

Free Ports would fill the sails of the post-Brexit economy

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When it comes to seeking advice about Britain's economy after Brexit, it's probably fair to say that Greece wouldn't be most people's first call. And yet the Greek island of Delos holds a valuable lesson for the future of British industry. Over 2,000 years ago, Delos's rulers declared it a Free Port. This new status exempted the island's trade from customs duties, attracting merchants from around the world.

Ancient empires have since crumbled, but the concept of Free Ports has lived on. They are a popular tool for governments across the world, helping to boost trade and manufacturing in industrial areas as markets become more globalised.

Indeed, while Mr Trump may insist that free trade has brought nothing but gloom to American manufacturing, the US's pioneering of Free Ports tells a different story.

Ports like Boston and Seattle are designated as being outside American customs territory for legal purposes. That means businesses like Nissan in Tennessee can import components through them, manufacture on US soil and then re-export cars without anything passing through US customs and incurring tariffs. Meanwhile, goods manufactured for the home market benefit from less customs red-tape and flexibility on import tariffs.

Far from eroding domestic employment, keeping costs down in this way has allowed the US to retain and attract manufacturing jobs in a way that would otherwise have been impossible; crucial at a time when firms are being lured overseas by the promise of cheap labour.

If the US looks ready to discard its free trade tradition, there has never been a better time for Britain to take it up. In 1952 Britain was still the workshop of the world, accounting for a staggering 25 per cent of global manufacturing exports. Today that figure is just 2 per cent, and the UK manufacturing sector ranks a miserable 30th of 35 OECD countries.

Consider this manufacturing decline in the context of a maritime heritage that once saw a third of the world's ships flying the Union Jack and it might seem like Free Ports are a no-brainer for the UK, offering the opportunity to recapture our buccaneering free trade spirit. And yet, of the world's 3,500 Free Ports, not a single one is in mainland Britain.

The culprit for this is the European Union. Its Customs Code is a murky 60,000 word document setting out the Customs Union's rules, regulations, and procedures. To cut a painfully long story short, if the UK wanted its manufacturers to benefit from Free Ports, it would first have to prove that this wouldn't damage the interests of other EU countries.

Given the EU's baffling array of special interest groups— from German washing machine manufacturers to Hungarian vineyards – this is a mountainous hurdle, making the development of British Free Ports impossible without a barrage of legal challenges.

Furthermore, overly restrictive EU State Aid rules hamstringing Britain's ability to use tax incentives to support job creation, a common practice outside of Europe.

Were Britain to leave the Customs Union as part of Brexit, these obstacles would disappear. The resulting opportunities for the British economy are significant.

Britannia may no longer rule the waves, but our ports remain among the world's most advanced. Handling some 96 per cent of UK trade, the British ports sector is the second largest in Europe and, unlike its EU counterparts, doesn't rely on taxpayer handouts.

Ports are also a distinctly Northern success story with the North of England accounting for 35 per cent of national port capacity. The ports of the Tyne and Tees have already attracted the UK's most successful chemicals cluster as well as automotive giants like Nissan.

By using the newfound freedom of Brexit to designate docks and the industrial clusters that rely on them as Free Ports, the Government would not only send a bold message to the world, but also provide an almighty boost to British manufacturing.

Looking at the US example, this one move could create over 80,000 new manufacturing jobs. Given that most ports are both beyond the M25 and disproportionately in areas of high deprivation, this employment growth would also occur where it is needed most.

Free Ports would also be quick and simple to implement, bringing together Labour Mayors and a Conservative government to support port cities and free enterprise.

Long before the phrase "Northern Powerhouse" was ever dreamed of, the docks of the Humber, Mersey and Tyne were towering symbols of a region whose industrial ingenuity began a revolution that transformed the world.

As Britain charts a course for Brexit, the government should give our ports the freedom to recapture their proud history as the engines of our economy.