereas trade in goods has only increased by 60 per cent over the same period. Financial services make up a particularly large part of this growth.

However, most existing trade agreements only scratch the surface when it comes to services, partly because standards-setting and behind-the-border measures are so important in service industries. New FTAs are therefore unlikely to provide early gains to make up for any gap left by the UK's exit from the EU or add much to underlying growth in UK services provision through diversion of services trade from other centres. (The complexity of services trade agreements is brought out clearly in the following paper, *Developing Trade in Services*.)

With the UK contributing only about 3 per cent of world gross product, it is unclear how powerful the UK would

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be in any negotiations for either goods or services. Any negotiation partners are unlikely to want to take the UK as a standard setter. Any hub and spoke system, with the UK at its centre, is extremely unlikely, even in services. In all likelihood, the UK would need to choose between European standards, over which it will have little control, or foreign standards, over which it would also have little or no control.

It thus appears that attempts to form new high-yielding FTAs would likely be problematic, due to the uncertainty, regulatory costs, and negotiation challenges that will be entailed, and to the distance of potential partners. Such attempts could not mitigate the potential losses of Brexit in any notable way, unless, that is, the UK is unusually successful at negotiating trade agreements in services.

Some insights from history are important here. During World War II, the UK was compelled by the United States to dismember its Empire. This was the price extracted by the US for helping the UK – and its Empire – win the War. Article 7 of the famous Lend Lease Treaties required that the UK promise to terminate its existing preferential trading arrangements which then took the form of the Imperial Preference. This rebalancing took much time. And when the UK joined the Common Market in 1973, Commonwealth countries such as Australia, New Zealand, and Canada found new markets in Asia, the US, and beyond; or adjusted out of producing the commodities which they had sold to the UK.

Nearly fifty years later, these Commonwealth countries will not necessarily revert to trading with the UK along historic patterns, even if the UK forms FTAs with these countries, especially now that the EU has an FTA with Canada and is negotiating one with Australia. And the UK would be quite wrong to expect special treatment from President Trump's America: remember those Lend Lease Treaties.

How much could be gained through the pursuit of unilateral trade liberalisation?

Might unilateral liberalisation (Option 3) combined with domestic reform efforts, be an alternative way of mitigating the negative effects of leaving the Customs Union and Single Market? The previous government announced plans on 13 March that, if the economy were to leave the EU without a deal, tariff rates would be cut to zero on imports from all countries for a wide range of goods. But, nevertheless, it also announced that this would not be done for many of the goods that currently have high degrees of protection, including agricultural products, footwear, clothing and cars. It is not yet clear how far the new government would plan to go in this direction, if there were to be a 'No Deal' Brexit on 31 October.

According to the 'No-deal' supporters, the aim of the UK would be to open its external borders, on a Most Favoured Nation (MFN) basis, to trade with both Europe and elsewhere. The UK would seek to increase its trade with the most rapidly growing parts of the world, including especially the Asia-Pacific Region. Clearly, an FTA with Europe would not be a core part of such a plan.

There may appear to be advantages in such an approach. The Asian region has more than half the world's population, with around two thirds of global growth up to 2030 likely to be in Asia. Looking forward ten or twenty years towards countries growing much more rapidly than Europe, it might seem appropriate to face outwards towards those regions; coupling this with domestic reform efforts; and orienting regulatory standards more to those regions where appropriate. UK markets would be opened to imports from the rest of the world, and domestic policies would be adopted to facilitate even more export oriented activities – both to the rest of the world and to Europe – and encourage UK firms to specialise at what they are best at, according to the country's endowments and commercial advantages. However, there are both domestic and foreign reasons why this is also not an ideal strategy.

Domestic difficulties will be of two kinds. First, the key problems associated with 'No-deal' remain in place – loss of preferential access to European markets, disruption of trade with Europe, the loss of integration into European standards-setting processes and the need to set new standards, either in agreement with Europe or with new regions. It is these very reasons that propel the pursuit of Option (2).

Second, the compensating benefits of not pursuing Option (2), and instead acting independently to liberalise the UKs own trade, would come only gradually. This is because the immediate removal of all tariffs on imports would be highly disruptive, particularly in activities and regions currently favoured by relatively high assistance. Structural responses to policy changes such as this take time: withdrawing support from sensitive industries without a long transition period would be economically and socially disruptive.

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In addition, such changes would need to be coupled with currency depreciation – which in the short run causes inflation and depresses living standards – in order to encourage the exports and import replacement needed to replace the activities that have been displaced. The experience of unilateral trade liberalisation elsewhere – such as in Australia – suggests that while substantial longer-run economic gains are achievable, long lead times are necessary and adjustment is less disruptive if undertaken gradually. Both before and during the transition period, widespread public discussion is necessary in order for a shared public commitment to greater trade openness to be achieved, and policies need to be coupled with extensive support for those who are likely to be disadvantaged. This is the opposite of the austerity environment that would necessarily accompany Brexit.

The kind of adjustment difficulties that would emerge are already apparent. Expansion of trade with low-wage economies has affected production and labour market outcomes in the UK. Over the past 20 years, goods imports from the world to the UK have doubled; from China they have risen fivefold, and from Eastern Europe they have increased sixfold, particularly in the computing, electrical, apparel, and automobile industries. Very significant adjustment would be required if the UK were to further liberalise its trade with the rest of the world, admitting additional imports at the expense of its most vulnerable trade-exposed sectors, and seeking additional exports in current and new exporting activities. This is a huge political-economy task. It would require a shared political commitment to a new regime, across geographical regions and political groupings – one that does not seem possible to achieve in the UK at present.

Some history is helpful here too, this time from Australia. That country provides an example of how to carry out a policy of effective unilateral MFN liberalisation of trade; it shows that there are certain misconceptions to avoid.

First, unilateral reductions in tariffs do not necessarily imply immediate removal of all tariff protection across all sectors. In Australia's experience, changes were gradual and part of a carefully considered process, extending over more than 20 years, in which Australia moved from being one of the most protected economies in the world to being one of the most open.

Second, Australia did not seek simply to reduce tariffs and border protection, and open up to foreign competition. Rather, those reforms were led by the Labour Party and accompanied by broader economic reforms for the benefit of all Australians, including those supporters of the Labour Party, and members of trade unions, who stood to be badly affected by trade reforms. This gave the proposed changes more political weight, and eased the adjustment pressures. (The contrast with the 'big bang', anti-trade union approach of the Thatcher reforms in the UK is striking.)

Third, Australia did not begin from a position within a widely integrated international market such as afforded by the EU. Its unilateral liberalisation did not start by sacrificing an already existing liberal trading relationship.

Foreign difficulties for this plan are apparent in the Asian region itself. This part of the world has seen a huge growth of markets and opening up to imports. Until recently, this has been characterised by 'open regionalism', with countries opening up on an MFN basis under the auspices of the WTO, APEC, and ASEAN. But achieving greater access to Asian markets may now be harder than it seems, and not just for reasons of gravity. The region is now turning towards its own regional preferential trading arrangements, and these will be difficult to join. The Regional Comprehensive Economic Partnership, or RCEP, an ASEAN+6 initiative, is coming to fruition. In addition, a Trans-Pacific Partnership Agreement has now been achieved, TPP – 11, one that has been established without the US but which keeps arrangements open for the US to join.

These policy developments in Asia show that Asian countries are no longer opening their markets on an MFN basis in a way that would be particularly useful to the UK. Gaining access to Asian markets would involve not just stimulating the UK's own export competitiveness but also negotiating access to regional trading agreements to achieve an equal footing to trading partners in the region. Again, this takes time, and it is already being done by the EU, which may in turn put pressure on the UK because – as discussed above – the UK will have less to offer in these negotiations than does the EU.

It is particularly important to consider the challenges that China, Asia's largest economy, presents to the UK. If the UK wishes to prepare for what is coming after Brexit by linking with China, it needs to build a closer relationship with China, and to plan accordingly. In particular, it appears unlikely that the financial sector in China will be opened up in the near term, given that it is still largely government-controlled, and full access on commercial grounds may be difficult. More generally, China's outlook remains protectionist. For China, 'globalisation' means market access for Chinese goods: in contrast, the UK will

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be seeking market access for its exports of goods and services.

It is also important to consider the challenge that China presents to the global trading system. Dealing with this will not be easy, as the US retreats from its role as global hegemon. In Asia, a number of countries, including Japan, India, Indonesia and Australia, are joining together in an attempt to manage China's Belt and Road Initiative (BRI), and thereby prevent Chinese domination of trade in the region. Asia's Regional Comprehensive Economic Partnership is a plan for regional cooperation that many hope will help manage BRI. The aim is to ensure that BRI remains multilateral in outlook, something that the Marshall Plan achieved in Europe after World War II. The UK will need to engage with this global challenge as it opens its trade with China. Further, as the Chinese economy matures and comes closer to the global technological frontier, the nature of the UK's trading relationship with China will need to mature, as China moves from being an exporter of manufactures to being a global leader in some areas of technology and in the production of many kinds of services.

Conclusions: What strategy for the UK?

Three alternatives to remaining in the Single Market and the Customs Union have been considered here. None gives grounds for immediate optimism. Four general conclusions emerge.

First, it will be important for the UK to avoid an elementary mistake. It would be very odd were the UK to set aside membership of the Customs Union and Single Market in order to pursue partial liberalisations of trade via regional trading arrangements with a small number of other trading partners outside Europe. And the unilateral opening up of the UK's trade with the rest of the world would be unlikely to square this circle easily in the foreseeable future.

Policy proposal

- *Pursue continued membership of Customs Union and Single Market*

Second, the Irish border issue is critical. If the UK carries out the government's preferred option (2), or if option (3) is pursued, a hard border will need to be established between Northern Ireland and the Republic of Ireland, just as in Option (1). It is hard to see how this can be avoided without the UK remaining a member not just of the European Customs Union but also of the Single European Market.

Policy proposal

- *Make sure that a hard border between Northern Ireland and the Republic of Ireland is avoided.*

Third, these decisions on Brexit and trade policy are connected with the big political-economy choices now facing the UK. There appears to be a need for a national policy review institution in which reforms, of both domestic policy and trade policy, can be analysed, according to their implications for the UK's national interest. At present the UK does not have an institution in which these issues can be clearly considered – they go way beyond the issues examined by, for example, the Competition and Markets Authority. Partly as a result of this, public debate, including that in Parliament, has so far lacked any detailed analysis of the economic impacts of potential trade arrangements. Instead, it has proceeded in a largely polemical manner. This subject is too important for such treatment.

A possible model is provided by the Productivity Commission in Australia, an institution with a history of considering the connections between trade policy and domestic economic policy. The Productivity Commission gave public advice on the liberalisation of trade which happened in Australia in the 1980s and 1990s, considering implications for particular industries and regions, investigating the associated changes that were required in education and in training, and later examining policies for wider national economic reform, for labour market reform, and for immigration, amongst other things.

The questions now facing the UK include examining the connection between Brexit and the Northern Powerhouse. How might trade policy sustain and promote the growth of Northern England? Beyond this, what trade policy would best suit Scotland, Northern Ireland, and Wales? And what policies should the country adopt to support a growth of exports to Europe and beyond? Such conversations will be important in re-establishing a sense of national solidarity amongst the different groups in the UK who are now pitted against each other. A UK Productivity Commission would be an important place in which such conversations could begin, and it could grow naturally from the trade and wider national policy issues being confronted in the Brexit debate. Importantly, such a domestic organisation would provide independent advice to government, based on a public inquiry process, to inform decision making by Government. It will be the effectiveness of domestic institutions and policies that will determine how well the

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UK adapts to the rapid changes in technology which are now happening in the global economy.

Policy proposal

- *Establish a national policy review institution to discuss future policies in the UK's best interest.*

Finally, decisions made on Brexit and trade policy will influence the UK's place in the world, and the UK is now in danger of being in a much lonelier place than in modern times. Immediately after World War II, the US, the UK, countries of Western Europe, and many other nations cooperated to establish global institutions to manage global economics and security: the UN, the IMF, the World Bank, the GATT (which later became the WTO) and the OECD. These institutions, and adoption by their members of the principles on which they are based, helped the world achieve unparalleled prosperity in the past 75 years. But the world is now changing. The framework is now being challenged by changes in the global economic architecture making it harder to safeguard the integrity of the global trading system. To meet these challenges, coalitions of like-minded countries that favour the principle of non-discrimination in international trade and a commercially-oriented, rules-based, trading system are essential. The UK, and the other members of the EU, are natural partners in the defence of this global system. Conversely, going it alone will be precarious for the UK and harmful for the world.

Policy proposal

- *Join with coalitions of like-minded countries to promote liberalisation of international trade and commerce.*

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