

UKTPO

UK TRADE POLICY
OBSERVATORY

Public Policy and Trade
Negotiations

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Life is more than just economics

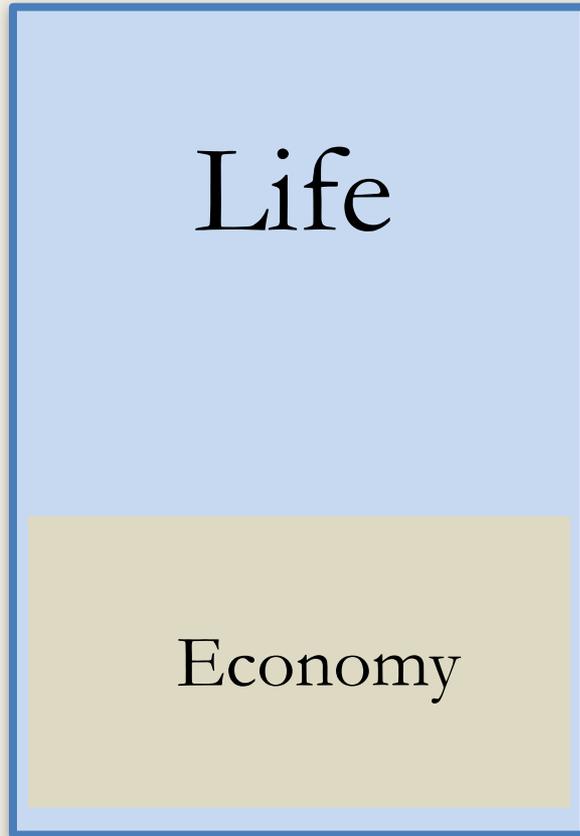


Six correlates of happiness

- GDP per capita,
- healthy years of life expectancy,
- social support,
- trust,
- agency,
- generosity.

Explain 75% of inter-area differences
World Happiness Report, 2017

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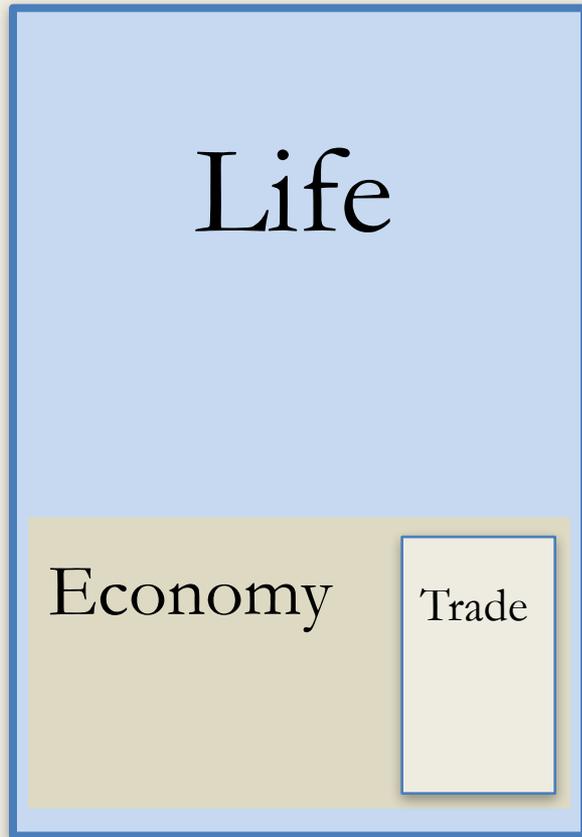


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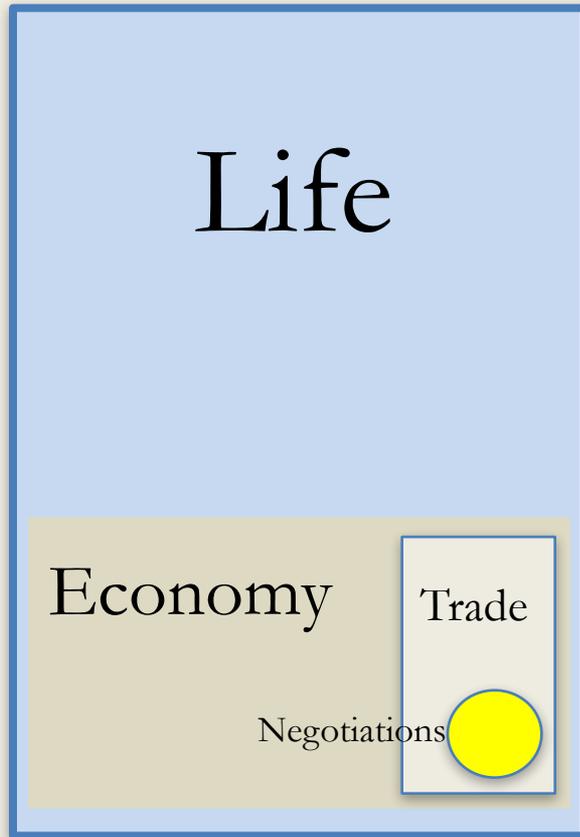
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And economics is more than just trade

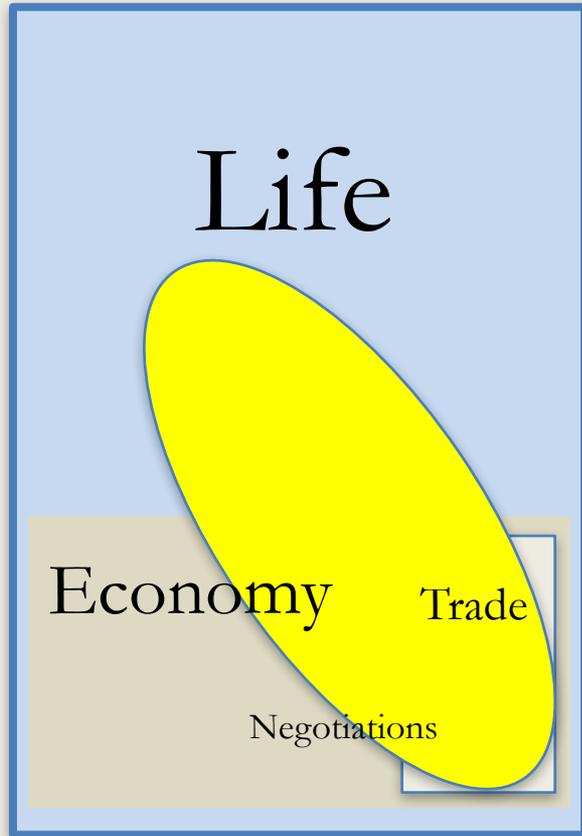


- Trade policy is an arm of domestic policy
- Trade policy should complement domestic policy

And trade is more than just negotiations



- Some objectives can be wholly unilateral
 - Border formalities
 - Visa regulations
 - Exchange regulations



The problem is that trade negotiations can overflow into other areas.

That is the Brexit critique

‘What started as a trade agreement has spread into other areas’

The issue is trade offs

- You have to know what you want
- And roughly what it is worth to you.
- This is true in the large – e.g. role of markets
- And in the small – do we want less aflatoxin on our peanuts

Where do issues arise?

- Culture
- Privacy
- Public morals
- Standards/regulation
 - Food, animal welfare, environment, prudential, safety (chemicals, motor vehicles)
 - Attitudes to risk (science)
- Income distribution (geographical, functional)
- UK role in the world

Why Trade Agreements?

- Independent short-term maximisation is sub-optimal
 - a) Investment in economic (and social) activities needs assurance about the future
 - b) Reducing transactions costs needs cooperation
- a) Trade Agreements signal commitment (not easily reversible) between **and within** parties
 - Tying one's hands can be good

(b) 'Shallow' Trade Agreements

- GATT
 - Desist from certain border policies (taxes, quotas)
 - And from internal equivalents to them
 - Simple principles – non-discrimination
 - Forgoing enforcement
- Little constraint on internal regulation or management of the economy, so long as non-discriminatory

An inexorable dynamic

- Every time a market is made more open, there is
 - More concern about ‘unfair’ competition
 - ‘they’ need similar ‘standards’ to our own
 - More concern if other markets are not open
 - ‘We’ import ‘their’ widgets, ‘they’ must import our ‘banking’
- So more and more policies fall into the international ambit, i.e. to

'Deep' Trade Agreements

- Deeper liberalisation
- Wider coordination, including regulatory areas
 - 'Positive' commitments (to do something)
- Stronger enforcement

- They are more efficient and generate more trade
- But they are much more intrusive
 - More overflow

The uses of Trade Agreements

- Externally:
 - seek concessions from, and assurance about, partners
- Internally:
 - Signal government commitment to a reform
 - Bind a future government to a reform
 - Persuade citizens that a reform will stick
 - Recruit external forces to a domestic agenda
 - Win political objectives before the opposition realises

In an ideal world

- Work out what society wants, commit to it in a Trade Agreement,
- BUT
 - Attitudes change and evolve
 - Regulation is very conservative; it arises from culture, history, accident, ...
 - Different interests – across region, income, occupation, sector, ...
 - Social objectives are fundamentally a political issue and take time to resolve.

And the UK **is in a desperate hurry**

The basic requirements for a Trade Agreement

Trust and Time

- Legitimacy of the process (and institutions)
 - Partly matters of tradition and practice
 - Involving recognised interests
- Transparency in the broad
 - What, but also why, how, consequences
- Organised and focussed consultation

Legitimacy of the process

- Parliamentary sovereignty strictly includes
 - Standing Committees, Scrutiny Committees, both Houses, full engagement by ministers
 - Appropriate choice of primary vs secondary legislation
- Role of devolved administrations/assemblies
- An independent source of fact and analysis
 - c.f. Office for Budget Responsibility

(1) Current (non-legislated) plans

- Government plans
 - Parl. scrutiny
- Parl. committees and can comment
- Government plans
 - Parl. discussion
 - Strongest possible
- Parl. debates (on key issues); second reading
 - Essentially –



Processes for making free trade agreements after the United Kingdom has left the European Union

Presented to Parliament
by the Secretary of State for the Department for International Trade and
President of the Board of Trade
by Command of Her Majesty

February 2019

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(2) Brexit is short-circuiting the process

- Food safety
 - Section 3 of EU Withdrawal Act → ‘retained EU law’
 - Section 8 uses SIs to amend ‘perceived deficiencies’
 - GMOs: Ministers can amend the GMO application and authorisation rules
 - Pesticide residues: Ministers can amend, revoke and make regulations on how active ingredients in pesticides are authorised, and amend the maximum residue levels (‘as appropriate’)

<https://blogs.sussex.ac.uk/uktpo/2019/09/12/uk-food-safety-statutory-instruments-a-problem-for-us-uk-negotiations/#more-3965>

(3) Other process elements

- Devolved administrations
 - ‘responsible for ... implementing obligations’ on devolved issues
 - UK will ‘work with to secure legislative consent’
- Information
 - Economic analysis at start; impact at the end
 - But on government specifications, assumptions etc.

Transparency in the broad

- To Parliament
 - Prior to negotiations:
 - Outline Approach including scope, negotiating objectives and assessment (but not pre-analysis)
 - During negotiations:
 - Round Report, Annual Trade Report
 - End of negotiations:
 - full treaty text, Explanatory Memorandum, full Impact Assessment.
- But must also engage with public, interested parties

Organised and focussed consultation

- Broad social objectives
 - not just trade
- Analysis of how and why, as well as what
 - trade-offs, broad contours, different approaches
- Engagement with expertise
 - even when it is uncomfortable
- Ask specific questions and make concrete proposals
- July 2018 Consultation – a joke; 600K responses
- STAG – met once so far

Conclusion: Trust and Time

- A national conversation – many forms/fora
- A greater freedom to speak
- Openness to expertise and humbler experts
- More pre-negotiation discussion
- Explicit objectives from government
- Time to debate details

Huge doses of self-restraint and good luck

Thank you

<https://blogs.sussex.ac.uk/uktpo/>