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**Old Friends and True:  
Views on Brexit Opportunities from  
Canada, Australia and New Zealand**

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# Old Friends and True: Views on Brexit Opportunities from Canada, Australia and New Zealand

## Introduction

This short paper has been produced in association with CANZUK International, in order to help draw two key contributions to wider circulation.

CANZUK International (<https://www.canzukinternational.com/>) was founded in January 2015 as The Commonwealth Freedom of Movement Organisation, and is the world's leading non-profit organisation advocating freedom of movement, free trade and foreign policy coordination between Canada, Australia, New Zealand and the United Kingdom (the "CANZUK" countries). Its campaign advocates closer cooperation between these four nations so they may build upon existing economic, diplomatic and institutional ties to forge a cohesive alliance of nation-states with a truly global outlook.

The third short essay builds on these to add a fresh Canadian perspective, as seen from Ontario – a Canadian province which over many years has single-handedly been the US's biggest trading partner. It reflects on the question of 'quality versus quantity' in setting up trade arrangements.

These contributions help remind us of some of the paths this "cohesive alliance" might take – if an ambitious and free trade form of Brexit is pursued.



**Senator Eric Abetz**  
**@SenatorAbetz**

Eric Abetz is a Liberal Senator for Tasmania in the Australian Parliament and a former Leader of the Government in the Australian Senate. He is Chair of the Senate Foreign Affairs, Defence and Trade Committee

29 March 2017 marked an important day as British Prime Minister Theresa May triggered Article 50 to formally commence the United Kingdom's departure from the European Union. This was an important moment in the history of western democracy and a win for the ordinary men and women of the United Kingdom who, with their largest ever democratic mandate, stood up to the political elite.

I have long been an advocate of free trade, and in particular freer people movement, between Australia and the United Kingdom. Indeed, on the sidelines of the G20 in my role as Australian Employment Minister, I directly raised the matter with my counterpart who similarly saw the opportunity but advised that it would be impossible due to their membership of the European Union.

Now that the United Kingdom has formally commenced the process for Brexit, I believe that there is a strong opportunity not only for Australia and the United Kingdom, but also for a stronger alliance including Canada and New Zealand.

Australia and New Zealand will be first in line to sign a free trade agreement with the United Kingdom after it leaves the European Union, according to New Zealand's Trade Minister.

There are many things that bind Canada, New Zealand, Australia and the United Kingdom – be it a similar heritage, adoption of the Westminster system of Government, all as members of the Five Eyes security group and all as members of the Commonwealth.

On every measure, we are all each other's closest cultural, social, security, economic and societal partners and so it makes good sense for our four nations to come together and strike an historic multilateral agreement. We value the virtues of the inalienable freedoms, our societies and institutions were founded on the same world view which makes us the envy of the rest of the world.

While most Free Trade Agreements include trade-offs, because of our shared heritage, security intelligence and familial ties, such an agreement could uniquely benefit all nations without too much of a trade-off. For instance, right now in the United Kingdom there is expedited screening for entry into the country for EU passport holders, there's no reason why this treatment couldn't extend to CANZUK nations especially given the shared security information.

All of our nations have a high level of people movement yet streamlined visas and work rights are adhoc. These processes could be simplified and permit more opportunities for participants to work across our countries and hopefully especially for young people.

While there is still a path to travel on any potential multilateral agreement, today marks an exciting first step to both seeing the will of the people executed but to countless opportunities that could arise as a result.

I for one hope that the United Kingdom, along with Canada, New Zealand and Australia embrace and move towards a CANZUK agreement which, I believe, would be the envy of the world.



**David Seymour MP**  
**@dbseymour**

**David Seymour is the Member of Parliament for Epsom in New Zealand, and the leader of the ACT Party.**

In 1973 the Australian and New Zealand Government entered into the Trans-Tasman Travel Arrangement, granting New Zealanders visa-free travel and residency in Australia, and vice-versa. In 1983 we entered into the Australia New Zealand Closer Economic Relations Trade Agreement (CER) – a pioneering model of bilateral free trade. Today there are dozens of agreements that form a part of Australia and New Zealand's massively successful economic and trading relationship.

Very few bilateral or multilateral partnerships in the world have achieved CER's level of economic integration while keeping participants' sovereignty and identity intact. The modern relationship means that there is not only free movement of people and capital, but aligned professional and product standards allowing workers who qualify for a profession in one country to work in the other, and making goods certified for sale in one automatically approved in the other.

The result of TTTA and CER since the 1970s and 80s has been increased trade and migration between Australia and New Zealand. Australia is New Zealand's second-largest trading partner (only

recently nudged back by China). Australia remains by far New Zealand's largest tourist market. There are about 650,000 New Zealanders living in Australia, while the last census recorded 63,000 people of Australian birth living in New Zealand. On both sides of the Tasman, these migrants make up a significant share of the workforce and market.

The free movement of people, ideas, information and capital has made both nations more prosperous. The two countries share a belief in equality, secularism and multiculturalism. We have a common law legal system and a Westminster parliamentary democracy that share common heritage.

The ingredients that have made the Australia-New Zealand relationship a success are also there to support a CANZUK agreement. Canada and the UK share many of the same values that Australia and New Zealand share. All four nations are liberal democracies with an open attitude to the world. The falling cost of air travel means our nations get closer together each year. We are all economically advanced, but have different specialisations that can truly make a free trade and free movement partnership thrive.

The Brexit vote presents Britain with the opportunity to find new partners around the world. Prior to Britain's entry into the European Economic Community, it was the Commonwealth that enjoyed preferential treatment for trade and migration. A natural starting place for post-Brexit Britain is back with us.

The election of Trump has put the TPPA on ice – it would have been a trade deal including Australia, New Zealand and Canada along with the US and other Pacific nations. The result has even cast doubt over some of America's existing trade deals, including its deal with Canada under NAFTA. The timing is perfect for a new CANZUK deal.

Free movement and free trade will benefit our economies and will enhance our shared values. We can build on the cultural exchange that takes place when young Kiwis take their OE in Britain, or when Canadian tourists take working holidays in New Zealand.

Together Canada, Australia, New Zealand and the UK are 125 million people. We have the potential for huge advancement by allying the best of our innovation, entrepreneurship and culture through free movement. I hope we will grasp this opportunity with both hands.



**Brent H. Cameron (@BrentHCameron)** is the author of *The Case for Commonwealth Free Trade: Options for a new globalization* (now available via [Amazon](#)). A former assistant to a Member of the Ontario Legislative Assembly, he currently serves as a member of council for the Township of Central Frontenac, in eastern Ontario, Canada.

Every relationship requires ground rules to work. Whether it is a marriage or a business partnership, a shared understanding of the 'terms of reference' are vital to its longevity and success.

And yet, if one argued for full homogeneity – a partnership where a business colleague or a spouse completely acceded to every opinion or demand of the other, would we argue that such relationships are 'perfect'?

Most people would say that in such situations, forcing one party to the other's priorities creates a false sense of compatibility, and will eventually fold when it can no longer paper over the differences. Business partnerships dissolve and marriages end in divorce.

Relations between nations – particularly in matters of trade – are no different. Indeed, the rise of populism and the phenomenon called 'anti-globalization' are a consequence of this breakdown. But is it an indictment of globalization, or just globalization done badly?

For thirty years, free trade conditions have existed between Canada and the US. If there ever was a situation where a power imbalance could lead to the abuse of one party by another, this would certainly be it. One country has 1/10<sup>th</sup> of the other's population, and roughly 1/10<sup>th</sup> of its GDP. The other is, arguably, the most powerful nation on earth by every measure.

The original Canada US FTA – and its NAFTA successor – did not harmonize currencies, courts, or laws. There is no NAFTA flag, Parliament or anthem. There is no customs union, or equivalent of 'Norway+' or any kind of plus this-and-that. Any cursory reading of the history of these two nations would readily reveal that the United States places great importance in its ability to act independently of other nations, while Canada's history is that of a nation where sensitivity to American power and influence is ever-present. Any sort of union – customs or otherwise – would be unacceptable to either side.

Despite this, the bilateral relationship is the most successful of any in the global economy. Not perfect, but better than virtually every other pairing. The 2-way goods and services trade between the nations in 2017 totalled US\$673.1 billion, with the US enjoying a surplus of US\$8.4 billion - the equivalent of US\$0.01 per dollar. In other words, it almost reaches the ideal for any trade deal – the ever elusive thing known as 'reciprocity.'

Unlike the NAFTA experience, Britain has harmonized its economic laws and significant aspects of its governance with other EU members. It has, in a legal sense, "gone along to get along." One would assume, therefore, that the relationship would be even more mutually beneficial than the North American case – after all, on so many measures, we are comparing 'apples to apples.'

Yet, in the same year (2017), British 2-way trade with the rest of the EU was US\$800.8 billion, with a trade deficit of \$87.25 billion – a loss of nearly US\$0.11 on the dollar. When one subtracts the US\$15.91 billion (£12.2 billion) surplus Britain enjoys with Ireland – arguably the most similar and compatible of EU member states absent legislative harmonization – on US\$77.72 billion (£55.8 billion) of bilateral trade, the deficit moves to US\$103.16 billion on a total volume of US\$728 billion – a loss of US\$0.14 on the dollar, or a 21% worsening over the *status quo*.

Those losses have real consequences for the future of globalization. They do not accrue to those in professions and industries – like finance and legal services – where incomes are earned on the total value of the transaction. They fall squarely upon those who earn their livings in sectors and activities where the deficits equate to substitution for foreign competition – like manufacturing.

Free trade, as a theoretical construct, considers this and argues that, at some juncture *ceteris paribus*, there is a levelling out and some form of equilibrium is reached. Canada, having agreed to only a free trade treaty with the world's largest, most powerful economy, has achieved close to that balance. Britain – even after having outsourced so much of its legal, political and bureaucratic functions to Brussels for four decades – is nowhere close to that elusive goal.

The result of this flawed policy is a perfect storm. Forty years of sweeping trade problems under the rug has led to an electorate increasingly angered and motivated for change. Unfortunately, the only

ones who can make a difference haven't exercised that authority in Britain's right for decades. The current debacle over implementing Brexit demonstrates that lack of vision and the courage.

Critics of Brexit are correct that it is not a magic bullet for Britain's problems. It may very well be that it will not fix what is broken with UK-EU trade. What it will do is give Britain both the tools to address the economic dislocations it brings, and the freedom to pursue relationships where the benefits accrue both ways.

Something we Canadians have taken for granted for over thirty years.

