

Brexit

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It is a great pleasure to be here in Hamburg and I am very grateful for your invitation. From the earliest days of the Hanseatic League, to its zenith as the second-largest port in Europe after London in the nineteenth century, Hamburg has always been an outward-looking, independent-minded free-trading city. It is thus the ideal place to make the case for Brexit, for a global outlook based firmly upon reciprocal free trade.

On 23rd June 2016, 17.4 million people in Britain voted to leave the European Union, more than have ever voted for any issue or political party. The 72% turnout was the highest since 1992. And leave the European Union we will. The EU – and every Member State – needs to recognise this simple fact. Brexit is going to happen.

Article 50 was triggered on 29th March, after 494 Members of Parliament – an overwhelming majority – voted for it in the House of Commons. The automatic legal effect of this is that at midnight on 29th March 2019, the EU treaties in their entirety will cease to apply to the UK, with no post-exit obligations on the UK.

Since then, we have had a General Election in which 85% of the votes cast were for parties advocating leaving the Single Market, the Customs Union and the remit of the European Court of Justice. The main “Remain” Party – the Liberal Democrats – saw its number of votes fall.

The Government’s position, therefore, has not changed. Not a single Conservative MP voted against the Queen’s Speech, which set out the Government’s plans for this Parliament and focused on regaining control of our laws, money and borders. An Opposition motion – which would have kept us in the Single Market and the Customs Union – was heavily defeated by 322 votes to 101.

Two weeks ago, the UK triggered our withdrawal from the 1964 London Fisheries Convention, signalling our determination to take back control of our waters and develop our own, bespoke marine policies based on sane, modern technology.

As if that were not confirmation enough, last Thursday, the European Union (Withdrawal) Bill was published, which will repeal the European Communities Act 1972 (which gave effect to European law in the UK) and convert into UK law the entire *Acquis Communautaire*.

Still, there are those who seek to use open-ended “transitional arrangements” to delay and frustrate our exit. But while we may see transitional implementation, the European Council’s own guidelines on the scope of transitional agreements are clear. They must be “bridges towards the foreseeable framework”, “clearly defined”, and “limited in time”. The WTO also makes it clear that any arrangements like this must be for a limited time, in contemplation of a free trade agreement. These requirements explicitly rule out the open-ended stalling tactics now being touted by some.

Those still in denial must take note, and understand the reality of the situation. I was one of 3 founding MPs of the campaign group “Vote Leave” and our central message was that a vote for Brexit was a vote to “take back control” - of our laws, our money, and our borders.

- In order to control our borders, we must leave the Single Market, or else we would be bound by freedom of movement.

- In order to control our trade policy, we must leave the Customs Union, or else we would be bound by the Common External Tariff and Common Commercial Policy. We must also leave the EEA since we must have the authority to negotiate on domestic regulation, which will be critical for goods as well as services.
- In order to control our own laws, we must cease to be under the jurisdiction of the European Court of Justice.

These simple statements, which resonated with 17.4 million people, are not negative ones. They are not “anti-Europe”. Rather, they are positive expressions of the age-old notion that a sovereign country will be more successful when it governs its own affairs.

Single Market

Leaving the Single Market is a prerequisite for expanding our trade around the world, because we are, in the main, a services economy and any services negotiation is a negotiation on domestic regulation, which we must control. In 1999, 61% of UK trade was with the EU, now it is 43%. By 2025, it has been projected that our exports to the EU will account for under 35%.

The European Commission itself says that 90% of global economic growth in the next 10-15 years is expected to be generated outside Europe, a third of it in China alone.

Nonetheless, there is a clear incentive to continue our trade with the rest of Europe. About 44% of UK exports in goods and services went to other countries in the EU in 2016 — 270 billion Euros out of 620 billion Euros total exports. We have no desire - and it is in no one’s interest - to abandon the close ties which we have. Our goal is, and always has been, reciprocal free trade.

But the economic case for Germany is no less strong. The UK runs a monumental deficit of 80.6 billion Euros a year with the EU. That figure went up by 11 billion Euros last year alone. Around 1 in 7 German cars are exported to the UK. Around 950,000 newly registered vehicles in the UK last year were made in Germany. As many as 60,000 automotive jobs in Germany are dependent on exports to the UK.

Deloitte have explored the potential effect of a “tariff war” on the industry here. They assume a 10% tariff on vehicles and a 4.5% tariff on car parts. With these parameters, Deloitte believe that EU carmakers will lose €8.3bn (£7.63bn) a year worth of revenues, with €6.7bn from German carmakers alone. In the first 12 months after the UK leaves, German car exports to the UK would collapse by 255,000 units, representing a 32% decline, with 18,000 jobs in the German car industry put at direct risk.

Overall, German car production would fall to 2.28 million units, down from 3.07 million in 2016 and close to the 2.19 million seen in 2009 at the height of the economic crisis.

BMW, Daimler, Volkswagen and the many thousands of jobs, households and families which depend upon them, would all suffer unnecessarily.

German politicians are realising this. The Bavarian Minister for Economic Affairs, Ilse Aigner, has said “Great Britain is one of the most important trading partners in Bavaria. We must do everything we can to eliminate the uncertainties that have arisen.” She subsequently called for extensive new trade agreements between the EU and Great Britain: “There must be ways to re-establish economic relations with Great Britain without breaks.”

The Minister is correct. We must remember that we currently have zero tariffs, and enjoy conformity of regulations and standards. A comprehensive free trade agreement is vital, and should be easy to achieve.

Customs Union

Spiteful protectionism from the Commission would accomplish nothing but impoverishing all sides. There ought to be no reason that independent countries cannot trade freely, and no reason whatsoever that free trade cannot be maintained with a fully-fledged free trade pact. Reciprocal free trade is in all our best interests.

Indeed, across the world, the UK and the EU must be alive to new opportunities in developing markets and rapidly growing economies.

Last year, our trade surplus with the rest of the world was 38.6 billion Euro. With the USA it was 44.4 billion Euro and with Canada it was 1.5 billion Euro. In 2015, we had a trade surplus of 4.2 billion Euro with Australia.

India's GDP has grown between 7 and 10% each year for the last decade as a result of economic liberalisation, and Brazil's average growth since 2010 has been over 3% per year.

These countries will continue to grow, and the idea that we can all rest easy behind a protectionist wall as these countries continue to grow is – I hope – patently absurd.

The economic case from the UK's perspective is clear. Expert analysis from Professor Patrick Minford concludes that leaving the Single Market and Customs Union will provide a saving of 340 Euro per household per annum on food bills, or some 9.2 billion Euro overall.

But the case for free trade, as Edmund Burke pointed out, is not based upon utility but upon justice; the moral case is just as strong as the economic one. The United Kingdom will be bold in stating it. The Customs Union has caused inequities in the European attitude to trade with the developing world. As the trade adviser for the charity Oxfam put it in 2006, "Not only does the Common Agricultural Policy hit European shoppers in their pockets but strikes a blow against the heart of development in places like Africa."

To take an example: coffee. After oil, coffee is the second most traded commodity in the world. The entire continent of Africa exports coffee to the European Union with a value of 2.1 billion Euros, while Germany, without growing a single bean, earns 3.3 billion Euro on exports of coffee.

How can this be? The EU customs union has no tariff on raw beans, but any added-value product is penalised. A 7.5 per cent tariff is imposed on roasted coffee, ensuring that added value remains inside the Union and is denied to poorer African countries. This results in higher prices in our shops and further denies African nations the chance for the investment and jobs which they need to grow.

Some will say that a lot of developing world exports come in duty free or at low duties because of Generalised Scheme of Preferences or European Banking Authority programmes. But this is even less moral, as it locks producers into arrangements and sets up a situation where they want the Most Favoured Nation tariff rate to remain high so their preferences remain in place. This is Alice through the looking glass – a transfer of wealth from poor European consumers to vested-interest elites in developing countries propping up the worst kind of crony capitalism.

Such obvious injustice cannot long be tolerated, and, as the UK realigns its global trade, the positive impact which we can have in our international development efforts will be a key priority.

Immigration

There is another advantage to global free trade, and it concerns immigration.

Ghanaians consume tomatoes with virtually every meal, but the tomato industry in Ghana has been all but destroyed as a result of the dumping of subsidised Italian tinned tomatoes. Because of European tariffs, Ghanaian farmers are instead forced to migrate, often illegally, to work on the harvest in Italy rather than farm their own land. The Customs Union is, therefore, placing direct pressure on the borders of Europe. Clearly, protectionism has played a role in precipitating the migrant crisis.

The overwhelming majority of Britons – emphatically including those who voted to Leave – feel absolutely no resentment towards workers or students from overseas, recognising and valuing the skills and experience which they bring. Whether they are eye surgeons from Bangalore or skilled abattoir workers from Eastern Europe, it is manifestly in our national interest to be as open as possible in attracting the best talent from across the world.

But we must be realistic. The UK's population grew by a record 513,300 last year, to 65.1 million, with net migration at 335,600. Based on the current predictions from the UK Department for Communities and Local Government, we would need to build a new home every 5 minutes – night and day – if current migration levels are maintained. Other charities and think tanks put this figure at a new home every 2 minutes.

Freedom of movement - particularly when there is such an obvious net momentum from East to West - cannot, therefore, be sustained. And if we acknowledge that some restrictions are sensible, why should we be prejudiced in favour of Europeans?

Instead, a new, bespoke policy must be implemented, designed to meet the needs of British business and society, and in a spirit of collaboration.

In the months and years ahead, we must be alive to the lessons we can learn from all around the world. A truly global perspective should inform our thinking across the whole range of immigration policy, from refugees and asylum to educational opportunities for the brightest and employment opportunities for those with skills.

Above all, however, Britain must be guided by the decision which its people made last June. The constitutional position we face is unprecedented. We have held a number of referendums over the last 50 years, but this is the first in which the people have contradicted the view of the political, judicial, financial, media and academic Establishment. Failure now to deliver what 17.4 million people voted for would do catastrophic damage to the integrity of the whole Establishment.

We will leave the political and legal arrangements of the European Union. In a whole range of fields – security, academia, scientific research, cultural exchanges – we look forward to continuing our relationship with the closest possible co-operation. But what we are offering is a vision of amicable, reciprocal free trade between sovereign nations, close neighbours and good friends.