

Trade wars?

Trade is always vulnerable to politics. Today we see a US/China trade dispute on a grand scale, as the US responds to the growing strategic and military challenge of the emerging superpower. Pakistan and India are in bitter dispute over Kashmir with threats to the trade from both sides of their troubled border. Japan and Korea have dismantled their framework of mutual trade preference and are imposing barriers on some items. The row resumed over Korean claims for war reparations. Many developing countries charge high tariffs on imports with special dispensations from WTO rules to allow this. The US has imposed sanctions on Iran which the EU has in effect to go along with. The UK refuses to sell various countries weapons and security machinery on strategic and moral grounds. Most advanced countries place security restrictions on the sale of certain technology products and services.

The main trend worldwide is for neighbouring countries to impose trade restrictions on each other for wider political reasons. In the Middle East trade is disrupted as part of the wider Sunni Shia conflicts. Mr Trump threatened tariffs against Mexico to get better border policing on the Mexican side of the border. He seeks to stop the illegal drugs trade from South America and looks for trade remedies. Japan have difficult relations with its neighbour China. China, Pakistan and India have disrupted trade around their common borders in Kashmir. These common rows and anti trade policies are always with us, but the strength of the WTO trading framework means world trade continues to grow and stays at high levels.

Despite these common problems the bulk of our trade in or out of the EU will be tariff free with relatively easy passage across borders. There are no current difficulties from government restrictions on the UK importing a large number of components, food and pharmaceuticals from non EU countries. The WTO Facilitation of Trade Agreement coupled with the enthusiasm of exporters to sell to us will ensure plenty of imports to meet our needs after 31 October with or with an EU Agreement. The UK so far has announced a major reduction in tariffs once we are out making it cheaper and easier to import from non EU places, and no dearer to import from EU.

We need to remember as well that the overwhelming majority of our trade is domestic. There is more scope for growing UK businesses and farms to supply our domestic market more, and this may well happen once we leave the EU and can settle our own affairs. Our time in the EU has seen loss of home market share in a number of crucial areas thanks to EU regulations and EU economic policies. Our early years in the EEC were particularly damaging with substantial de industrialisation. The ERM debacle hit our growth rate badly. Our growth rate has been slower in the single market than before we joined.