

# Trading with Canada – the EFTA angle

Mrs May is keeping her cards close to her chest regarding the sort of post-Brexit relationship she is seeking with the EU. Of course, there has been much intense and often ill-informed speculation in the media, which (in our opinion) is better ignored.

Occasionally, however, she or one of her team lets slip the occasional clue. It looks highly likely that the “WTO option” alias “Hard Brexit” is a non-starter. In an exchange between the Prime Minister and Jeremy Corbyn at Prime Minister’s Question Time last week, Mrs May said, “We’re going to deliver the best possible deal for trade in goods and services with and operation within the European Union, and we’re going to deliver an end to free movement.” A couple of days later, Greg Clark, the Business Secretary, told Andrew Marr that “our objective would be to ensure continued access to the markets in Europe and vice versa, without tariffs and without bureaucratic impediments.”

The obvious assumption is that some form of continuing membership of the European Economic Area is envisaged, either by re-joining EFTA, the European Free Trade Association, or by a one-off arrangement whereby the UK, as a current participant in the Single Market, will be allowed to continue to be a member of it after we leave the EU. Either way, once outside the EU, like Liechtenstein, we can avail ourselves of Article 112 of the EEA agreement and restrict freedom of movement by EU nationals into the UK.

This seems to be the direction in which Mrs May intends to take us. The decision of Nissan to produce two new models at its Sunderland plant points strongly towards some form of continued membership of the EEA. The complexities of the supply

chain, to which Greg Clark referred during his interview with Andrew Marr, are such that, without a guarantee that there would be no disruption, Toyota would have not made this commitment. As state aid – in the shape of compensation for loss of single market access – is ruled out by WTO rules, this once again points to some sort of continued access to the single market being Mrs May's objective.

This, of course, has been a divisive issue among Brexit supporters. Ironically, if the government formally announces that this is the plan, it will bring our side closer together for no leave supporter views access to the single market, whether or not via EFTA membership, as anything other than a short-term holding position – to get us through the Brexit door without disruption to trade. We all want a looser arrangement in the longer term.

However, EFTA membership would raise a number of interesting points. Firstly, EFTA already has a trade deal with Canada, It is a much less contentious arrangement that the CETA deal between Canada and the EU. While all relevant parties have now signed the CETA deal, it is not yet in force and by the time it is fully implemented, we may well be on the way out. Significantly, there has been objections from a few EU leaders to the idea of the UK automatically being able to "piggyback" onto trade deals to which it signed up as an EU member state.

As far as CETA is concerned, re-joining EFTA would not only circumvent this problem, but would be a much better outcome, as the EFTA-Canada deal has a much simpler disputes system. Each party will nominate one person who is impartial, then they agree on a third person who will be the President of the tribunal, and the case is then heard. If this doesn't work, the WTO arbitration process kicks in. All in all, this deal is much less likely to see our elected government sued by predatory multinationals. Anti-CETA campaigners should read more about the EFTA-Canada deal. Unfortunately, those who have e-mailed me about the subject do not seem to have EFTA on

their radars at all.

Of course, EFTA has suffered from a low profile for many years. Apart from Liechtenstein, which joined in 1991, no other country has become an EFTA member since 1970. The organisation has lost member after member to the EU and has had to accept underdog status in its dealings with the EU. It now has only 4 members as opposed to the 28 member states of the EU. Iceland, which currently holds the EFTA presidency, has expressed its support for the UK rejoining. "The EFTA countries might make an agreement with the UK," said Iceland's Foreign Minister Lilja Alfreddottir. "We are chairing the EFTA right now and I put it as a priority to analyse the possibilities that EFTA had on this front.

Of course, the UK's re-accession to EFTA would tip the balance slightly. It would still be much smaller than the EU, but the additional presence of a heavyweight European nation would certainly give the organisation some extra clout. More importantly, it would put EFTA back in the spotlight, which could be something of a worry to the EU. Would applicant countries like Serbia, Montenegro or even Turkey start to weigh the two options of EFTA or EU membership and decide that, even if they would not be bribed with further EU funds, preserving their political freedom by joining an organisation that is committed to trade and not political integration might be a better bet? What about Sweden and Denmark, who may be tempted to follow us out of the Brexit door?

Back in the 1980s, Jacques Delors envisioned the EU and EFTA states as working in cooperation as partners in a "European village", which in due course became the European Economic Area (EEA) and the Single Market. However, following the collapse of the Soviet Union, there were fears that if joint decision making between the EU and EFTA was to be implemented, the newly-independent nations of Central and Eastern Europe may plump for EFTA rather than the EU, which the EU hierarchy was none too keen on. The EU therefore had to

be the lead partner and EFTA subordinate in the EEA. With EFTA still draining members to the EU in the 1990s, it had little choice in the matter.

Now, however, Brexit has dealt a hammer blow to the credibility of the entire EU project at what was already a difficult time. It has also put the final nail in the coffin as far as any hopes that existing EFTA members might leave it and join the EU. Making the EU more attractive than EFTA may have been a simple job in the early 1990s; the UK rejoining EFTA after Brexit in a couple of years' time would lead to a very different perception of the situation.

Of course, to repeat, the EEA or indeed EFTA is not a long-term arrangement for the UK. Ideally, what is needed is a continent-wide free trade agreement – one without the baggage of CETA or TTIP – which would replace the EEA, probably EFTA too and would only include free movement of capital, goods and services like any normal free trade agreement. This is a long-term goal around which all Brexit supporters could unite. In the short term however, EFTA, while far from perfect, may prove a valuable tool for tipping the balance of influence in Europe away from Brussels, which would be no bad thing.

***(with thanks to Hugo van Randwyck for details about the EFTA/Canada FTA)***