

The costs of leaving the EU are much milder than scaremongerers suggest

“...leaving the EU without a trade deal would only have a small cost to the UK, equivalent to an annual drag on growth of 0.17% up to 2030. The report echoes studies and comments from The LSE, PWC and OBR.

The economic drag could be reduced further to an insignificant average 0.04% per annum if the Government took maximum steps to reduce tariffs on global trade and boost trade in services.”

Lord Wolfson .



Brexit is simply not the economically existential event implied by fevered political debate CREDIT: YUI MOK/PA *The costs of leaving the EU are much milder than scaremongerers suggest*

It's in the overwhelming interests of both the UK and EU that Brexit is carefully managed, [accompanied by a transition period and a free trade agreement](#). But the terms of our departure will not make or break our economic destiny.

The company I work for, Next, is one of the UK's largest traders. We move over £4 billion of stock around the globe and cross most of the world's customs borders. We have taken steps to ensure

we have the administrative systems and legal structures needed to allow the business to continue to run smoothly - deal or no deal.

We have set up bonded warehouses, which allow us to defer customs payments until goods are distributed to shops and customers. That means goods can move across customs borders and between bonded facilities, without incurring duties.

Our preparations mean there will be little or no direct impact on our trading operations or costs, even from no deal Brexit. But there are two caveats. First, tariffs on EU imports represent a real threat to consumer costs.

In November, I hope Philip Hammond will confirm that Brexit will not be used as an excuse to raise customs revenues. This would deliver business certainty and allow consumers to breathe a sigh of relief. Rebalancing tariffs, using the increased revenues from EU goods to reduce overall tariff rates, would ensure consumers are no worse off.

[Second, disruption at our ports is the single biggest threat Brexit poses to our economy.](#) It is mitigable and government should be tackling this challenge with vigour. There is a superstitious reluctance to earnestly prepare for no deal. It is as if officials fear that, by preparing for it, they might somehow make no deal happen.

The measures mooted at present to keep ports moving are essentially trying to perform today's procedures in greater volume. Instead, the Government needs to reform customs procedures, removing work our ports that could be done elsewhere.

Unlike the collection of customs at ports, VAT is not collected by officials standing at our tills. We pay VAT through monthly self-assessment and Government trusts business to collect £125 billion in this way. Surely we can collect £3.5 billion of customs revenue in the same way? This innovation, along with other measures, could radically alleviate pressure on ports.

Next's outlook is not necessarily representative of the challenges other trading businesses face. But our assessment is important as very few companies have published such an analysis. And it tallies with a new macroeconomic study.

Open Europe's analysis of the macroeconomic effects of no deal reveals that over the medium term leaving the EU without a trade deal would only have a small cost to the UK, equivalent to

an annual drag on growth of 0.17% up to 2030. The report echoes studies and comments from The LSE, PWC and OBR.

The economic drag could be reduced further to an insignificant average 0.04% per annum if the Government took maximum steps to reduce tariffs on global trade and boost trade in services.

Open Europe found that the costs of no deal are much milder than is generally assumed. Brexit - with or without a deal - is very unlikely to be the determining factor for our economy's growth.

There is simply no relationship between the cold numbers of neutral economic analysis and the rhetoric of those who argue that Brexit will make a dramatic difference to Britain's growth trajectory either way.

Brexit is simply not the economically existential event implied by fevered political debate and media hype. The sanguine analysis delivered by Next was reported by one leading wire service with the screaming headline "No deal Brexit brings its own hell to shoppers". We said nothing of the sort.

[No deal is not ideal and not my preferred outcome. But it is not economic Armageddon.](#)

Poor preparation could make Brexit very uncomfortable in the short term. In the long run it will be the decisions we take about housing, trade, immigration, regulation, health and infrastructure that will determine our economic destiny.

We need to spend less time squabbling over the shape of Brexit. It would be better spent preparing the country for life beyond the EU addressing the policy issues that will determine our nation's economic future and place in the world.

Lord Wolfson is CEO of Next and chairman of Open Europe

Telegraph

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