



Press Release: Civitas: the Institute for the Study of Civil Society

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Top Brexit economist predicts £69billion boost to UK economy from new trade agreement – 37 times higher than official figures.

Government modelling of benefits from Free Trade Agreements ‘miserably low’ according to Professor Patrick Minford, well known Brexit economist. Government figures ‘biased’ toward EU and against the rest of the world.

In a major new analysis of Government Free Trade Agreements signed in the wake of Brexit, Professor Patrick Minford sounds the alarm over official modelling which dramatically underestimates the benefits to the UK economy from these deals.

Professor Patrick Minford, one of the ‘Economists for Brexit’, argues in a new report published by the Civitas think tank, that the recent deal with Australia, struck over Christmas, will boost the UK economy by 3 per cent – 37 times more than the 0.08 per cent predicted by government economists. This is equivalent to £69 billion in cash terms.

In a forensic critique from one of the country’s leading economic modellers, official estimates are found to be ‘way off the mark’ sparking concerns that Ministers are overseeing a culture of ‘Brexit misbehavior’ in departments. Officials predict ‘trivial gains’ from free trade deals when the reality, according to Prof. Minford, is new agreements with countries outside the EU could see a flood of cash reaching UK businesses and Treasury coffers.

Recently installed Secretary of State for International Trade, Anne-Marie Trevelyan is being encouraged to overhaul official methods for modelling benefits from new trade deals amid increasing concern that her department is doing down benefits of deals struck by her department.

In his latest analysis, ‘Free Trade under Brexit: Why its benefits to the UK have been widely underestimated’ published by Civitas, Prof. Minford runs the rule over official trade modelling and policy assumptions which he finds have underestimated the gains from free trade with non-EU countries.

The UK government has rolled over almost all Free Trade Agreements between the EU and non-EU countries, negotiated new deals with Australia and New Zealand and formally applied to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the Asia-wide trade pact. Professor Minford expresses 'surprise' that official calculations underestimate the gains from these deals.

In *'Free Trade under Brexit: Why its benefits to the UK have been widely underestimated'* published by Civitas, Prof. Minford challenges official assumptions around so called 'gravity' in economic modelling and questions why they predict 'trivial' economic gains from new Free Trade Agreements. This popular theory has a bias towards trade with European countries at the expense of doing business with more distant markets, proximity is substituted for competitive advantage.

Fashionable economic opinion uses gravity theory to predict that the UK will be poorer after leaving the EU but Professor Minford shows that this model fails to fit the facts of UK trade and uses his own model which succeeds in doing so to predict 'big gains from free trade with the rest of the world and no loss from moving from the EU status quo to a Free Trade Agreement with the EU. Professor Minford is forensic in his analysis and debunks 'false policy assumptions' which together with the poor 'gravity' modelling bias calculations towards negativity.

Professor Patrick Minford said:

'Why are UK officials indulging in miserably low predictions from Free Trade Agreements? Official calculations are biased towards nearby countries, or the European Union in other words, when benefits from deals outside the EU are huge.'

'Looking at the recent Australia agreement which was struck over Christmas, officials predict a trivial gain to the UK economy of less than 0.08 per cent or £1.9 billion. Using a new model which looks at potential for trade with the rest of the world based on comparative advantage the benefit of this agreement alone is likely to be £69 billion some 37 times higher than government figures. There is a culture of 'misberalism' at the heart of government modelling and we need to overhaul these methods urgently.'

'We need an urgent reset to recognise the big gains to be made with becoming a trading super power with the rest of the world. Government figures look way off the mark and underestimate the benefits of our new global Free Trade Agreements.'

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NOTE TO EDITORS

For media enquiries or a copy of the full report, please contact Frank Young, Civitas editorial director on frank.young@civitas.org.uk or 07860 811383

About Civitas: the Institute for the Study of Civil Society

Civitas: Institute for the Study of Civil Society is an independent, cross-party think tank which seeks to facilitate informed public debate. We search for solutions to social and economic problems unconstrained by the short-term priorities of political parties or conventional wisdom.