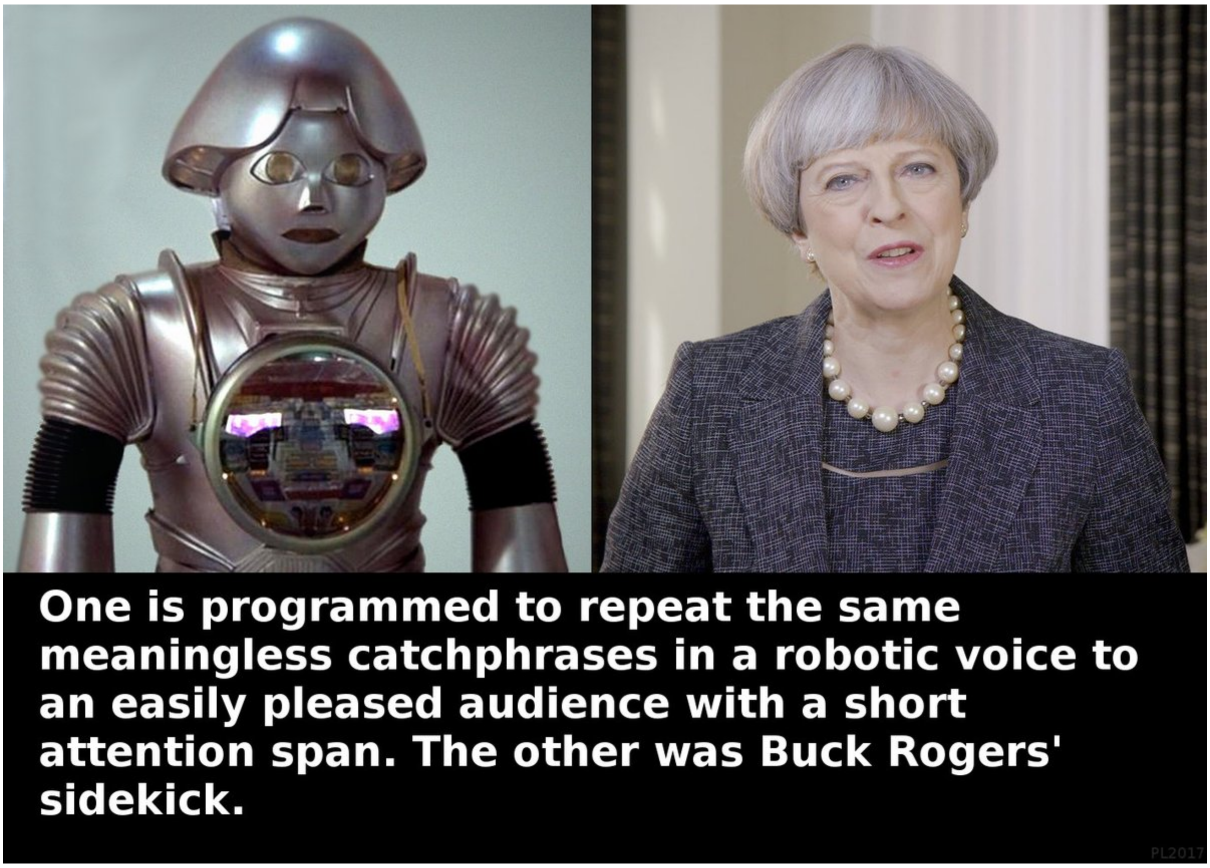
Question Time



- Attributed to @PG_Lowe on Twitter

As the weary electorate of the United Kingdom prepares to trudge off to the polling stations on Thursday (or hide gibbering under the kitchen table with the front door bolted), one question over any other seems to be pressing, in the light of Britain's decision last summer to leave the EU. Just how did the idea that government bureaucracies are integral to free trade gain any kind of credibility ?

The economist Roger Bootle, via an earlier column for [The Daily Telegraph](#):

> In the debates running up to the referendum, politicians and businesspeople talked about the overriding importance of having "access to the single market". This conjured up the image of some precious restricted space, with entry possible only through a

locked door, perhaps closely guarded by a bibulous Jean-Claude Juncker, carefully checking membership cards.

I think this particular penny has now dropped. As I and others pointed out all along, every country in the world has "access" to the single market. It is just a matter of having to pay the EU's tariffs and abiding by its various rules and regulations governing product quality, for example, just as we have to when we sell into any market in the world. That's why countries all around the world that are not members of the single market have managed to export into it so successfully. "Access to the single market", so powerful as an image, is in fact a chimera.

So it is with regard to the subject of the UK's exit. Some politicians and businesspeople talk of the UK "crashing out" of the EU. Another metaphor is of British business facing "a cliff-edge". They say that without a deal, the UK would "fall into the clutches of the WTO".

It is as if the World Trade Organisation (WTO) were some sort of monster that devours its members – especially juicy new ones like us. In fact, the UK helped to set up the WTO in the first place and has remained a member all along, albeit with our seat vacant because our trade policy has been run by the EU. On leaving the EU, we would simply take up our seat once again.

Mind you, Remainers often portray trading "under WTO rules" as a disaster. At the very least, it supposedly represents a step into the unknown. Yet this simply means trading with countries without having an FTA and using WTO rules to govern trading practices. As part of the EU, the UK already trades under WTO rules with over 100 countries around the world, including the United States (our largest single export market), as well as China, India, Brazil and Singapore.

This arrangement is often described as the "WTO-only option". But because this sounds so Spartan and threatening I have suggested that we should instead refer to it as "the American option".

After all, without an FTA between the EU and the US, "WTO-only" is the basis on which trade between them takes place. Suddenly, it does not sound so threatening.

In saying this, I am not suggesting that there are no sorts of agreement that can and should be signed. In particular, there are various technical arrangements called Mutual Recognition Agreements (MRAs) without which goods trade is next to impossible.

The EU has such agreements with virtually all countries around the world, including those that are neither members of the single market nor have an FTA in place.

Getting such agreements should be a simple matter and should not cause our negotiators any problems, not least because such MRAs are already in place.

All the UK has to do is simply to carry them over into the new world. If the EU refused to agree MRAs with us, this would count as discrimination under WTO rules and would lead to huge fines.

> If our leaders, senior officials and negotiators, as well as the majority of British businesspeople and the commentariat, can convince themselves that not having an FTA with the EU is a perfectly acceptable outcome, then the Government will be in a strong position to say no to a bad deal. Especially for a country like the UK, the open sea should hold no terrors.

As the analyst David Fuller points out, the economist Patrick Minford has also been consistently clear on this point.

Part of the problem is surely that so much of our quasi-socialist media (not least the BBC, along with the financial branch of the commentariat including the *Financial Times* and *The Economist*) has fallen victim to Stockholm Syndrome. These intellectual toddlers have been nuzzling at the EU teat for so long, they have become addicted to the milk of the Nanny State. They have become permanently politically and economically infantilised. They can conceive of no form of social maturity or independence from Big Government. In the (evergreen) words of the philosopher John Gray,

> ..those who think the [Brexit] vote can be overturned or ignored are telling us more about their own state of mind than developments in the real world. Like bedraggled courtiers fleeing Versailles after the French Revolution, they are unable to process the reversal that has occurred. Locked in a psychology of despair, anger and denial, they cannot help believing there will be a restoration of an order they believed was unshakeable.

It is particularly offensive to hear jeremiads of impending economic doom from career politicians who have never done an honest or productive day's work in their lives (and who aspire to a comfortable tax-payer funded retirement generously reattached to the Brussels nipple). A mention in dispatches is due, however, to MEP Diane James, who last week – in an epic Twitter thread on monetary policy in which we somehow got involved – made the following (excellent) suggestion:

"The goal of all politicians ought to be to reduce the amount of influence that politicians have on people and their daily lives." Kudos.

There are no easy answers, sadly, not least because there are no serious political contenders. Not one political party standing in these elections advocates the libertarian principles we find attractive, notably free markets, sound money and small government. So any politically engaged voter will need to make some hard compromises.

But in matters of investment, there is no need to compromise. We don't need to fret about the political Punch and Judy show between the UK and the EU, nor about the conspicuous overvaluation of most equity and almost all bond markets internationally. We simply follow the path of least resistance as value investors. We wait until the pile of diamonds arrives in the corner of the room and we simply have to go and pick them up. We go where the economic growth already is, ***especially*** when it's matched by compelling valuations.

There is a part of the world, for example, that comprises 9% of the world's population, more than 600 million people. Its consumer market stands at $1.2 trillion, exceeding each of India, South Korea and Brazil. It's the fourth largest exporting region in the world, accounting for 7% of global exports. Because it lacks our recent focus on 'social justice' and our metastasised welfare state, it has lower government debt levels than the West. And growth in this region, as forecast by the OECD, is projected to average over 5% between 2016 and 2020. The region in question happens to be ASEAN. (Other attractive markets in Asia are also available, notably Japan and Vietnam.) As Roger Bootle says, the open sea should hold no terrors. Dividend yields in these parts are higher than in the West; likely economic growth ***much*** higher; P/E and P/B ratios dramatically lower. But are you brave enough to sail there ?

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