COMMONWEALTH, TARGET US; CHINA', ECONOMIST WARNS BREXIT TRADE TEAM

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Theresa Mays new Brexit team of trade ministers should ignore the former Commonwealth and concentrate on the US and China, according to a new report from a former Bank of England economist.

The Leave campaign made great play during the June referendum of reviving ties with the former British Empire such as India, Australia, New Zealand and Canada if the UK voted to leave the 28-member bloc.

But that strategy is rejected after a thorough look at five separate data indices, in the study by Dr Gregor Irwin, a former Foreign Office and Bank of England economist, for the Global Counsel strategy group.

May has put in place Dr Liam Fox, an Atlanticist right-winger, as her new Secretary of State for International Trade, charged with finding and implementing global trade deals as the UK exits from the collective trade deals it was part of under the EU umbrella.

David Davis, another right-winger, is responsible for another new department, as Secretary of State for Exiting the EU.

Both were arch-Eurosceptics and Leave campaigners, whilst May backed Remain.

WHAT BREXIT COULD MEAN FOR GLOBAL TRADE

As the dust settles over the UKs referendum, many are trying to second guess what it all means. Here Cecile Toubeau sizes up the possible repercussions for global trade policy.

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But Dr Irwin warns Fox to ruthlessly prioritise his globe-trotting hunt for deals, and contrary to the Brexit pledges – largely ignore the former Commonwealth.

He states: UK trade policy will require ruthless prioritisation if scarce diplomatic resources are to be deployed to the best effect.

The US and China should be top priorities, although for different reasons. The government should not spend too much time on India or Australia, and it should largely forget about Canada.

It is worth seeking to boost trade elsewhere in Asia, specifically in Japan, Korea and the ASEAN countries. The government would be advised to not overdo the Gulf. Finally, it should not neglect countries in Europe that are not members of the EU, specifically Russia, Turkey and Switzerland.

There are likely to be significant opportunities in all three, although progress with Russia will be held back by a difficult political relationship, Irwin warns.

The study looks at five different sets of data, ranking potential trade target countries from one to 15.

The first is the recent increase in UK trade imports from 2010-15, which the US and China head handsomely, ahead of Mexico, Hong Kong and Vietnam.

The second is tariff duties paid by UK exporters, although not factors such as regulation or services, in which China, India and the US again lead as potential targets for an export boost by reducing tariffs. However, Irwin warns that whilst India and China have similar tariff levels, the volume of trade to the former British colony is far lower.

Thirdly, Irwin looks at underperformance □ an average shortfall in UK exports over 2010-2015 compared to EU peers, although the economist admits gauging this is not easy. Here China, Russia and Turkey lead.

In the fourth index, the 2009-2015 increase in British-owned assets overseas is examined, based on the idea that direct investment overseas often correlates with a supply chain back to UK producers. This is hedged with the proviso that not all Foreign Direct Investment works this way, values are affected by exchange rates, and that the data is limited.

However, it ranks the US, Japan, Hong Kong and Singapore as the most tempting looking targets.

Finally, the report looks at exploiting the UKs existing strengths, by examining the last five years of increases in value of UK financial and business service exports.

Here, again, Japan, followed by the US, Singapore, China and Switzerland come out on top.

MANDELSON: BREXIT RENEGOTATIONS WOULD TAKE UP TO 10 YEARS

Former EU Trade Commissioner Peter Mandelson has warned eurosceptics that a British renegotiation of its relationship with Europe after a Brexit would take up to a decade.

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Irwin concludes that whilst none of the metrics is perfect, overall some imperfections are likely to cancel each other out, and that □ overall □ China, the US, Japan, Russia (pending political difficulties), Brazil and Singapore are likely to prove the most fertile hunting grounds.

He admits the most controversial proposal is to avoid spending much time on India or Australia, and add the UK should largely forget about Canada.

The report states, India only features because the existing barriers to exporting there are formidable, but that does not mean they would be easy to negotiate away, particularly as Indias top demand of the UK is likely to be on visas and migration.

The strongest rationale for Australia is the substantial increase in investment there by UK-bases entities, but beyond that the case is weak.

Canada barely features in the rankings. Perhaps the strongest argument for focusing on Canada at all is that it is on the verge of implementing a trade deal with the EU which would see British exporters disadvantaged when the UK leaves the EU, but the same problem will arise when the EU signs other deals in the future.

Kaynak/Source: