

# Is Liam Fox's 'free-trading nation' of the past a model for post-Brexit Britain?

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Liam Fox, keen to negotiate trade deals outside the EU, has harked back to a golden age in which Britain was a 'free trading nation'. But just how open was 19th-century Britain? **Gordon Bannerman** argues that the protectionist tradition was at least as strong as the impulse for free trade. Now, Britain no longer has an empire and it is difficult to compare the Victorian manufacturing-led economy with today's services-led sector, where tariffs will be a major obstacle to trade with emerging economies. And although Tory protectionist instincts have faded, Fox faces a new challenge to free trade in the form of President Donald Trump.



Liam Fox's recent speech [chastising British business](#) as "too lazy" and "too fat" in resting on past successes was notable for its appeal to the history of British trade. Saying he wanted Britain to be "a voice for free trade in the world", Fox not only asserted a robust national sovereignty free from the trammels of nefarious EU regulations, but evoked the much-vaunted 'Golden Age' of Free Trade beloved of many "hard" Brexiteers.



Part of a poster advertising the British Empire Exhibition. Photo: [Royal Museums Greenwich](#) via [Europeana](#) under a [CC-BY-SA 4.0](#) licence

This kind of critique – an amalgam of rugged individualism and splendid isolation – has been a recurrent theme in British history, reflecting both the commercial instincts of an island nation, and the vicissitudes that arose from Britain's status as the 'First Industrial Nation'.

As the UK prepares to leave the single market, considerable uncertainty exists as to what the configuration of British commercial policy will be. Fox's stance – closely aligned with Theresa May's recent speech calling for a "new, comprehensive, bold and ambitious free trade agreement" with the EU alongside extra-European trading relationships – hits rhetorical heights and is high on ambition but short on detail. While a "global Britain" strategy is laudable, as the [House of Lords' EU Committee report](#) of December 2016 indicated, whatever post-Brexit option is adopted, trade negotiations are a complex business.

Fox makes a good case for not expecting Brexit alone to facilitate better trade deals, with more encouragement needed to facilitate an exporting mentality and global trade liberalisation. While it is hard to argue with these aspects of his speech, the historical foundations and implicit pointers for future policy preferences are more contentious.

When Fox said Britain "is not the free trading nation it once was" he referred to a nation that was a product of a myriad of historical circumstances which occurred within a context that cannot be replicated. For most of the

19th century, Britain was a manufacturing powerhouse, the foremost industrial, financial and naval power, with a vast colonial Empire on which “the sun never set”. Britain’s trading relationships, a form of “free trade imperialism” according to some historians, reflected, in pattern, nature, and extent, the policy preferences of an expanding industrial economy.

Fox allows himself some historical licence in his contention of a “Golden Age” of free trade as the basis of Britain’s wealth, power, and status. He readily conflates free trade with the period of Britain’s rise to greatness, the nineteenth-century “Pax Britannica” of unilateral free trade, naval power, financial and industrial strength, and colonial markets. Some observers contest the causal relationship, attributing the foundations of Britain’s success to the growth of industries shielded by protective tariffs in earlier centuries.

In fact the protectionist tradition in British commercial policy, whether by mercantilist prohibition and regulation, imperial preference, protective tariffs, or bilateral reciprocal treaties, is arguably as strong, if not stronger than Britain’s free trade tradition. Before the unilateral alterations of 1846 Britain had been highly protectionist, a state of affairs modified by Huskisson, who introduced the principle of reciprocity via bilateral treaties in the 1820s. That model changed with the unilateral tariff reductions made with Repeal of the Corn Laws, Repeal of the Navigation Acts and termination of imperial preference. In the following years Britain attempted to recast the international order in a liberal direction.

Adopting free trade did not preclude negotiation and bargaining, and despite instigating the European treaty “system” of lower tariffs following the 1860 Anglo-French treaty, Britain failed to construct a free trade Europe. The often-cited “free trade interlude” between 1846 and 1873—a phrase indicative of deviation from the norm—resulted from hard bargaining with countries whose attachment to free trade was often half-hearted, shallow, and temporary. With the rise of collectivism and increasing military expenditure, Britain herself jettisoned the policy in the 20th century. If nothing else, Britain’s commercial history demonstrates that other nations will consult their own vital interests.

Does Britain have the capacity to export and increase its global market share? With the decline of manufacturing and the emergence of new powers there is greater competition in global markets. The WTO 2016 Report describes how, alongside Japan and the US, the UK recorded a declining share of world exports, from 5.4% in 1980 to 2.6% in 2011. As a percentage of GDP, [UK exports are the lowest in Europe](#). While the volume of global trade has increased markedly in the past 30 years, the lesson seems to be that new market entrants through global supply chains are the major beneficiaries.

The growing level of fragmentation of productive processes and the complexity of trading relations, through global value chains, with approximately three-quarters of international trade conducted in this way, means that the need for controlling tariffs, on inputs and finished goods, is greater than ever. In 2011, the services content of total UK exports was 63.5%, [well above the OECD average of 54.3%](#). Trade surpluses on services exports declined in the final quarter of 2016 but the UK still enjoys a [large surplus, especially with the EU](#) which remains the largest area in receipt of UK services exports.

The shift towards a service economy has been going on for a long time. As Britain’s industrial might faded, her financial prowess increased and her services as shipper, trader and intermediary in multilateral payments became more prominent. Fox is fully aware that Britain’s declining exports long pre-date 1973. The subtext of his argument is that the EU has not been the architect of Britain’s long decline, and breaking free of the EU will not magically reverse this process. It should be a sobering thought to “hard” Brexiteers that [in 2015 the EU purchased 44% of UK exports, while providing 53%](#) of her imports. The UK’s deficit in trade in goods continued into 2016. If Britain is to maintain global market competitiveness, the government must aspire towards free trade if it is to ramp up exports. Changes in the patterns of global trading in the past 30 years, if not longer, demand such a policy.

The WTO recently argued that developing countries have more to gain from an open trade environment – but the same holds true for Britain. Could protectionist pressures prevail and subvert the worldview espoused by Fox?

Intimations of a forthcoming battle within the Tory party over commercial policy, a recrudescence of the Corn Law and Tariff Reform controversies, have lately been raised, and Fox clearly takes these seriously. Although Brexit has unexpectedly raised this ghost from the past, predictions of discord on the scale of 1846 appear hyperbolic. The restricted franchise, the composition of the Tory party, with its solid agricultural base, and the economic pattern of the country were very different from today, and the free trade/protection dichotomy more pronounced. With the backing of liberal international institutions, one likes to think we are all free traders now. However, newly-found commercial freedom might easily lead to protectionist arguments entering the policy arena.

The call for commercial freedom – much aired in the last quarter of the 19th century – has returned, alongside the language of preference, tariffs, retaliation, negotiation and sovereignty. Fox has skilfully played the patriotic card while simultaneously urging an internationalist trade policy. Charting a course between the uncertainties of a Trump administration, whose protectionist rhetoric sits uneasily alongside aspirations towards a favourable trade deal with Britain (though Congress may have some thoughts on that) and a potentially unaccommodating EU may be perilous.

Whatever the historical merits of Fox's call for an open trading environment, his focus on the need for a new dialogue, and preparation for a world of conflicting interests and incipient protectionism, could not be more relevant. The Brexit vote and Trump's victory are clear examples of how established orthodoxies can be challenged. Britain finds herself in an entirely new situation, and a successful Brexit must be underpinned by an intelligent response to the realities of the world as it is and not how it was. The pace and nature of geopolitical and economic change in the last half century mean that the reference points of the past offer little guidance. Like Neville Chamberlain after the Munich agreement, "we must hope for the best and prepare for the worst".

## Further reading

Anna Gambles, *Politics and Protection: Conservative Economic Discourse, 1815-1852* (Woodbridge: Royal Historical Society, 1999)

Howe, *Free Trade and Liberal England, 1846-1946* (Oxford: Clarendon Press, 1997)

Marsh, *Bargaining on Europe: Britain and the First Common Market, 1860-1892* (New Haven: Yale University Press, 1999)

*This post represents the views of the author and not those of the Brexit blog, nor the LSE.*

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