

A Better Deal 15/1/19

Speech by Shanker Singham

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Check against Delivery

My lords, ladies and gentlemen, welcome to A Better Deal. I am Shanker Singham, lead author of Plan A Plus and a Better Deal and CEO of Competere.

On September 24th, we gave you Plan A Plus, a genuine alternative to the Prime Minister's plan as laid out in the Chequers meeting. On 12th December we gave you the alternative Withdrawal Agreement with an Irish backstop that actually works and commands the support of the DUP among others. Today, on the day of this momentous vote, we are bringing the two together, showing how negotiating dynamics can be used to achieve results and previewing our next major launch which will be the entire UK-EU FTA built on what the EU has already agreed in other fora, which we are already 350 pages or so of the way through.

A vote against the Withdrawal Agreement is a vote for UK opportunities after Brexit. Voting for the Withdrawal Agreement takes Britain's opportunities off the table.

While there is a vigorous debate about end states, there is little discussion of the process of getting from here to there even though that process will determine the potential end state. We have tended to talk about the end states like they are options

on a menu, and not discussed in detail how negotiating dynamics actually work in real time. Negotiating pathways are critical to understand how we get the best Brexit outcome. So are the do's and don'ts of trade negotiating.

You will see on the easels and on the screen, flowcharts or negotiating pathways that illustrate what is likely to happen in various scenarios. In the first pathway, if the PM's deal is accepted by the House of Commons, then the logical progression is that we will be unable to align our allies by negotiating trade deals with them. We will have to pay all the money now, limiting our leverage, we will be threatened by the backstop arrangement whenever the EU feels like it and so we will lose every negotiating point as and when they come up, and this will guarantee a bad deal.

If on the other hand the deal is voted down we have selected two possible negotiating pathways. In the first, we recommend that the UK puts A Better Deal on the table, announces what it will do in the event of an exit without a Withdrawal Agreement, including potentially opening up agricultural import quotas to all comers, and allow the compression of the timetable to work for once in the UK's favour bringing the EU back to the table. We know that both sides want a comprehensive FTA with regulatory cooperation, customs facilitation, and Irish border facilitations. It would be an act of monumental incompetence to fail to agree even the most basic FTA.

But we do not control the EU, so in the third pathway, we look at what happens if with the best will in the world, we fail to conclude prior to March 29, 2019. We will exit on WTO terms, which as Peter Lilley's excellent paper, 30 Truths about WTO exit notes does not hold the terrors our government has suggested. I will allow him to elaborate on his work in this area. But we will be able to do all the other things that constitute the do's of good negotiating. We will be able to align our allies. We will be able to negotiate other deals. We will not have to pay the full amount of the payment. We will use our applied rates to bring the EU back to the table, and I daresay that we will get an FTA from them quite quickly after exit. In other words, what people call "no deal" is not a stable state and will not last very long because both the UK and the EU will want a deal. There are many things we can do unilaterally to lessen the disruption until this occurs.

In these two scenarios, we must be prepared to use the weakness of the EU against it. It is reactive. So we must be proactive, and seize the pen by putting negotiating text on the table. They are a global outlier in terms of their approach to regulation and liberalisation and becoming more so, so we must draw our allies onto our side. When we make offers, they should align with those made by the US, as well as other allies like Japan, Aus, NZ, Singapore and others, and help to solve the major global trade problems we all face, such as China distortions. They are major ag exporters to the UK – fully 70% of our beef comes from the Republic of Ireland, so we must

leverage that. To protect our consumers and prevent food price inflation, we will have to at least open up TRQs to all comers. This will force EU agricultural exports to compete head on with industrial strength production in Argentina, Brazil and other places and they will quickly lose market share in our market. The EU has a \$29bn surplus for agriculture with us and have benefited from the cosy customs arrangement with our captive market. Once they start losing market share, this will put pressure on them to come to the table. We can ensure minimum disruption to our farmers by applying WTO compliant direct payments for environmental remediation and stewardship, but these will not need to be for very long. The EU tends not to be creative and follow others – astonishingly the EU-Japan agreement is the first that has regulatory cooperation whereas for the US and others that chapter has been the norm for over a decade. So we must be creative and offer solutions.

The hour is upon us, but it is not too late. We need a change in our approach and a change in our team. We must have a holistic to approach to our trade policy that includes the EU relationship and the relationship with the wider world.

Seeking an extension of Article 50 now would be a catastrophic mistake as it would remove the compression needed to get a deal. It would communicate weakness and vulnerability. Telling the EU that we will keep coming back to the House of Commons with minor variants of their bad deal would also be a

catastrophic mistake as it would again take the pressure off them.

We must not lose sight of the fact that there are tremendous opportunities before us. But catastrophic failure also beckons in the shape of this Withdrawal Agreement. Let us choose the former by voting the deal down, and immediately seize the opportunities that are ours for the taking.

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