



THE CHANNEL GROUP

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Breaking Down The Barriers - Why it's time to remove global tariffs forever

The Channel Group today launches its first report, exploring the effect of trade tariffs on the global economy. The paper argues that trade tariffs, despite being lower than at any point in history, are still far too high and that it is time for their complete removal. The paper investigates both historic and contemporary examples of protectionist policies introduced by states and their effect on global trade.

The key finding in the paper are:

- The issues surrounding the EU's Common Agricultural Policy (CAP) are far from being solved. The inherent bias in the CAP payment system remain benefiting the largest producers whilst neglecting small holdings. If subsidies are set at €50 per hectare, a 1,000 hectare farm would receive €50,000, while a 10 hectare farm would get just €500. In addition CAP has also created major distortions in the market, such as artificially high prices and creating massive waste. In 2006 alone the EU amassed 13,476,812 tonnes of cereal, rice, sugar and milk, and 3,529,002 hectolitres of wine.
- Trade tariffs are not suitable in the 21st century. In a world of fragmented global supply chains are having an increasingly negative impact on trade due to their cumulative effect. Not only are consumers burdened with the cost of these cumulative tariffs, but producers and manufacturers lower down the supply chain may see their profit margins decrease as they take on more of the financial burden. Depending on the number of production stages this could result in multiple tariff charges in order to produce the final product.
- Technical Barriers to Trade (TBT) are a category of non-tariff barriers to trade that countries use to regulate markets and protect their consumers. However, TBTs have the danger to discriminate against imports in order to protect domestic industries. An example of a TBT would be a set of rules for product weight, size or packaging. In practice, there will be a document which lays down permitted product characteristics and production methods. In areas where they do not protect factors such as health the regulation should be decreased to allow LEDC's access to zones where TBT's exist.

Quotes

Commenting on the state of global tariffs, Toby Illingworth, Partner of The Channel Group said:

"The ongoing usage of tariffs is not only archaic, but also damages business and their ability to trade internationally. With the increase of internationally fragmented global supply chains, that characterise the



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'Third Industrial Revolution', The Channel Group is concerned that the cumulative effect of nominal tariffs along the supply chain is creating a barrier to trade."

He continued: "In order for firms to be competitive in a globalised economy, transaction costs must be kept to a minimum, this is undermined by the imposition of nominal tariffs.

Commenting on the launch of The Channel Group, Thomas Dempster, Partner of The Channel Group said: "I am delighted to have reached this important milestone in launching our first paper and look forward to working on our main objectives of championing business interests and supporting free trade. Over the coming months, we will be publishing further papers on Infrastructure and the digital economy, building our campaign to remove the barriers to trade".

Notes to editors:

About the The Channel Group:

The Channel Group is an independent think tank established to champion Free Trade. The Channel Group collaborates with leading thinkers to promulgate a vision of international Free Trade, the breaking down of trade barriers and the ending of internal protectionist measures. Through rigorous independent research and insightful comment, The Channel Group informs debate and develops policy.

The Channel Group was founded in 2015 by three partners with experience in politics, law and finance. The partners came together to create a strong voice for international Free Trade

Core aims:

- Serve as an independent expert in international trade.
- Champion business interests and support Free Trade.
- Work with governments and regulators to remove barriers to trade.
- Educate the public on trade issues.

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