

## Rishi Sunak: Why Britain must leave the Customs Union



By Rishi Sunak

***Rishi Sunak is a member of the Environment, Food and Rural Affairs Select Committee, and is MP for Richmond.***

Appearing on lists alongside Andorra, Turkey and San Marino is not generally something Britain aspires to. And yet, if Britain remains inside the Customs Union from outside the EU, that's exactly the club we would join. There is much scaremongering about leaving the Customs Union, but staying in post-Brexit would be a mistake and there are six simple reasons why.

- **Stuck inside the Customs Union, Britain cannot sign its own trade deals.**

The EU has a dismal record on opening up new trade markets for its members. It took Brussels 58 years to sign a Free Trade Agreement (FTA) with a top ten economy (Canada), and even this was almost derailed by a tiny Belgian province.

Independent nations everywhere have a better record at managing trade policy. Switzerland has signed FTAs with eight of Britain's largest ten trading partners whilst the EU has only managed to strike deals with two. Canada has covered 90 per cent of its exports with FTAs, considerably more than the EU achieved for Britain. South Korean companies enjoy tariff-free access through FTAs to markets worth \$44 trillion in GDP, 60 per cent more than EU companies.

The EU clearly has the wrong set of trade priorities. Reversing these failures is one Brexit's biggest prizes. Outside the Customs Union, Britain can regain control over its trade policy and use it to turbo charge growth.

- **Turkey's experience shows we would get the worst of all worlds**

Out of the EU, but inside the Customs Union, Turkey has no seat at the table in any of the EU's trade negotiations, severely limiting its ability to have its needs heard. Worse still, Turkey must open up its home market to countries with which the EU signs trade deals but is not automatically granted its own access to those countries. That means Turkish companies reap no benefits from new export markets whilst unilaterally giving foreign companies cheaper access to their own market.

- **Leaving the Customs Union means cheaper prices for British shoppers**

The EU's protectionist trade policy slaps big tariffs on everyday products to prevent European producers from being undercut, resulting in higher prices for consumers. Outside the Customs Union, Britain can cut import tariffs on goods we don't produce at home and that are cheaper to import from outside the EU.

Imported oranges, for example, are taxed at 16 per cent to ensure Europeans buy Spanish rather than cheaper alternatives from Egypt. Bicycles meanwhile, which in Britain are largely imported from Asia, are taxed at 15 to protect Italian producers. Outside the Customs Union, shoppers could buy the cheapest products available, saving us all real money.

- **Any tariffs incurred after leaving the Customs Union would be manageable**

Cheaper oranges are all very well, but what about the tariffs we'd face outside the Customs Union? Luckily, there is no need to speculate. As members of WTO, we know that the total tariff bill facing British companies if no trade deal is secured with the EU would be £5 billion a year.

But the UK will be saving at least its net annual contribution to the EU budget of around £9 billion and also in the same scenario EU firms will be paying the UK £13 billion a year in tariffs. So in context, tariff costs can easily be offset with funds raised elsewhere. In any case, a likely UK-EU FTA (even if it takes time) will eliminate almost all these tariffs – the Canadian FTA got rid of 98 per cent of them.

- **Modern border checks are quick and inexpensive**

According to some, leaving the Customs Union would see EU-bound exports backed up for weeks while clipboard wielding Frenchmen rummage through British shipping containers.

This flies in the face of the facts. European ports employ high-tech x-rays to scan containers and advanced online portals to streamline administration. The US Government calculated that the tariff-equivalent cost of clearing customs in countries like Germany and Holland is just one per cent of export value and falling.

Indeed, as French customs authorities boasted in 2014, their average time taken to check goods was four minutes seven seconds, hardly a deal breaker for British exporters.

- **Countries don't need a Customs Union to trade efficiently with each other**

Norway does 70 per cent of its trade with the EU, Canada and America trade half a trillion dollars of goods annually, and China buys 30 per cent of Australia's exports. None have formed Customs Unions.

Britain is the world's fifth largest economy, NATO's second largest military power, and the world's leading financial centre. Have we really lost such confidence that we would rather be a second class member of the European Union than strike out to be one of the first-class nations of the world? If the answer is no, the Customs Union can only hold us back. Let's cut it loose before it does.