The economic case for Britain leaving the EU.

By James H. Bush

Exports

1. Britain's exports to the EU are much lower than what we import from the EU. The trade deficit (goods + services) with the EU was £67.8 billion in 2015. Table 1:

   Table 1: British trade with EU in 2015 – reference ONS statistical bulletin 2015 balance of payments dated 31/03/16.

	Exports to EU	Imports from EU	Balance Exports – Imports
Goods	£134.3 billion	£223.0 billion	£88.7 billion deficit
Services	£89.0 billion	£68.1 billion	£20.9 billion surplus
Goods + Services	£223.3billion	£291.1 billion	£67.8 billion deficit

2. By contrast we export more to the rest of the World than we import, and our exports to the rest of the World are more than our exports to the EU. See table 2 below:

   Table 2: British trade with the rest of the World in 2015 – reference ONS statistical bulletin 2015 dated 31/03/16

	Exports to rest of World	Imports from rest of World	Balance Exports - Imports
Goods	£151.2 billion	£187.9 billion	£36.7 billion deficit
Services	£137.0 billion	£69.2 billion	£67.8 billion surplus
Goods + Services	£288.2 billion	£257.1 billion	£31.1 billion surplus

Tariffs

3. British exports to the EU are not tariff free, as supporters of EU membership claim. Britain pays a net contribution of £11.4 billion per year and rising to the EU. This corresponds to an average tariff of 8.3% on our goods exports to the EU. By contrast Chinese and American goods exports to the EU attract tariffs of only 3.5% on a trade-weighted average basis i.e. less than half what we pay

4. Trade throughout the world is governed by the World Trade Organisation (WTO) to which all countries are signatories. Under the Most Favoured Nation regulations of the WTO, it is illegal for country A to apply higher tariffs to country B than to country C, unless there is a free trade treaty between countries A and C. This means that the EU could only ever impose tariffs of 3.5 % maximum on British exports to the EU, as this is the tariff level applied to Chinese and American exports, with whom the EU does not have a free trade agreement.

5. Trade in services is protected by the WTO's General Agreement on Trade in Services (GATS) to which the EU is a signatory. The EU is also a signatory to the WTO's Government Procurement Agreement (GPA) which gives equal access to overseas suppliers to government contracts. So British firms would have the same access as EU firms for government contracts in the EU member states if we left the EU.

6. In the very unlikely event of our exporters being charged a tariff of 3.5 % by the EU, the cost would be £4.7 billion per year. Meanwhile the Taxpayer would receive a £7.8 billion from EU tariffs on their exports to us. The country would make a £3.1 billion profit. The tariff risk to British exports to the EU is therefore non-existent.

7. Under Article 21 of the Treaty of the EU (TEU) the EU is legally committed to working for the removal of obstacles to international trade. So if Britain leaves the EU, the EU will be legally committed by its own treaties to developing a free trade agreement with Britain.

Switzerland's experience outside of the EU

8. Switzerland, which is outside the EU, exports much more successfully than Britain. Per inhabitant the Swiss export £8934 of goods to the EU compared with only £2443 for Britain (2013 data, Swiss exports to Britain **not** included to make a fair comparison).

9. Switzerland exports more goods to Italy than Britain, despite a population eight times lower than our own. In the period 2008 – 2013 the Swiss exported an average £10.1 billion of goods to Italy compared with only £8.9 billion for Britain. Switzerland's manufacturing output, as measured by added value, is £9700 per inhabitant. This compares with only £2,600 for Britain. (ONS, OFS.)

Britain's true priorities

10. Britain's weakness is in the production of goods. Even in our trade with countries outside of the EU (table 2) we have a significant deficit in goods. For non-EU trade the goods deficit is more than offset by a strong services surplus. However for total trade we have a massive £120 billion goods deficit, corresponding to over a million skilled jobs in industry.

11. Britain's priority must be to rebuild our industrial base and turn an unsustainable goods deficit into a surplus. Once outside of the EU we will recover control over industrial policy, energy, employment, environment and all aspects of foreign trade, including our place in the WTO. We would have the opportunity to follow the Swiss example and create a Commission for Technical Innovation to expand home industry as the Swiss have done so successfully.

12. Britain is facing an electricity generation crisis, thanks to three EU directives that are forcing the premature closure of our coal-fired power stations, with nothing to replace them besides more windmills. The three directives are:

    - Large Combustion Plant Directive (LCPD)
    - Industrial Emissions Directive (IED)
    - Renewable Energy Directive (RED)

    In 2012 we had 68 GW of power station capacity, to cope with 56 GW of peak demand and 35 GW average demand. In the last four years the LCPD has closed 12 GW of coal-fired capacity so today we only have 56 GW – just about peak demand. On 1st January the LCPD was replaced by IED – which will close our remaining coal-fired stations by 2023. (Amber Rudd, Secretary of State for Energy, said on 18th November 2015 all coal-fired stations would close by 2025.) By 2023 our power station capacity will only be 33 GW if we stay in the EU – not even meeting average demand so rolling blackouts will be part of our daily lives.

    A sensible alternative to the EU is described in detail in the British Project report, which can be downloaded at: https://brexitinformation.com/about/ or email jameshenrybush@gmail.com

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