

What do free trade agreements add?

There are so many misconceptions in current debate about the nature and value of a Free Trade Agreement.

The first is, you do not need a Free Trade Agreement in order to trade with other countries. The UK in the EU has no free trade agreement with either the USA or China, the two largest economies in the world, yet we have a large trade with both of them.

The second is trading as we do under World Trade rules there is no WTO requirement to impose tariffs on imports. We do so because the EU tells us to impose tariffs on food and cars, not because the WTO makes us. Once we leave we can decide whether to remove those tariffs or not. There is no requirement to impose tariffs on say drugs, and the UK government has made clear it would not do so.

The main reason we can have a successful trade with the USA and China and can have one with the EU after we leave is the existence of WTO rules. A country cannot impose higher tariffs against us than they impose on everyone else. Free Trade Agreements are allowed under WTO rules for countries wishing to go further than the relatively low advanced country tariffs reached under WTO rules so far. The facilitation of trade Agreement ensures smooth borders for the transit of goods between WTO members. All EU countries are members.

Free Trade Agreements can add a bit to trade by removing the remaining tariffs and a few other barriers that still exist under WTO rules. They are nice to have but not essential. It would not be worthwhile making big sacrifices to get one. They are gently mutually beneficial and for that reason countries do not pay to get them.

It is odd that Remain campaigners both claim a free trade agreement with the EU is essential to our continuing trade with them, but try to prevent any free trade agreement with the USA. It's a typically contradictory position to adopt.