

Liam Fox: Covid-19 to cause 'nightmare' economic crisis



Reuters

Coronavirus will lead to a worldwide economic downturn somewhere between a “bad dream and worst nightmare”, former cabinet minister Liam Fox has warned.

The Conservative MP said many leaders have failed to grasp the expected economic fallout from the crisis.

Dr. Fox was speaking to BBC Newsnight as he made his case to become head of the World Trade Organization (WTO) in Geneva.

He also suggested that the UK could be granted a second Brexit transition phase.

Speaking at the WTO headquarters, the former international trade secretary indicated that the Geneva-based body could oversee another transition period if the UK and the EU agree a new trading relationship this year.

“We have what are known as differential treatments here which often allow

countries who have a clear destination time to adapt to those changes,” Dr Fox told BBC Newsnight.

“I think that everything should be done by the rules and there are a number of precedents set here for transitions, there are a number of precedents set here for differential treatments. That is a matter for the officials here.”

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A transition, overseen by the WTO, would be different to the current Brexit transition. That involves full UK participation in the EU without a vote.

Dr. Fox indicated that a second transition could be used to allow a phasing in of new border arrangements between Britain and the EU which has been proposed by Michael Gove.

Liz Truss, the current international trade secretary, has warned that the Gove plan could leave the UK vulnerable to a WTO challenge on the grounds that EU imports to the UK would be treated more favorably than imports from elsewhere.

Economic implications

Prime Minister Boris Johnson nominated Dr Fox, a long-standing Brexit supporter, to be head of the WTO around an hour before the deadline earlier this month.

He is one of eight candidates hoping to succeed Roberto Azevedo, whose time in office was overshadowed by the effective freezing of the WTO’s dispute mechanism and trade skirmishes between the US and China.



Reuters

Dr. Fox believes calculations about global trade before the pandemic will have to change as the world deals with the downturn.

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He told BBC Newsnight, "We will not be in business as usual. I'm not sure people have actually grasped yet what a big impact the pandemic can have on the global economy and how that will shape thinking on the other side.

"It's one thing to put forward a set of views if you think the global economy is going to be growing happily. It's quite another to put forward the same prescriptions if you think that economy is going to be contracting.

"These are not going to be normal times. This is not business as usual... we must understand the potential scale of the problems we will face."

Donald Trump

Dr. Fox has strong connections in Washington, particularly with the Republican Party.

But he indicated that he has little truck with President Donald Trump who has questioned the merit of multilateral organizations and has effectively paralyzed the WTO's appellate court by refusing to endorse new appointments.



AFP

In contrast, the former international trade secretary said he strongly backed a rules-based international trade system.

He also indicated he has little time for Mr. Trump's habit of upping trade tariffs as Dr. Fox deprecated protectionism.

"Protectionism comes at a price not least in security," he said. "But economically if you protect your economy you may get a drop in prices in the short-term but you are likely to get a rise in prices in the longer-term as there is less competition in the system."

Brexit and trade

Downing Street believes the nomination of Dr. Fox is an important sign of the freedoms enjoyed by Britain after Brexit.

Trade negotiations in the EU are conducted by the European Commission which means that it would be all but impossible for a member state to nominate a candidate to head the WTO unilaterally.

Britain has high hopes that the EU will not veto Dr. Fox. But there are fears that China may oppose his appointment as punishment for Britain's decision to phase out Huawei's involvement in the UK's 5G network.

Ambassadors to WTO select the director-general by consensus. But the US, EU, China, India, and Brazil can each veto a candidate.

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