

# Labour's trade policy is the British government's problem

Blog post by Chief Economist Gregor Irwin, 5 September 2018

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There is nothing new in British government ministers showing a basic lack of understanding of trade policy. The Brexit referendum and its aftermath have been characterised by ministers asserting ambitious free trade goals which are not deliverable in the real world. Now the opposition Labour party has followed suit with its leader, Jeremy Corbyn, setting out a new "Build it in Britain" agenda, which seeks to re-write international trade rules.

Labour wants to shake-up state aid and public procurement. The party wants to do this while staying in a customs union with the EU and maintaining "full access" to the single market. And Labour wants to have a say in future EU trade deals that would continue applying to the UK. Even by the standards of Corbyn's Labour Party this is riddled with contradictions.

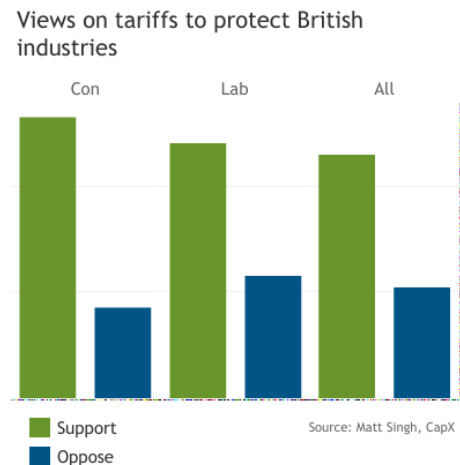
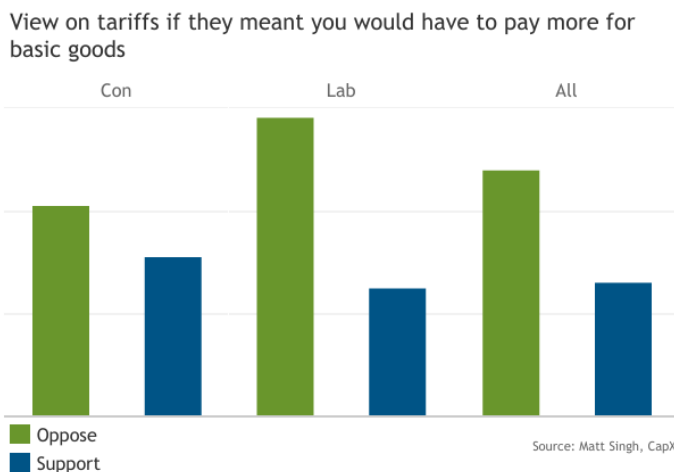
While the EU's Brexit negotiator, Michel Barnier, has been solicitous to Corbyn and his team, with regular dialogue in Brussels, he would not take these ideas seriously. State aid and public procurement rules are inseparable from the single market. Without them, there would be no level playing field. Even the Conservative government realises they are not up for negotiation if you want a close trading relationship with the EU. And if you leave the club, you lose your influence. So just how Labour expects to get a say in future EU trade deals is unclear.

Given their unworkability, the real problem they cause is not for the European Commission, but for the British government itself. Let's consider that, after Brexit, the dreams of the international trade secretary, Liam Fox, come true and countries like the US and Japan are willing to open serious trade negotiations with the UK.

We know what the Japanese would be asking for, because we've seen it in the deal just signed with the EU. Top of the list would be the elimination of import duties on cars, preferably with a much shorter phase-in period than the seven years agreed with Brussels.

The US would want more than just the elimination of tariffs; they will want to negotiate away barriers to trade behind the border, such as inconvenient food safety standards and consumer protections.

You can be certain that Labour would oppose these deals. It would be just too tempting for a party leadership with a populist touch and an aversion to liberalisation, particularly as public support for free trade appears fragile. (Fig. 1)



Does it matter? After all, criticism of trade deals from opposition parties on the left is hardly a new phenomenon in European politics.

Yes. In the brave new world where the UK parliament has taken back control and is sovereign, British trade deals will be reversible. Britain's trading partners won't just be looking at the policies and the commitment of the government of the day, but also at those of the opposition, particularly when the opinion polls tell us that they are electorally competitive.

Serious trade negotiators will want to know that a country won't just open trade negotiations, but also that they can sustain them through the long grind required to reach a deal and will then stand by the agreement afterwards. They need to be election proof, insulated from the online hysteria of Momentum and NGO opposition.

But there is now no pretence of consensus on trade policy in the UK. The two main parties are poles apart. And Labour's stance is not something the party could easily dial back should it win an election, even if it wanted to. Labour's trade policy is a servant of its interventionist industrial policy and its entire approach to managing the economy.

So, among the many contradictions in the UK's Brexit policy we now have another. You can return real power over trade policy to the British parliament and have an independent trade policy. But you can't have an effective trade policy unless you also have a cross-party consensus. And that simply does not exist in the UK.

