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Conflicting estimates of the benefits of freer trade with the United States:

the European Commission (2017) vs the Department for International Trade (2020)

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Summary

The 'scoping assessment' of the proposed UK-US trade agreement published by the Department for International Trade (DIT) at the beginning of March is compared with a similar exercise conducted by Ecorys for the European Commission in 2017 during the Transatlantic Trade & Investment Partnership (TTIP) negotiations. After stating their two levels of negotiating ambition, both teams aimed to estimate the future impact of freer trade with the US but ended with startlingly divergent expectations of its impact on UK GDP, exports, imports and wages.

The DIT's forecast amounts to an increase in UK GDP of £3.4bn in 15 years, while Ecorys' anticipates an increase of £370.6bn by 2035

The DIT estimates an increase in UK GDP of 0.16% over 15 years, whereas Ecorys estimated a three times greater increase of 0.5% from the first year of full implementation, and every year thereafter. The DIT's forecast amounts to an increase in UK GDP of £3.4bn in 15 years, while Ecorys' anticipates an increase of £370.6bn by 2035, which is more than 100 times greater. DIT estimated exports to the US would rise by 7.7% but Ecorys by 17.85%, more than twice as much. Similarly, DIT estimated real wages in UK would rise by 0.2% and Ecorys again estimated more than double that amount by 0.5%. These differences are all the more startling given Ecorys' continuous efforts to underestimate the impact of the TTIP and give 'conservative' estimates.

A few possible explanations of these different expectations emerge from their reports, such as the greater 'spillover' effects of EU-US regulatory alignment, DIT scepticism about greater public procurement in the US, but most importantly, differing estimates of the reduction of trade costs expected as some US non-tariff barriers (NTBs) are amended or scrapped. However, the divergences suggest significant disagreements in the underlying methodologies, assumptions and data sources of the two studies, and that the DIT estimates have

been strongly influenced by those of HM Treasury in 2016 – when making its case for continuing EU membership – and in 2018 when arguing for a close trading relationship with the EU, and against trading with the EU under WTO rules.

Such government estimates matter, as the continuous influence of HM Treasury predictions about post-Brexit trade over the years of bitter post-referendum debate testify. These DIT's estimates, though ostensibly intended to make a case for the UK-US free trade agreement (FTA), provide strong, if not stronger, support for those opposed to it. Ecorys's methods are, however, much more credible as they are continuously evaluated and tested against six other studies, amongst which there was considerable measure of agreement.

As the conspicuous outlier, the DIT authors should be asked to explain, in a follow-up paper, why their expectations of the impact of a UK-US FTA are so remarkably low, to make use of any new evidence about NTBs, especially from HM Treasury, and address the significant features UK-US trade overlooked in their first analysis. In so doing, they should break with recent Treasury precedent by inviting open debate with other researchers, wherever they may be. This will resolve the considerable doubts about the reliability and trustworthiness of their estimates, help UK negotiators, as well as future parliamentary and public debate on this agreement, and contribute to the research-intensive environment that pro-active trade policy and promotion outside the EU requires.

The DIT has already adopted the same methods in its assessments for trade agreements with Australia and New Zealand and seems to have them in mind for an approach to the Trans-Pacific Partnership, as if they are already an acceptable template. The UK-US FTA is of such importance to the future of UK trade policy that there is also a strong case for a second, entirely independent assessment, free of the memories and methodology of arguments about leave or remain. This would instil confidence and leave no doubt about 'the dawn of a new era' in UK trade policymaking.

Introduction

At the beginning of March, just before the Covid-19 virus diverted our attention from everything, the DIT published its outline strategy and scoping assessment of a UK-US free trade agreement (FTA)[1] in advance of the formal opening of negotiations between the two countries. In 2017, the European Commission had been engaged in a similar exercise and commissioned a 'sustainability impact assessment' of the Transatlantic Trade & Investment Partnership (TTIP) from Ecorys, a Dutch research consultancy, which started work in 2014 but published its final report in March 2017,[2] by which time the negotiations had been suspended.

It might seem a bit of a mismatch to compare the two reports since the Ecorys assessment had undergone successive drafts as the TTIP negotiations were underway, and was preceded by the most thorough investigations of EU and US non-tariff measures (NTMs) ever conducted.[3] The DIT report, by contrast, is the first effort of a relatively new government department, which precedes the opening of formal negotiations, offers only a preliminary assessment and, as it notes on several occasions, 'a full impact assessment…following the conclusion of negotiations will be published prior to implementation.' Moreover, the Ecorys report naturally refers, for the most part, to the EU as a whole, and only intermittently presents expectations about individual member countries, whereas the DIT is, of course, exclusively concerned with the UK.

Despite these differences, there is much to be learned from comparing them, since their expectations of an agreement with the US are startlingly different

Despite these differences, there is much to be learned from comparing them, since their expectations of an agreement with the US are startlingly different, and, since the DIT assessment, preliminary or not, may well influence both policy-making and public opinion in the UK, their differences require explanation, and if possible, justification.

Two levels of ambitious expectations compared

Both reports distinguish between two levels of ambition of the proposed agreement: one that realises the most 'ambitious' or 'deeper' free trade goals and the other that has lower, or less ambitious

[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data /file/869592/UK_US_FTA_negotiations.pdf
[2] http://trade.ec.europa.eu/doclib/docs/2017/april/tradoc_155464.pdf
[3] https://www.gtap.agecon.purdue.edu/resources/download/5177.pdf

expectations. Table 1 compares the impacts of the former, of agreements that meet their more ambitious expectations. As explained at the head of the table, both take 'more ambitious' to mean the total elimination of tariffs, and the substantial reduction of 'actionable' non-tariff barriers (NTBs), meaning those that are amenable to change by political decision. Both reports make roughly similar judgments that about half of US NTBs on goods are actionable, but while Ecorys estimates the same on services, DIT is more sceptical and thinks only about one third of NTBs on services are actionable.

It will be immediately seen from Table 1 that Ecorys, writing after extensive consultations with the negotiators of the European Commission who had spent years locked in negotiations with their US counterparts, had far higher expectations of the benefits of a free trade agreement with the US across the board than the DIT. They expected it to have a much greater impact on EU GDP, on exports, imports and wages of both the EU and the UK, a difference which is somewhat counter-intuitive. One would expect that discussions with EU negotiators to have tempered Ecorys unrealistic expectations, while the DIT authors, charting an entirely new chapter in the history of UK trade, would have erred on the side of excessive optimism. It isn't so.

The first three of the Ecorys estimates in the table (GDP, total exports and imports) refer to the EU as a whole, though as it happens they also estimated that the impact on UK GDP would be +0.5%, exactly the same as that of EU GDP. This compares with the DIT estimate of +0.16%. More on both in a moment. The second three impacts, in italics, refer to the UK alone, and are given in lieu of those referring to the EU as a whole (which are all rather higher), and complete the pattern of high EU/Ecorys expectations and low ones from the DIT.

One must emphasize that, at several points in their analysis, Ecorys explain why they think that their estimates *underestimate* the probable gain from TTIP. They regret, for instance, that their model took no account of FDI flows, and pointed out that its 'results may be underestimated for countries that are an attractive destination for US inward FDI.' Since the UK has for many years been the most attractive destination in the EU, in absolute amount if no longer *per capita*, for US FDI, it is probably the member country most likely to have been underestimated.

On another occasion, when concerned about accurately converting NTBs into trade costs, they finally decided, 'for technical reasons and to enhance accuracy', to omit entirely the large 'processed food' sector from their calculations of the benefits of removing NTBs. Ecorys' final figures in the table should therefore be considered underestimates, and the real difference between the two sets of expectations might be still greater than they indicate. In their earlier work on non-tariff measures (NTMs), it was still greater. They then estimated the benefit from the TTIP for the EU GDP at 0.7%, so their cautious underestimates in this final report clipped 0.2% off that estimate.

Table 1: Predictions of TTIP and the UK-US FTA compared

	EU/ Ecorys 'ambitious' expectations of TTIP	UK/DIT 'deeper' scenario 2 expectations of UK-US FTA
Impact on UK by 2030 on	Tariff 100% ↓ NTB 25% ↓ = 50% of actionable	Tariff 100% ↓ NTB 25% ↓ = 50% of actionable
GDP	+ 0.5% *per annum* in 2018 + £13.8bn	+ 0.16% 'in the long run'* = 2018 + £ 3.4bn
Total exports	8.2%	1.3%
Total imports	7.4%	0.2%
UK exports to US	*17.8%*	*7.7%*
UK imports from US	*28.5%*	*8.6%*
↑ in UK real wages high & low skill	*0.5%*	*0.2%*

*'The long term (and presumably 'long run') is generally assumed to mean 15 years from implementation of the agreement'.
Source: See pp. 75-6, 84-7, 471, *SIA in support of the negotiations on a Transatlantic Trade and Investment Partnership* [Final Report], Ecorys for the Eur Comm, March 2017. See: http://trade.ec.europa.eu/doclib/docs/2017/april/tradoc_155464.pdf pp. 32, 57, 81, DIT UK-US Trade Agreement

On the most important divergence, that on the post-agreement increase of GDP, Ecorys are at some pains to point out that their expectation of an increase in the GDP, of both the EU and the UK, is not a gradual increase of 0.035% per year which finally adds up to 0.5% by 2030. The increase they expect of between 0.3% and 0.5% is 'a gain that accrues each year', though in 2030 – which is their 'impact horizon' – the GDPs of both the EU and the UK were expected to be 0.5% larger than they would have been without TTIP.

Just to make sure readers do not misunderstand, they provide a graph in their executive summary, showing the trend line of EU GDP which begins six years before TTIP is concluded and continues for sixteen years into the future after its ratification. However, from year zero, when TTIP is implemented, a bold red line appears above the dotted trend line of GDP growth continuing as in the past with no TTIP, which within two or three years – presumably acknowledging that implementation cannot be completed overnight – then continues 0.5% above the future GDP trend line over the sixteen years. In sum, 'the estimated impact is permanent and applies to (GDP) levels and not to (GDP) growth rates.' It is 'an increase of 0.5% per year'.

Whether the same is true of the increase in UK GDP expected by the DIT is not at all clear. The UK-US FTA is, they say, 'estimated to increase the UK's long run annual GDP by …0.16% in scenario 2', which is the more 'ambitious' or 'deeper' scenario, later putting a 90% confidence interval around this 'central estimate' saying that UK GDP 'could vary by 0.05% to 0.36%'. This 0.16% increase is, as they point out, 'equivalent to an increase of £3.4bn compared to its 2018 level' and 'reflects changes to the underlying economy brought about by a reduction in the barriers with the US by an FTA … by changes in domestic specialization and the competition of imports with productivity gains driven by resources moving to where they are more productive…'.

This sounds very much as if the DIT expects annual increases of 0.01% or thereabouts which, over 'the long run' of 15 years, finally add up to an increase of 0.16% to UK GDP by 2035, which would then be £3.4bn larger than it would otherwise have been. This does not seem much of a reward for negotiating an agreement, answering for the umpteenth time arguments about chlorinated chicken, hormone-fed beef and GM foods, let alone 15 years euphemistically described as 'resources moving to where they are more productive'. If that is indeed the only impact on UK GDP the DIT modellers expect, then the divergence from the Ecorys and European Commission expectation would indeed be vast, and the impact on UK GDP truly minuscule, indeed scarcely noticeable.

What the divergence means for UK GDP in 2035

Simply for the sake of the argument, we may first calculate the expectations of Ecorys and DIT modellers as increases in the level of GDP of 0.5% or 0.16% in every year – even though the latter is not what DIT says – by imagining that TTIP and the UK-US FTA were concluded in 2020. If UK GDP had continued to grow at the same rate as it has over the past 21 years, without either agreement being concluded, it would amount, in current value pounds, to £3.5 trillion by 2035. If, however, TTIP had been concluded in 2020, and as Ecorys ambitious scenario explicitly instructs to do, we add 0.5% to UK GDP every year because of the completion of TTIP in 2020, it would be more than £370.6bn larger. If, as a result of the successful negotiation of an ambitious FTA with the US in 2020, it had been 0.16% larger in each of those years, as we have taken the DIT 'deeper' scenario to mean, it would be £118.6bn larger than £3.5 trillion by 2035 – a difference of more than a quarter of a trillion pounds.

If, however, we take DIT at its word, and assume after the completion of UK-US FTA in 2020 an annual increase of about 0.011% per annum, amounting to an overall increase of 0.16% by 2035, then UK GDP would be, as it explicitly states, £3.4bn larger by 2035.

> *Ecorys' expectation of the benefit of TTIP for the UK GDP is therefore more than 100 times larger than DIT's expectation of the benefit of UK-US FTA*

Ecorys' expectation of the benefit of TTIP for the UK GDP is therefore more than 100 times larger than DIT's expectation of the benefit of UK-US FTA, the difference between them being £367.2bn. A sum of that size almost demands that we find out whose expectations are more plausible. It is difficult to believe that there could be any sensible discussion about negotiating tactics or trade policy between two UK negotiators (or for that matter two members of parliament) one of whom had accepted the DIT scoping assessment and thought they were negotiating about a £3.4bn increase to UK GDP by 2035, and the other who had been persuaded by the Ecorys estimate, and believed that £367bn, or more than a third of a trillion pounds was at issue.

Presumably, the UK's current negotiators believe the former, and think they are arguing about a £3.4bn increase over the next fifteen years. For their benefit, and for the sake of the subsequent parliamentary and media debate, it is worth making some effort to determine which expectation is the more plausible.

The DIT rejects the consensus view

Ecorys had analysed six earlier attempts to predict the impact of a TTIP agreement alongside its own. There are many differences between these analyses because of their varying estimates of the ambition and likely substance of TTIP, of their methodological choices and key variables, as well as their impact time horizons. However, their estimated gains to EU GDP are all between 0.3% and 0.5%. None of the six thought it would be as low as 0.16%, the DIT estimate for the UK.

Two of them also estimated the impact on UK GDP separately. In 2013, in another report for the Commission, the *Centre d'Etudes Prospectives et d'Informations Internationales*[4] had expected UK GDP to increase by 0.4%, and surprisingly, that the GDP of the EU27 as a whole would increase rather less, by only by 0.3%. In the same year, the *Centre for Economic Policy Research*[5] prepared a report for the UK Department of Business Innovation and Skills which originally estimated a 0.35% increase in UK GDP. However, their analysis was extended and revised in a number of ways within the Ecorys report itself (pp. 44-46, 75) and this resulted in a final estimate of an increase of 0.5% to UK GDP. In sum, the DIT expectation about the impact of the agreement on UK GDP appears to be quite exceptionally low. There is nothing wrong, of course, about rejecting a consensus, though it is more creditable, and credible, when accompanied by explanation of why it was felt necessary to do so.

In the meantime, it is difficult to share the DIT's excitement about the expected benefit of £3.4bn to UK GDP outlined in its 'deeper' illustrative scenario, since it is little more than a third of the UK's annual contributions to the EU in recent years. Or perhaps, it is better seen in the context of a normal year of trading with the US. Over the single year from 2017 to 2018, UK goods and services exports to the US *increased* by £4.55bn,[6] which is therefore more than the increase DIT expects over 15 years from a FTA with the US. In effect, the DIT prospectus might equally well be read as evidence against the proposed agreement, and, in all probability, soon will be.

Divergence on trade and wages

The other divergences between Ecorys and DIT expectations in Table 1 and Table 2 below – about the impact of the UK-US FTA on the growth of UK exports and imports, both in total and to the US, and on wages – are not quite as startling perhaps as those on GDP growth, since they are not annual increases. Ecorys expectations are, however, invariably many times more than those of the DIT, which suggests that there must be rather profound disagreements between the two reports in the methods of assessing the benefits of reductions non-tariff barriers, since the measurement of reductions in tariffs can seldom be in dispute.

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As they stand, these contrasting figures make a strong case for a further DIT publication, with a lucid explanation of the different methodologies underlying the two expectations, and an argument for accepting their expectations rather than those of Ecorys. HM Government, Parliament and the UK public will be best served – and much better able to make up their minds about the merits of the agreement with the US – alongside other independent assessments of its likely impact.

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[4] http://www.cepii.fr/PDF_PUB/pb/2013/pb2013-01.pdf
[5] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/198115/bis-13-869-economic-impact-on-uk-of-tranatlantic-trade-and-investment-partnership-between-eu-and-us.pdf
[6] http://www.civitas.org.uk/publications/wto-vs-the-eu/

Table 2 shows, the benefits expected from the 'less ambitious' estimations of Ecorys for TTIP, alongside the so-called 'substantial' UK-EU agreement as anticipated by the DIT. A quick glance will show that the divergences between them remain as large as in Table 1, even though Ecorys had reasons to think, as we shall see, that their own final estimates were 'one of the most conservative scenarios' of the groups it analysed. Not nearly as conservative as the DIT's one must add.

In 2018 values, the 0.1% rise in UK real wages expected by DIT, means 0.1% of £29,400, the UK median wage in 2019, which amounts to £29.40p. This does not seem like much of a deal-clincher or vote-winner. And since exports to the U.S. have grown over the past 20 years at a real compound annual growth rate of 3.8%, an additional 4.3% growth in exports to the US in the long run, within an overall increase of 0.7% in total exports, will be a pleasant tail wind for exporters but far short of a spectacular inauguration of a new trading era.

An incidental benefit – if talks with the EU fail

Amongst its rather unexciting, lacklustre expectations of the consequences of a UK-US trade agreement, the DIT came across one incidental and curious benefit. Following HM Treasury, they modelled a baseline of the UK trading with the EU under WTO rules, and found 'higher potential gains from a trade agreement with the US' arising from 'higher barriers to trade between the UK and the EU…' If the UK leaves with no deal, and trades with the EU on WTO terms, their model showed that, under the 'deeper' illustrative scenario 2 agreement with the US, UK GDP rises from by 0.22% by 2035, rather than 0.16%, exports to US will grow by 9.3% rather than 7.7%, and imports from the US by 9.2% rather 8.6%. These are still rather trivial benefits by comparison with the benefits predicted for the UK as part of TTIP, but nonetheless some compensation for the UK, if its talks with the EU fail.

Does it really matter?

Economic modellers often differ from one another and may benefit from doing so, as Ecorys rigorous evaluation and defence of its own efforts by comparison with six other modellers of the impact of TTIP demonstrates. If this DIT assessment were similarly to be one of several presented to UK negotiators, policy makers and public, it probably would not matter too much, especially if the difference was measured in tenths of a percentage point, and their confidence intervals overlapped. In this case the difference between their expectations, by 2035 at least, is gigantic, not tenths of a point, but more than one hundred points. A disagreement of this magnitude demands an explanation, first of all, for the UK negotiators. It does not seem like a wise or winning strategy to let them enter

Table 2: Less ambitious predictions of TTIP and the UK-US FTA compared

	EU/ Ecorys 'less ambitious' expectations of TTIP	UK 'substantial' 'illustrative scenario 1' expectations of UK-US FTA
Impact on	Tariff 90% ↓ NTB 50% of actionable = 25% of total ↓ Pub procurement 25% eliminated	Tariff ↓ substantial NTB 25% of actionable = 12.5% of total ↓
GDP	+ 0.3% per annum	+ 0.07% 'in the long run'* = 2018 + £1.6bn
Total exports growth	4.6%	0.7%
Total Imports growth	4.0%	0.1%
Exports to US	15.3%	4.3%
Imports from US	22%	4.1%
↑ in real wages high & low skill	0.3%	0.1%

Source: pp.75, 81-7, 471 Ecorys: pp. 32, 57, 81, DIT, *op.cit.*

negotiations with extremely low expectations, and run the risk of later being told that rather more might be at stake, or finding out some years later that very much more was at stake.

> *A disagreement of this magnitude demands an explanation, first of all, for the UK negotiators. It does not seem like a wise or winning strategy to let them enter negotiations with extremely low expectations*

More importantly, government estimates have a profound influence on subsequent parliamentary and public debate – just as the predictions of HM Treasury about the costs of no deal and trading under WTO rules have had ever since the referendum. If this DIT prospectus is seen as the definitive official estimate of the impact of the UK-US FTA, and like the predictions of HM Treasury, treated as the authoritative trustworthy source on this issue, it might have a similar profound impact on parliamentary and public debate. It is home-grown of course, but that is hardly a reason for thinking that it deserves to be treated as the more authoritative source. The European Commission's consultants all identify themselves. They had earlier completed a spectacular survey of non-tariff barriers. They had continuously tested and justified their ideas against the work of diverse earlier forecasters, which the anonymous DIT authors never do. Why therefore should we take DIT estimates as the foundation of parliamentary and public debate rather than those of the EC's consultants?

More importantly still, once the penny drops amongst the extremely well-organised opponents of any proposed deal with the US, as it surely will, that the gains anticipated by the DIT are trifling, they will find it extremely easy, along with a minority of the Tory MPs and all the opposition parties, to mobilize opinion against whatever might have been negotiated.

The alliance[7] of farming, environmental, animal welfare and food hygiene pressure groups against this agreement is already formidable – and can rely on a considerable sympathetic constituency of disappointed Remainers, even before they start campaigning. It failed to get food standards written into law, but has now secured a quasi-constitutional platform in the newly-created Trade and Agricultural Commission to which the Secretary of State for International Trade will have to present her negotiators' proposals.[8] This will provide an arena in which the struggle to pass the agreement will be fought and publicised, before it is presented to parliament. In those circumstances, it would surely be better for all sides if the argument centred on estimates that have been extensively reviewed and tested and shown to be as trustworthy as one can reasonably expect such estimates to be.

It is worth recalling, the US is the UK's largest single trading partner, and UK goods and services exports to it have been growing, over the past 20 years, at a real compound annual growth rate of 3.77% per annum, versus just 0.56% per annum with its EU partners, despite all the supposed advantages of frictionless, tariff and quota-free trade with near neighbours. This UK-US FTA is, so to speak, the flagship for free trade, and other agreements. A rather diminutive flagship. Over the next 15 years, if the DIT is right, UK GDP might expect, at best, to gain of about one third of its present annual contribution to the EU, or less than one tenth, over fifteen years, of the £39bn it might pay the EU in the withdrawal agreement.

If, moreover, a significant body of UK opinion comes to think the potential benefits the UK can expect from a deal with US are as trivial as the DIT predicts, it is hard to believe there will be much enthusiasm for free trade agreements with the UK's many smaller trading partners. And while writing, as if on cue, the DIT has published the still more trivial gains of 0.01% to UK GDP over 15 years, or possibly at a push 0.02%, from a trade agreement with Australia,[9] and between 0.0% and 0.0%(sic), that might be expected from an agreement with New Zealand[10], and, in that case, it even expects losses to UK GDP in Northern Ireland.

How can the divergence be explained?

Why is the difference between these two forecasts or scenarios so large? At first glance, one would expect an agreement negotiated by the UK solely

[7] https://thepoultrysite.com/news/2020/01/60-farming-groups-co-sign-nfu-open-letter-to-prime-minister-boris-johnson

[8] https://www.huffingtonpost.co.uk/entry/us-trade-food-brexit-truss_uk_5ef9e564c5b612083c50845e

[9] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/892747/UK_strategy_for_UK-Australia_free_trade_agreement.pdf

[10] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/892830/UK_strategy_for_UK_NZ_free_trade_agreement.pdf

with regard to its own interests would provide more benefits for the UK, so it is especially puzzling that DIT thinks they would be significantly less than an agreement negotiated by the European Commission. In this regard, the DIT seems to be lending support to the oft-repeated claim of Remainers that the European Commission will negotiate better agreements than the UK will do on its own. The UK was not, by the way, thought by Ecorys and the others to be especially favoured by TTIP. It was marginally above the mean of the EU28, but the GDP benefit for Germany and the Netherlands was slightly higher at 0.6% per annum, and the Republic of Ireland was considerably higher, 1.4% per annum.

Some of the differences between the EU negotiating positions and those anticipated by DIT go a little way to explain the divergent expectations. It seems reasonable to suppose, for instance, that the so-called 'spillovers', the knock-on effects on trade flowing from greater EU-US alignment of non-tariff measures (NTMs), would be significantly greater than those from UK-US alignment. One guesses that this is why the DIT expects only a marginal overall increase of 0.7% in UK exports and 0.1% in imports, while Ecorys expected more than six times as much.

Ecorys paid more attention to possible gains from the opening of US public procurement to UK exporters than the DIT which was much more concerned, almost obsessed, with the possible threat to UK public services from US exporters

Ecorys paid more attention to possible gains from the opening of US public procurement to UK exporters than the DIT, which was much more concerned, almost obsessed, with the possible threat to UK public services from US exporters, especially to the NHS which is not to be part of the negotiations. It is nonetheless mentioned 26 times in the proposal itself, and a further 30 times in the accompanying report on the public consultations.

Ecorys also appear to have paid more attention to the peculiarities of the UK-US trade relationship. It observed that UK trade relationships with the US were already closer and more integrated than those of other EU members. And when explaining why it expected UK exports to the US to increase by more than German and French exports, it argued that it was principally because 'the US currently accounted for a larger share of UK exports than most other members.'

These, however, are marginal contributory factors. The main reason for the disagreement will be found where Ecorys thought most benefits of the agreement were to be found, that is by negotiating reductions of the non-tariff measures (NTMs) and regulatory restraints on services imposed by the federal or state governments. 'Regulatory co-operation trumps tariff liberalisation' as they neatly put it, and the remaining benefits were due to 'spillovers'.

The most important clue to the explanation of the difference between the two sets of expectations is therefore to be found in Ecorys' decomposition of its analysis of the impact of TTIP. This showed that most, that is 65%, of the expected growth in EU GDP is attributable to a 25% reduction of the 460 NTMs the US imposes on imports of goods and services. Relying on its prior analysis of EU and US NTMs,[11] it was able to catalogue all of them, sector by sector, alongside the EU's 150 counterparts, before deciding that only 50% of the 460 were 'actionable', or as they put it, 'not rooted in immovable social and political choices'. Their most ambitious hope was, therefore, that they might negotiate the elimination of half of these, hence an overall 25% reduction, which would contribute the 65% of the expected growth in EU and UK GDP. The elimination of tariffs would they thought contribute a further 24% of the expected 0.5% increase in GDP.

Therein lies the clue. There can be little or no dispute about measuring the impact of the 100% elimination of tariffs, which is what both ambitious scenarios anticipate, since tariffs are known and recorded. If Ecorys calculated that the elimination of existing tariffs will contribute 24% of the expected 0.5% increase in EU and UK GDP, that is 0.12%, it is reasonable to assume that if the DIT had decomposed the factors contributing to increase in UK GDP it expected from the UK-US FTA, it would have arrived at a very similar figure of 0.12%. If it had done so, it would mean that, by its calculation, all the other contributory factors that Ecorys drew attention to, and most especially the NTBs which it thought would contribute 65% to the increase in EU and UK GDP, could together only contribute 0.04%, given that it had already estimated the total increase of UK GDP to be just 0.16%.

[11] https://www.gtap.agecon.purdue.edu/resources/download/5177.pdf

The main reason for the difference between the two sets of expectations is, we may conclude, a massive difference in expectations about the relaxation or elimination of NTBs. Ecorys expected they would contribute 0.33% of the increase in EU and UK GDP, while DIT expects them to contribute, at most, 0.04%, one eighth as much.

Methodological differences

How, one then wonders, did this difference come about? DIT authors were slightly more pessimistic than Ecorys about the proportion of US NTMs hampering service exports that were actionable. They decided only about a third were actionable rather than a half, and hence their ambitious expectation for an overall 25% reduction in US NTBs, was not the same as Ecorys 25%. This, however, is a rather trivial difference. The most important reason for their disagreement must have been the different ways in which they estimated US NTMs, and converted them to *ad valorem* tariff equivalents (AVEs).

> *Actionability was similarly decided by empirical research, that is, by 'inputs from experts, businesses, legislators and regulators.'*

Having carefully listed them all – 460 US NTMs – as just mentioned, Ecorys relied primarily on a survey of more than 5,500 EU and US firms from 23 sectors, whose assessments of the openness of trade within their sector was scored from 1 to 100, cross-checked with the OECD trade restrictiveness index and other databases, and then finally converted them into the trade costs of NTBs. Actionability was similarly decided by empirical research, that is, by 'inputs from experts, businesses, legislators and regulators.' Indeed, the Ecorys team were so determined to assess the trade costs of NTBs accurately, that as also mentioned earlier, they finally decided, 'for technical reasons and to enhance accuracy', to omit entirely the large 'processed food' sector from their calculations of the benefits of removing NTBs, one of several methodological decisions which is likely to have made their final estimates and expectations more 'conservative' than others.

The DIT took a different approach to measuring the trade costs of NTMs. They decided that 'as NTMs and regulatory restrictions to services are not directly observable', they would use 'gravity modelling technique….to estimate the existing levels of NTMs for a given country.' Making use of 2004, 2007, and 2011 GTAP databases[12] of bilateral global trade relationships, rather than the laborious survey and cross-checking methods of Ecorys, these 'estimates were transformed into scenario inputs', ad valorem tariff equivalents (AVEs), and then fed into the CGE model. It disclosed no further check on how well these estimates or AVEs fitted known facts about US-UK trade in recent years.

In the footsteps of HM Treasury

In so doing, the DIT authors were following respectfully in the footsteps of HM Treasury which had used a gravity model before the referendum to predict the long-term economic consequences of leaving the EU.[13] It later switched to a CGE model of the economy, a first draft of which was leaked as *EU Exit: Cross-Whitehall Briefing*[14] in January 2018, and a final version was published in November 2018 as *EU Exit: Long Term Economic Analysis*. These works were published as the work of HM Government, though HM Treasury was, it seems safe to assume, the lead contributor of both.

In January 2018, to document the worst possible post-Brexit scenario of trading under WTO terms, it modelled a UK FTA with the US which it saw as 'providing a benefit to UK GDP of 0.2% in the long run, within a range of 0.15 to 0.3%,[15] though this they reiterated, 'is a long run estimate'. The DIT was not, therefore, quite alone when breaking with the consensus about the UK GDP growth that might be expected from a UK-US FTA. HM Treasury had arrived at almost exactly the same figure two years earlier. At that time, however, HM Treasury went on to suggest that pursuing 'an ambitious FTA agenda' of negotiating with other WTO countries might even add as much as 0.7% to UK GDP. It promised to continue studying NTBs 'to challenge and refine its NTB estimates.'

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[12] https://www.gtap.agecon.purdue.edu/databases/v9/default.asp

[13] https://www.gov.uk/government/publications/hm-treasury-analysis-the-long-term-economic-impact-of-eu-membership-and-the-alternatives

[14] https://www.autonomyscotland.org/wp-content/uploads/2018/03/EU-Exit-Analysis-Cross-Whitehall-Briefing.pdf

[15] https://www.parliament.uk/documents/commons-committees/Exiting-the-European-Union/17-19/Cross-Whitehall-briefing/EU-Exit-Analysis-Cross-Whitehall-Briefing.pdf

In the final version of November 2018, however, it referred only to new trade deals with 'a broad range of trading partners including the United States', mentioning Australia, New Zealand, Malaysia, Brunei, China, India, Brazil, Argentina, Paraguay, Uruguay, UAE, Saudi Arabia, Oman, Qatar, Kuwait, and Bahrain. It said no more about its research on its NTB estimates, or about a possible increase of 0.7% to UK GDP, and had evidently become more pessimistic about the benefits of free trade deals. It went on to estimate that new deals *with all these countries*, rather than the US alone, would increase UK GDP by 0.2%. It concluded by saying that 'the Department for International Trade will provide country-specific assessments as appropriate in the negotiation of individual future FTAs', much as if it was delegating a lesser task to the DIT, in the knowledge perhaps that some of its own staff would be seconded to the DIT and perform these assessments.

Presumably, that is what the DIT now sees itself as dutifully doing, since it quotes the *EU Exit: Long Term Economic Analysis* of November 2018 as its source when defining its main baseline as 'the state of the economy in the absence of a UK-US FTA' in which 'stylised assumptions' are made to 'represent a trading relationship between the UK and the EU based on a hypothetical FTA with zero tariffs and an increase in non-tariff measure costs based on historical FTAs.' And it again cites HM Treasury authority, when defining the alternative baseline mentioned earlier, where 'the UK leaves the EU without a deal and trades with the EU under WTO MFN rules.'

> *…if the Department for International Trade is to continue to 'provide country-specific assessments as appropriate in the negotiation of individual future FTAs', we can expect analyses using exactly the same methodology, making the same 'stylized assumptions'*

Presumably also, if the Department for International Trade is to continue to 'provide country-specific assessments as appropriate in the negotiation of individual future FTAs', we can expect analyses using exactly the same methodology, making the same 'stylized assumptions', to appear before FTA negotiations begin with Australia, Canada, India, New Zealand and other WTO partners. The scoping assessments for the Australia and New Zealand, published in late June 2020, with prospective gains to UK GDP of 0.01% and 0.00% respectively, now confirm that this is the case. Since both of these agreements are seen as preliminaries for an application to the Trans Pacific Partnership (TPP), we may expect to see the same 'stylized assumptions' used yet again.

Rather more is therefore at stake than the possibility of an error in the prospectus for the flagship UK-US FTA. If the DIT estimate is wrong, it might be a very big mistake indeed, with a misleading impact on the making of UK trade policy for many years to come.

Is HM Treasury a trustworthy precedent?

The failings of the gravity model used in the pre-referendum scenario of HM Treasury[16] have been well documented. When tested alongside the classical Ricardian model against the known features of the UK economy 1965-2015, it was found to pass only at the lowest levels of probability, and failed to keep up with the classical model as the number of data features of UK trade to be matched over the period were raised, and soon decisively rejected.[17]

A group of, mainly Remainer, Cambridge economists[18] tried and failed in their attempt to replicate its predictions about the longer term consequences of leaving to trading with the EU under WTO rules. They felt obliged to abandon some of its assumptions which were known to be highly improbable or false, such as inferring UK outcomes from EU averages. Having done so, the model came up with startlingly different results on many counts. Where, for instance, the Treasury predicted a post-Brexit reduction of total trade, both EU and non-EU, of 24%, they calculated it would amount to about 5%.

The Treasury declined to meet or respond to any of its critics, or to engage in public debate about any of its predictions, short or long-term. Its short-term predictions could be seen, quite soon after the referendum, to be no more than hysterical

16 https://www.gov.uk/government/publications/hm-treasury-analysis-the-long-term-economic-impact-of-eu-membership-and-the-alternatives
17 https://link.springer.com/article/10.1007/s11079-017-9470-z
18 http://www.cbr.cam.ac.uk/fileadmin/user_upload/centre-for-business-research/downloads/working-papers/wp493.pdf

fear-mongering, but it felt no need to explain, apologise or respond in any way.[19] It relied on the traditional image of the impartial, incorruptible, and aloof higher civil servant, a ploy that seems to have worked quite well, since throughout the subsequent years of turbulent parliamentary and media debate its predictions continued to be quoted as if they were an impartial and entirely trustworthy source. The deference some members of the British public still felt for higher civil servants was amusingly personified in the pearl-clutching moment of a BBC interviewer, Nick Robinson, in February 2018 who reacted with horrified amazement to Jacob Rees Mogg's suggestion '… that Treasury officials had fixed their economic forecasts in order to show that all options other than staying in the EU customs union were bad.'[20]

Although the Treasury could not bring itself to apologise publicly for its mistaken short-term predictions, its switch to a more credible CGE model in 2018 was probably a tacit response to its critics. Both of its 2018 publications still relied, however, on gravity correlations to estimate the costs of the all-important NTBs, though these were 'validated against external evidence' to determine the *ad valorem* equivalent tariff costs. How this was done, whether it prompted them to increase or decrease AVE values in particular sectors, was not explained.

This was a critical omission, given that the high costs and certainty of non-tariff barriers erected by the EU on the day that the UK finally leaves the EU have been the lynchpin of the Treasury's economic arguments since before the referendum

This was a critical omission, given that the high costs and certainty of non-tariff barriers erected by the EU on the day that the UK finally leaves the EU have been the lynchpin of the Treasury's economic arguments since before the referendum, first, to make the case for remaining an EU member, then for a close relationship with the EU, and finally for avoiding a no deal exit and trading under WTO terms.

Their promised research 'to challenge and refine' their NTB estimates would therefore have been of considerable importance, and especially if it had included the impact of MRAs with the EU of exporters to the EU to see whether they have been able to reduce NTBs, or if it had pursued the claim of the former Swiss State Secretary, and lead trade negotiator at a seminar in London, that the NTB costs on Swiss-EU trade had been reduced to 0.1% of the value shipped.[21]

It is difficult to avoid the conclusion that, once it had switched to a new CGE model, the Treasury had the strongest possible incentive to confirm its pre-referendum arguments that any post-Brexit FTAs could not possibly provide trading opportunities equal to those of the EU membership, while leaving without a trade deal, and trading under WTO terms, remained the worst possible option. High AVE costs of EU NTBs were crucial to both arguments. Its credibility and integrity were both very much on the line.

The DIT authors, one assumes, need have no such concerns, unless perhaps they are indeed seconded from the Treasury, so it seems unwise of them to adopt the exactly the same stylized assumptions, estimates and inputs of HM Treasury in their own scoping assessment. Their decision to follow in the Treasury's footsteps led them, it seems safe to say, to arrive at an equally low estimate of the benefits of UK-US FTA for UK GDP, and in particular, to its low estimates of *ad valorem* tariff equivalents of any reduction in US NTBs.

In its two 2018 publications, despite switching to a CGE model, the Treasury managed to predict a shortfall in UK GDP of 7.7% in 2030, reassuringly close in other words to the 7.5% it had predicted with a gravity model in 2016. However, its decomposition of this 7.7% showed that no less than 6.8%, which is 88% of the total predicted shortfall, was due to NTBs which it thought would emerge to confront UK exporters to the EU once the UK finally left the EU, even though the UK's regulatory regime would still be harmonized with, if not identical to, that of the EU.

Patrick Minford strongly contested this assumption, on the grounds that newly-created NTBs would mean treating UK exporters to the EU differently from others, and from internal EU producers of the same products, which would be

[19] https://standpointmag.co.uk/issues/may-2018/marketplace-may-2018-tim-congdon-project-fear-osborne-wrong/
[20] https://conservativewoman.co.uk/youve-done-now-mogg-bbc-will-blood
[21] Michael Ambuhl, What Next of Brexit? Lessons from the Swiss model, Policy exchange presentation, London 19 April 2018.

discriminatory and therefore not WTO-compliant.[22] The Office of Budget Responsibility (OBR)[23] answered Minford's argument, by claiming that 'most trade experts interpret these (WTO) rules as meaning that the EU would be obliged to impose the same NTBs that exporters to the EU from the rest of the world currently face, unless the UK and EU sign a trade deal to lessen them.'

Ecorys' detailed description and costing of many dozens of EU NTBs applied against US products as they were in 2009, suggests that it will be extremely difficult, for all EU ports acting in concert, to adapt and reconfigure them, in a WTO-compliant manner, so as to challenge, delay, and impose high trade costs exclusively on UK exports.

> *'many trade experts' are, however, confident that anywhere between 50% to 100% of the NTBs they estimate have been used by the EU against the exports from the US and other WTO trading partners will immediately be converted for use against UK exports in 2021*

HM Treasury, the OBR[24] and 'many trade experts' are, however, confident that anywhere between 50% to 100% of the NTBs they estimate have been used by the EU against the exports from the US and other WTO trading partners will immediately be converted for use against UK exports in 2021, and that EU customs will continue to do this for the next ten to fifteen years or so. All their forecasts of the future loss to UK GDP of trading under WTO terms depend on EU customs continuing these NTBs continuing for some given number of years. They do not consider what might happen if the UK decided to retaliate, or raise the possibility that both sides agree an MRA to eliminate NTBs at a stroke. This, however, is an argument for another occasion, or until it is overtaken by events. More important in this context are the complementary Treasury estimates of the minuscule benefits for UK GDP to be expected from FTAs with various non-EU countries.

Reviewing their estimates in November 2018, Andrew Lilico complained that 'the Treasury analysis rests upon a series of assumptions so implausible, improper and politically slanted that it should not be regarded as a serious intellectual contribution to the debate by either Leavers or Remainers'.[25] As an example, he pointed out, that it assumed the UK would conduct successful trade negotiations with the United States and sixteen other countries, but that the total increase to UK GDP that would result from these agreements would be between 0.1% and 0.2%', despite the fact that 'the EU had conducted a similar exercise in 2012, with a very similar list of countries, it estimated that the increase of EU GDP would be 1.9%, almost ten times more.'

Given the prospect of the DIT adopting Treasury methods and estimates as a template for assessments of future FTAs, as they now have done for Australia and New Zealand, it is worth pausing a moment to examine Treasury estimates of possible benefits from UK FTAs with WTO partners from another angle, that is by comparison with its own estimates of a UK FTA with the EU. As it happened, at different moments in the November 2018 version of its long-term analysis of *EU Exit*,[26] on pp. 22 and 67 to be precise, the Treasury had to estimate the increase in UK GDP that might be expected from a UK FTA with EU27, and then from one with WTO countries, so as to complete its alternative scenarios of the UK's EU exit.

UK trade with the two sets of countries differed in value. In 2018 the value of UK goods exports to the US and 16 other countries with which the UK traded under WTO terms, and which HM Treasury acknowledged might conclude FTAs with the UK, was worth under two thirds (61%) of the value of its goods exports to the EU27. UK goods exports to WTO partners are, however, known to have grown over the previous 20 years at a real compound annual growth rate of 3.75%, whereas exports to the EU27 had grown at a rate over those same years of just 0.78%.[27] Although they were less than two thirds of the size of exports to the EU, they were therefore catching up.

The value of the UK's services exports to the US and the other sixteen countries was over 85% of the value of those to the EU27, and they had grown

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[22] https://www.economistsforfreetrade.com/wp-content/uploads/2019/11/Brexit-effects-of-the-new-EU-Deal-a-critique-of-the-models-and-assumptions-used-in-its-evaluation.pdf
[23] https://obr.uk/docs/dlm_uploads/BrexitDiscussionWebVersion.pdf
[24] https://obr.uk/docs/dlm_uploads/BrexitDiscussionWebVersion.pdf
[25] https://www.telegraph.co.uk/politics/2018/11/28/treasury-demeans-manifestly-absurd-anti-brexit-analysis/
[26] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file /760484/28_November_EU_Exit_-_Long-term_economic_analysis__1_.pdf
[27] http://www.civitas.org.uk/publications/wto-vs-the-eu/

at almost exactly the same real annual rate of 4.9% as exports to the EU27. In sum, UK goods exports to the WTO groups of countries were one third less in value, and services 15% less. Overall, the value of UK exports to the WTO countries in 2018 was about 72% of those to the EU27.

According to the HM Treasury estimates, however, the difference would be much more than rather more. In its view, an FTA with the EU27 would increase UK GDP by 2.8% by comparison with trading with them under WTO rules

For that reason, one would expect an FTA with the EU27 to contribute rather more to UK GDP in the future than one with the WTO countries. According to the HM Treasury estimates, however, the difference would be much more than rather more. In its view, an FTA with the EU27 would increase UK GDP by 2.8% by comparison with trading with them under WTO rules, whereas an FTA with the United States and the other WTO countries, that it would increase by UK GDP by just 0.2%. pp.71, 77, Table 4.12. In sum, a UK FTA with the EU would increase UK GDP *fourteen times more* than an FTA with the group of WTO countries whose trade is, as we have seen, currently just under three quarters of the value of that with the EU27.

HM Treasury has never been asked by any critic to explain these weird and improbable predictions, why its predictions of an FTA with these countries should differ so much from the EU's, and from its own predictions of an FTA with the EU, especially as UK goods trade with the EU has been virtually static for the past two decades. Its past conduct suggests that, if asked, it would decline to respond to the inquiry. The only inference to be safely drawn from these Treasury estimates is that the Treasury would prefer the UK to sign a trade agreement with the EU, rather than leave to trade with it under WTO terms. Its estimates are best seen therefore as a continuation of its pre-referendum argument in favour of remain, not credible estimates to inform future UK trade policy. It is therefore disconcerting to find echoes of them in a DIT document which must, by default if not intention, inaugurate a new post-Brexit trade policy.

The DIT authors were, however, undisturbed by any criticisms of the Treasury scenarios and did not bother to question its methodology. Their analysis, they observed, '…draws on robust evidence and the best tools available for assessing the impacts of an FTA', but they clearly differ significantly from those used by all their predecessors who tried to estimate the benefits of TTIP. Gravity equations derived from GTAP databases from 2004, 2007 and 2011, validated in some undisclosed manner against external evidence, cannot be quite as robust as Ecorys' intensive analysis and survey evidence of NTBs to which, astonishingly, they refer only in passing.

They seem to have taken for granted the Treasury's methods were the best available, beyond criticism or dispute, and they therefore need only describe their methods and announce their conclusions

And in one respect at least, Ecorys certainly used better tools to assess the impacts of an FTA, since they compared and contrasted several alternative analyses with their own, and hence often had to argue in defence of their own decisions, methods and analysis. The DIT team referred briefly to other agreements with the US but did not explain, compare and evaluate their own methodology or expectations by reference to them, or indeed to Ecorys, or any of the other *ex ante* studies for the Commission, nor even to the CEPR study for the Department of Business, Innovation and Skills in 2013. They are less credible for that reason. They seem to have taken for granted the Treasury's methods were the best available, beyond criticism or dispute, and they therefore need only describe their methods and announce their conclusions.

Conclusion: at the dawn of a new trading era

It is, of course, depressing to acknowledge that the prospectus and scoping assessment of the UK-US Free Trade agreement policy compares unfavourably with a report prepared for the European Commission three years ago. However, since negotiations with the US have resumed, it is now a matter of some urgency to understand why these two expectations of the impact of a FTA with the US differ so drastically, and which is the more plausible.

One way of finding out is by a rigorous re-evaluation of the DIT scoping assessment by its own authors. They should be asked to publish a post-script, or up-dated sequel, explaining why and where their expectations of the likely benefits for the UK of a FTA with the US differed from those expected by Ecorys and the other analysts three and more years ago.

This would give them the chance to clarify the meaning of the 0.16% increase in UK GDP they expect, but also to decompose it, so that we, and more importantly the UK negotiators, know exactly which elements in the proposed agreement will contribute most to the 0.16% increase in UK GDP they expect. And if the deduction made above, that this low estimate is based on their calculation that the reduction of US NTBs will contribute no more that 0.04% to UK GDP over 15 years, they could set out the reasons and evidence to support their pessimistic view, or amend it.

That will mean, of course, countering the evidence on NTBs assembled by Ecorys, and preparing a revised and updated guidebook to the NTBs currently faced by UK exporters to the US. It might be supplemented by evidence from Singapore, Australia, Canada and other countries that have FTAs with the US to see if the reduction or elimination of American NTBs has reduced their trade costs. The Treasury has promised on various occasions since the referendum that it is doing further research on NTBs, and now is surely the moment to ask it to make good on those promises and publish its findings.

The DIT authors should also surely consider the Ecorys suggestion that the level of FDI is a critical variable in determining the impact of a trade agreement, bearing in mind that the UK and US are the largest foreign investors in each other's economy

The DIT authors should also surely consider the Ecorys suggestion that the level of FDI is a critical variable in determining the impact of a trade agreement, bearing in mind that the UK and US are the largest foreign investors in each other's economy. They might also consider the thesis that an FTA with the US could have exceptionally wide consequences on the UK since it already exports to the UK all 100 HS 2-digit product categories, with the notable exceptions of clothing and automobiles, and does so at or near world prices.[28] Hence a free trade agreement with the US would oblige other exporters to the UK, as well as domestic suppliers, to compete at world prices.

Apart from allaying the considerable doubts about the credibility of their estimates, answering these and other questions that arise from their scoping assessment, are important for two other reasons.

The first is to help UK negotiators. Ecorys research for the European Commission published in 2009, along with its final report, demonstrated the importance of research for trade negotiators. Indeed it set a standard which one would naturally expect the UK to exceed ten years later. Unfortunately, no similar research has yet been published by the DIT. In the public consultation evidence accompanying the scoping assessment, many UK businesses and business associations complained about the inefficiencies and complex bureaucratic procedures of US Customs, but their vague complaints are not in a negotiable or actionable form. They can hardly therefore to be compared with the precise identification and costings of NTMs in the Ecorys survey. On the basis of evidence published thus far, one would have to conclude that UK negotiators are much less well prepared than their European Commission predecessors for negotiating with the US.

The second reason why it is important that DIT answer criticisms of their work, respond to arguments that they overlooked, supply missing evidence, and review their estimates and expectations, is to show they have broken decisively with the precedent set by HM Treasury before and after the referendum. The predictions of anonymous Treasury economic modellers were then presented like *ex cathedra* pronouncements with the authority of HMG behind them and widely taken to be trustworthy official evidence, excused from the normal critical cross-fire from others engaged in related areas of inquiry, and shielded from critical questions.

By showing they are willing not merely to listen to their critics but also to engage in open debate with them, whoever and wherever they may be, the DIT will be setting UK trade policy-making on a decidedly new path, entirely in the spirit of its 2019

[28] https://www.economistsforfreetrade.com/publication/in-one-bound-we-can-be-free/

manifesto, one might add, about how it intended to conduct future trade policy.[29]

EU membership seems to have discouraged trade policy research amongst all those to whom one expects to be actively engaged in it – government departments, trade associations, academia, think tanks and specialist media. It is difficult, to give just one example, to find a single piece of research on the impact of the dozens of EU trade agreements on UK trade over the 47 years of membership. One of the primary tasks of the DIT is, therefore, to promote a research-intensive environment amongst all those involved directly and indirectly in international trade in support of the far more proactive trade policy that leaving the EU entails. One way of doing that is to invite open debate of its own research.

If it helps to have another precedent to justify this rather different pattern of civil service behaviour, the DIT might ask their older colleagues at the Treasury to recall how it was when they had to evaluate the five tests for joining the euro, how experts and informants were solicited from all over the world, how their submissions were debated, reviewed, and published, how that openness influenced the Chancellor's final decision, as well, for that matter, as public reaction to it.

The UK-US FTA is of such importance for the future of UK trade policy that it deserves a second scoping assessment, preferably commissioned from a group that feels no particular need to defer to the methodology, assumptions, estimates and memories of HM Treasury, and took no side in the referendum debate

The UK-US FTA is of such importance for the future of UK trade policy that it deserves a second scoping assessment, preferably commissioned from a group that feels no particular need to defer to the methodology, assumptions, estimates and memories of HM Treasury, and took no side in the referendum debate. Everyone involved – negotiators, parliamentarians, trades associations, businesses and commentators – would then see that every effort has been made to obtain impartial estimates of its probable costs and benefits. Along with voters, they could decide for themselves which assessment was the more plausible. There would then be no doubt that a new era in the making of trade policy had begun.

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[29] https://www.gov.uk/government/publications/processes-for-making-free-trade-agreements-once-the-uk-has-left-the-eu

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