

Trade, trade and more trade

All we ever seem to talk about is trade. The Remain Lords and MPs turn every debate on Brexit into another debate on trade, so they can peddle their tired soundbites again. The clever ones spread disinformation, and the badly informed ones peddle their misunderstandings as truths.

Today the media will again declare it trade day, as we learn that the Brexit Committee will discuss yet again what will replace our Customs Union membership. Will they prefer a New Customs Partnership, known perhaps appropriately as NCP as if it were a parking lot, or will they prefer Max Fac, maximum facilitation of trade at the borders? I trust they will opt for the latter. NCP means recreating many of the limiting features of our customs union membership. They need to remember that belonging to a customs union has two big drawbacks. It means we pay more for food and other goods that have tariffs on them. It means we can't do trade deals that help us with the rest of the world. The UK with a large service sector usually finds that is ignored by EU trade negotiators.

So what are the myths they peddle? The first is that if we leave the EU with no agreement there will be all sorts of non tariff barriers to our trade. They do not seem to have read the comprehensive and detailed Facilitation of Trade Agreement which the WTO brought into effect last March to deal with any such problem. Both the EU and the UK will be full members of the WTO after March 29 2019, and both will obey these requirements.

Some suggest that the EU would deliberately create queues at Dover for lorries bringing in much needed supplies. Let me reassure them. We will run Dover, and will have every incentive to keep the lorries flowing easily. What if they broke WTO rules and held trucks up at Calais? That would be a perverse thing to do as the majority of the trucks are carrying EU exports to our markets, so why would they want to damage them? If they tried to detain just UK lorries carrying exports to the EU they would be breaking WTO rules against unfair discrimination and in some cases disrupting the supply chains of their businesses needing UK components. Those businesses have legal rights and could take action.

There is an unwillingness to accept that in the 21st century most goods trade is conducted by large businesses acting as or through Authorized Economic Operators. These businesses file an electronic manifest containing all the details about what is on the lorry, where it travelling, what taxes and duties it needs to pay and how the load conforms with rules of origin, health and safety requirements and any other relevant legislation. Busy border posts allow most to proceed unchecked, as they know the details, levy taxes off site and trust the operator. They can of course delay or impound if they have reason to suspect non compliance or criminal activity, as they do today whilst we are still in the customs union. Anti smuggling is mainly conducted by an intelligence led approach. There are already substantial smuggling issues for our border with the EU as there are differential VAT and Excise rates. Adding customs to it does not create any difference in kind to what we

are doing already. The TIR system was developed years ago to speed trucks through borders.

It is true that rules of origin do require higher UK proportions in a few cases , especially in some vehicles. This is why the UK government is working with the industry to increase the proportion of UK components in cars assembled here to meet the rules, which is a win for domestic industry.

The underlying big picture truth is free trade provides better living standards. The sooner we liberalise our trade with the rest of the world the better, as the gains could be helpful. It is unlikely the EU will want to impose tariffs on themselves, though they may threaten this if they think there is any lack of negotiating resolve in the UK.

In the latest research using economic models Professor Minford puts the discounted long term gains to the UK of leaving without a deal at £651bn, assuming we went on to a free trade approach.