

# The Customs Union and the World Trade Organisation

Those who continue to argue that we need to be in the Customs Union of the EU, or need to copy it from outside the Union as we leave, need to answer two very simple questions.

Why do we have a large and persistent trade deficit with the Customs Union, and a trade surplus with the rest of the world trading with them under WTO rules?

Why has our trade been growing faster in recent years with the rest of the world than with the EU Customs Union?

The figures are quite stark. Our trade in goods deficit with the EU widened to £96bn, and our travel deficit to £15bn. Our sales of services were quite unable to offset these large deficits in the way they do for our trade with the rest of the world. Between 2014 and 2016 our exports to the rest of the world grew by 6.7%, whilst our exports to the EU grew by a little over 3%.

The good news is with or without a deal with the EU we will be trading with them under WTO rules, as both the EU and the UK are members of the WTO and accept its rules and its arbitration system for any disputes. The recently enforced Trade Facilitation Agreement that came into effect last spring from the WTO binds us and them to keeping border arrangements friendly to business with smooth procedures for the passage of legal goods.

Germany in 2016 exported £66bn worth of goods to the UK and imported just £33bn back from us. The Netherlands exported £36bn to us, and took just £18.6bn in imports. I will be looking in future postings at what we buy from these large exporters, and what opportunities there are to buy from elsewhere should the EU wish to impose new barriers on their trade with us.

If they want us to go to WTO terms we will be able to find cheaper imports from non EU sources and produce more at home.