

Getting Back to Free Trade and Growth in the UK, the U.S., and the World

There is a long-standing bipartisan consensus in favor of free and open trade in the United States. Liberal trade policies promote peace and cooperation and enrich and empower the world's poorest and most vulnerable people. Protectionist alternatives have shown to impose far higher costs while making us all poorer and less secure in the process. Why then has the world become more protectionist? In November, Cato hosted [Kemi Badenoch](#), the U.K. secretary of state for international trade, who spoke on her experiences growing up under strict protectionism in Nigeria and why she is now promoting free markets every way she can.

I grew up mostly in Nigeria and moved to the United Kingdom when I was 16. I grew up with military governments, so I have a firsthand experience of authoritarianism and protectionism that I think is quite unique—not just in the UK but in what we call “the West” today.

I think it is quite extraordinary that I am standing here today as the UK's trade secretary—but I am here, and here is what I want you to know: when I talk about a belief in free trade, it is not empty rhetoric. I'm speaking from personal experience of what happens when you don't have it.

I've seen what happens when a nation can't trade, or worse, embraces protectionism. The result is not growth and the nurturing of local industries; the result is poverty, and the very best of a country's talent leaving to find opportunities elsewhere. People worry about the free market and talk about it like it's an uncontrolled experiment, but the market is people having the freedom to make choices to improve their lives. It does need good regulation so that people don't cheat the system and to prevent unfair trading practices, monopolies, and exploitation of

consumers. But we need to have free trade and free markets, because when you don't, weird things happen.

For example, when the government wanted to improve the tomato industry in Nigeria, it banned tomato imports. What didn't happen was loads of farmers deciding to grow tomatoes; what instead happened was tomatoes becoming like diamonds in terms of how hard it was to get them. The supply dried up completely. The prices went up. Big companies that used tomatoes as an ingredient cornered the market, and people who needed them just to make food—caterers, restaurants—couldn't access them. That is not how you grow a local industry.

I saw it happen over and over. In finance, capital controls effectively turned the currency into wastepaper. When the government banned rice imports, rice became a black-market product. My mother came to visit me in London, and when she left, her suitcase was not full of clothes or souvenirs; it was full of bags of rice. It became a very precious commodity. That is what a lack of free trade and free markets creates.

I'm fighting for something I really believe

in: Free markets and free trade make the world a better place, and that is the only purpose to becoming a politician. Nothing else matters.

So then, why has the world become more protectionist? The United States and the United Kingdom have done a lot to expand the concept of free trade, especially in the last 75 years. We founded the multilateral trading system with our allies, and our transatlantic partnership embodies why free trade works and why it matters so much. But one of the many reasons that I am so frustrated by the trope that Brexit was the UK retreating from the world is because it is completely untrue. I voted to leave the European Union, and I saw Brexit as a once-in-a-generation opportunity for the UK to embrace the world; and trade was, and still is, at the heart of that.

Well, why does it feel like everyone is becoming more protectionist? The answer is uncertainty. We live in uncertain times. A global pandemic that changed our understanding of the world, Russia's war in Ukraine, and a more assertive China are just three of the things that are making people more fearful about the future. Relatively low economic growth in the West over recent decades, compared to what people are used to, has also caused part of this problem.

So, what can we do? What do we need to do to provide more security for the people of the world? That relatively low economic growth is absolutely terrifying. For those who saw the postwar 20th century, it makes a lot of our contemporaries feel poorer than they actually are. When you compound that with the belief that jobs are being taken away either by technology or by offshoring, it's no surprise that the instinct is to protect what we have.

If we are going to make people feel less protectionist, we are going to have to make them feel more secure first, and we need to show how free trade and free markets, when done properly, do provide security. Trade as a tool of security is at the very heart of the trade policy that I am going to be pushing as the UK's trade secretary.

The United States and the United Kingdom can provide security by doing three things: (1) investing in the future, not just the present; (2) securing and diversifying supply chains—which means more trade not less; and (3) deepening international partnerships.

Here are some examples of how we are doing this in the UK in just one area, using climate change as an example. Two weeks ago, I launched the UK's green trade and investment expo, securing millions of pounds that will grow the UK economy and create jobs across the industries of the future. We all know that climate change is a challenge for us all, wherever we live in the world, but we know that we can and should solve it by using free trade and investment to accelerate the technological progress that will protect the planet. Something that not enough politicians say is that we must do this—we must protect the planet—in a way that does not impoverish the United Kingdom, the United States, or any other country.

I talked next about securing and diversifying supply chains. We will need this to support energy security globally. In Europe, Russia's invasion of Ukraine has made it clear that relying on authoritarian regimes for energy is not sustainable. Doing so has made it harder and more expensive to heat our homes, and the ensuing energy crisis has increased inflation to levels not seen in recent memory.

Our trade relationships will help secure our energy supply, but it's long-term investment in nuclear, in renewables, and in democratic countries that will reduce our dependence of fossil fuels and keep down consumer costs.

Trade is more than selling each other goods and services. It is also about foreign direct investment. Technological investment creates the jobs of tomorrow. Investments can future-proof the economy if we get it right. More importantly, as we are seeing in the UK, it drives economic growth and keeps communities alive. Communities such as



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Blyth in the northeast of England. Blyth was a coal mining town once in decline. It is now thriving as it becomes one of the UK's most important bases for offshore wind and is driving the clean energy revolution, funded by investors from across the world, including the United States.

Now that the UK has left the European Union and has an independent trade policy, what does this look like in practice? Well, we're using our new freedoms to negotiate new trade deals and upgrade existing ones, deep-

ening our ties with our allies while creating new economic partnerships. We're joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a network of 11 countries spanning from Asia to the Americas that covers half a billion people. We're strengthening our relationships with our partners and allies in the Indo-Pacific, a region that will be responsible for half of global growth in the coming decades. We're thinking about the future. We're in talks on a free trade deal with India, which is going to be the world's third largest economy by 2050. We're acting to protect global supply chains after COVID-19, and the invasion of Ukraine revealed so many vulnerabilities.

And what do we want from the United States? Well, we've made no secret that we want to deepen trade ties through a comprehensive free trade agreement. But the lack of a free trade agreement is no barrier to boosting trade. Our trading relationship with the United States was worth over \$250 billion over the past 12 months. We are each other's number one source of foreign direct investment. More than 1.2 million Americans work for UK companies in the United States, and every day, just under 1.5 million Brits go to work for an American firm. The UK has been nimble and innovative in finding other ways of working with the United States beyond free trade agreements. For instance, we are signing memoranda of understanding on a state level. In May, we signed one on trade and economic cooperation with Indiana, a state that already buys \$1.4 billion worth of UK goods every year. North Carolina followed in July. My team is securing others and looking to sign even more.

I am here to continue deepening our international partnership. Our trading relationship does not build itself; we need to work at it. That doesn't just mean giving speeches about how much we love each other, it also, sometimes, means fixing problems and offering challenge when required. So, I am also raising our concerns about the Inflation Re-

duction Act. We know that this was a strategic step to protect the U.S. economy, and we also know there will be many people in D.C. and across the country who support it. However, it's important that these measures don't conflate long-standing allies and partners, like the UK, with those other countries that might want to damage U.S. interests.

In the Inflation Reduction Act, the substantial new tax credit for electric cars not only bars vehicles made in the UK from the U.S. market, but it also affects vehicles made in the United States by UK manufacturers. The investment and innovation taking place in the United Kingdom should be helping the United States with tomorrow's challenges—U.S. businesses already have over \$500 billion invested in our economy. It's one thing to lock out economic opponents, but it's another thing altogether to damage the investments made by your own companies.

Those same opponents don't hesitate to use strong-arm tactics to create geopolitical divides and to threaten and coerce smaller economies. So, if the United States and the United Kingdom are to future-proof our-

selves and our allies against a changing world, we need to approach trade in a more muscular way.

As world-leading centers for strategic industries, we need to develop trade policies

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that reflect how global commerce is evolving. And we need to use it to fight even harder for the ideas and values that underpin our democracies and economies. And we must help each other do that. So that means working together to shape the rules that govern

global commerce before those who want to grab control and stifle free trade get there first.

Protecting intellectual property rights is one example. Both of our economies were built on the work of inventors and entrepreneurs. Intellectual property rights drive innovation, incentivize inventors, and protect and reward their ideas. If we conflate the ideas of intellectual property with protectionism, we risk choking off innovation.

It's important the United Kingdom and the United States work together to champion the multilateral, rules-based system upholding the international intellectual property rights framework. With every trade barrier that falls and every contract that gets signed between businesses, opportunity and prosperity increases around the world. This means democracy flourishes and the case for autocracy diminishes.

There is an exciting future ahead for us both in terms of UK-U.S. trade cooperation. I am thrilled to be part of that, and I look forward to a shared trans-Atlantic future filled with even more friendship, economic cooperation, and mutual success. ■

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