

FREE TRADE LEAGUE - NEWSLETTER No 4

Free Trade benefits all but advantages none.

Free Trade Opportunity after Lisbon

A MESSAGE FROM OUR CHAIRMAN

Sir Teddy Taylor*

“One of the tragedies of our membership of the European Union is that the debate on Free Trade has become largely academic. We no longer control trade policy and of course the basic principle of the EU is protectionism.

However, the one message that has emerged from the proposal for a European Constitution and Lisbon Treaty is that whenever the people of Europe are given a chance to express a view they make it abundantly clear that they are fed up with the European Union. The Dutch and the French expressed opposition to the Treaty when they were given the chance to have a referendum. But on the new version of the Constitution in the Lisbon Treaty, the Dutch and the French were no longer given the right to express their views. So Ireland, which is the only country with referenda guaranteed by its constitution, said “no” clearly and decisively.

In principle the Lisbon Treaty is certainly dead because it is not possible to have a transfer of power taking place unless every member state agrees. However, the basic issue now is whether this might be an opportunity for change to take place within Europe.

I would think the ideal way forward for Britain would be to have a referendum or to treat the European elections as a referendum and thus give the people of Britain the opportunity of saying whether they wish to remain within the organisation. If we were able to escape we would once again have the opportunity of applying Free Trade in respect of all international trade. And we could then show the rest of Europe what the benefits are of such a move.

Serious problems are being created for the whole world community through protectionism. Certainly our commitment to the CAP is of no help in relieving the growth of world food shortages.

It is also sad to see how democracy is dying as is accountability. The EU is the only organisation in the civilized world where the auditors have refused to sign the accounts for eleven years.

Like many others I was becoming depressed about the possibility of Britain restoring democracy and regaining its freedom. Now I have a feeling that after the battles over Lisbon there may just be an opportunity to restore freedom, Free Trade and democracy.”

** Our Chairman was the only member of Sir Edward Heath’s administration to resign over the decision to join the common market.*

GREAT EXPECTATIONS

Apathy, the belief that “nothing much be done about it”, is a feature of today’s political scene. Inflation is said to be all down to global forces. This is not true. It underestimates the role that “expectations” play in fuelling inflation. As Federal Reserve chairman Ben Bernanke said recently “There is a lot about expectations that we do not understand.” But one thing that people do understand is that if we were free from Brussels we could pursue our own trade policy, one based solely on Britain being able to buy in the cheapest market. That would make sellers (of oil, gas, wheat and other commodities) realise the future trend will be DOWN and not UP. Also buyers would come to realise that they can afford to postpone purchases. It would also start to put value behind sterling as a currency that could be used in the world’s one truly open market. It might even restore growth to UK GDP – without which the Government’s current budget plans will be in tatters.

SARKONOMICS:

Some may have been bemused to hear French President Sarkozy snapping at EU Trade Commissioner Peter Mandelson for his Free Trade views. What they may have missed is that the French President quietly managed to persuade the Germans to drop the words “where competition is free and undistorted” from the reference to the internal market in the now defunct Lisbon Treaty.

An irony of this is that Sarkozy is of Hungarian extraction and his piece of quiet summitry only came to light (June 22) by chance because the Hungarians noticed it and asked how it would impact on the EU’s policy of combating cartels and illegal state aid. Sarkozy and many in France believe that low-cost competition (some of it from nations now within the EU) should be curbed. In particular he wants to protect France’s “national champions.” Mr Sarkozy’s pose is as one with pro-business attitudes, including favouring privatisations of state-owned businesses such as Areva, the nuclear energy giant. But at heart he is an interventionist – as were two other economists of Hungarian extraction, Kaldor and Balogh who lead this country down the wrong path in the Wilson era.

Along with the evidence that the political shift in both France and Germany is away from Free Trade we have the United States Congress turning away from it with a deal under which the administration has accepted that future trade pacts will include a series of environmental and labour-market reforms. This “caring-at-a-distance” approach is protectionism dressed up in new clothes.

Our view is that if the world is turning towards protectionism (and the long-delayed Doha agreement is going to be derailed) that presents Britain with an opportunity.

To mark Richard Cobden’s birthday, the Free Trade League and the Cobden Club again laid a wreath on his statue outside Mornington Crescent Underground station on Sunday 1st June. It was his advocacy of the Free Trade cause that persuaded Sir Robert Peel and his chancellor W.E Gladstone to change the whole direction of Britains trade policy.

NEW GROWTH

Free Trade is not just about opening the ports. That is fundamental as it will help sweep away the rickety scaffolding of industrial “protectionism” which includes government grants and barriers to new entrants. These enable failing business to continue to stumble further down the wrong path, thus disadvantaging new growth. It is this new growth that Free Trade is mainly about. Lower costs will lower barriers to entry (for new businesses). Lower costs (especially for food) will also be of most advantage to the least well-off, helping to reduce their dependence on social benefits and thus increase their independence.

NECROPHILIA

The House of Lord’s vote approving the Lisbon Treaty was the equivalent of a dead racehorse being carried round the course at Ascot on a litter as a lap of honour. Lord Brittan even soliloquised that “The Lisbon Treaty is not dead, but sleeping”. That brought to our minds the mental picture of this particular “Sleeping Beauty” being awakened by a kiss from Leon Brittan. Wow!

UP YOURS DELORS!

Some say it was this famous headline in the tabloid Sun newspaper that kept the UK out of the euro. The political elite seems to believe that voters are not

capable of understanding complex issues. And therefore should not be troubled by asking them to vote on a referendum. But that crude Delors headline made the elite realise that “the troops” had got ahead of them, thus making their attempts at leadership futile. Clearly something similar is happening today. All that is missing is a Sun headline to encapsulate it.

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The site has been
designed to attract the
attention of students
who turn to Google or
similar search engines
for help with their
studies.

CHEQUE BOOK ALERT:

We hate to ask but if your cheque book is to hand please send off the £10 annual membership fee. This will help us with the cost of maintaining the upkeep of the website. It will also

reassure us that we have your correct address. Remember the case for the UK adopting unilateral Free Trade policies is under regular attack from those with vested interests to defend. Free Trade offers advantage to none and it is for the benefit of all.

Published by the FREE TRADE LEAGUE (Chairman Sir Teddy Taylor). Annual subscriptions (£10) are now due and should be sent to John Heffernan, honorary secretary at 1 Fern Dene London W13 8AN.

Book Review

HOW BRITAIN SHAPED OUR WORLD

“Free Trade Nation” by Professor Frank Trentmann is a book of seminal importance. It is also a cracking good read. It tells how the adoption of Free Trade policies in the Victorian era, replacing mercantilism, became Britain’s defining contribution to the modern world. He also sees Free Trade as having shaped democratic outcomes, a cause and not an effect.

The adoption of Free Trade in the 1850s and 1860s made Britain the exception among nations. For a time it looked as if the whole world might follow its open market example. But from the 1870s onwards that mood changed leaving Britain alone as the market place for the world.

But the book is not a polemic in favour of Free Trade. Professor Trentmann says Free Trade is now seen as no more than “a respectable trade theory and policy goal.” The argument has now shifted to debate on globalisation and governments have regrouped into protectionist trading blocs.

However, to us convinced believers in the importance of unilateral Free Trade as a goal for the UK, the book provides an essential historical outline of the foundation on which our beliefs are based, plus an indication of how a focus on “the economics of the mind” (as distinct from the rational man beloved of economists) might get the British ‘locomotive’ back on the right track.

Our economy “jumped the tracks” after the Great War. Up until that war Free Trade had been seen as fostering world peace. After it the focus shifted to trade regulation and has now moved on to “ethical” trade policies, summed up in the words fairtrade (now a registered logo). The result is that at today’s public debates on the subject of trade Adam Smith’s “law of comparative advantage does not even dent the moral armour of a fair-trade-minded audience.”

Our hope and belief is that this trend is all part of a political cycle and that in time the overwhelming benefits that trade can bring, not just material ones but also in the inevitability with which it leads to greater personal liberty, will again become obvious to all.

But for this to happen we also believe that it is essential that one major nation offers the world a global market for its surpluses. And that the UK is uniquely equipped for this role, indeed will have to adopt it for its own survival.

On this score Professor Trentmann’s book is important because it shows how Free Trade progressed from being about improving the material condition of the masses (starting with the repeal of the Corn Laws in the “Hungry Forties”) to being regarded by Edwardian times as a “belief system” – a socially acceptable form of capitalism, one that could escape “the dreaded materialism and selfishness associated with protectionist societies.”

It also caused economists to change from thinking about “commerce” to recognising the emergence of a new persona - the “citizen-as-consumer.” This is a subject on which the author is a recognised authority as he is director of the £5m Cultures of Consumption research programme.

Thought: Free Trade is not a natural choice. We all seek “protection” – for our family, for our children, for our job or business. Thus belief in a Free Trade policy for the UK calls for a higher rationality. It is for the greater good, not the good of the great.