

Customs Duties: hardly worth collecting

Tariffs (customs duties), are now very low and tending to zero. Of the £396 billion raised in taxes by the UK in 2002/3, under one half of one per cent - £1.9 billion - came from customs duties charged on imports under the EU Common External Tariff. Those customs duties were immediately handed on to Brussels.

UK Imports of Goods

- Of the £426 billion¹ of **all UK imports (goods, services, income and transfers)** in 2002, no less than £391 billion, or **92 per cent, were tariff-free.** *Table 2*
- Of the £232.7 bn value of total UK **imports of goods from the world** (EU-14 and outside the EU) in 2002, no less than **85 per cent** (£198.1 bn) **bore a zero tariff.** *Table 2*
- The remaining 15 per cent by value of total UK imports of **goods** (£ 34.6 bn - all imported from outside the EU) bore an **average tariff of 5.5 per cent.** *Tables 1 & 2*
- Within that average tariff of 5.5 per cent, UK imports of **industrial goods** (excluding agricultural and fishing produce) from outside the EU bore an **average tariff of 1.6 per cent**, while imports of **agricultural and fishing produce** from outside the EU bore an **average tariff of 10.9 per cent.** *Table 1*
- In 2002, as a proportion of the value of total UK imports of **goods** (industrial and agricultural & fishing produce) from the world (EU-14 and outside EU- 14), the **average tariff was 0.8 per cent.** *Table 1*
- On its imports of **goods** from non-EU countries in 2002 the UK collected **tariffs of £1.9 bn in total**, which it then handed over to the European Commission (after deducting 25% as a handling charge) under the EU Common External Tariff ("CET") *Table 1*

EU-15 Imports of Goods from Outside the EU

- The UK accounts for 18 per cent by value of EU-15 imports of agricultural and industrial goods. *Table 3*
- **The UK is the biggest single payer of overall** (agricultural plus non-agricultural) **CET** of any member state, with 23% of the EU-15 total, even paying 13% more than Germany, whose economy, and external trade worldwide, are bigger than the UK's. *Table 3*
- In Agricultural Duties, the **UK is the biggest single payer with 42% of the EU-15 total**; the Netherlands is the second-biggest payer with less than half the UK total. *Table 3*
- In Import Duties on non-agricultural goods, the **UK is the biggest single payer with 21% of the EU-15 total**, paying (just) more than Germany. *Table 3*

- Part of the reason for the above is that UK trade is much more non-EU oriented than that of the Continental countries.² But, as a percentage of imports from outside the EU, the UK is paying a **rate of CET (2.04%) which is 43% higher than the EU-14 average.** *Table 3*

Non-EU Countries' Tariffs

Non-EU countries' tariffs are generally as low as or lower than the EU's. The *2004 Index of Economic Freedom*³ lists the "common EU weighted average external tariff" in 2001 as 2.6 per cent. The weighted average tariff in 2001 for the USA was listed as 1.8%; Japan's as 2.1 per cent; Canada's as 0.9 per cent; Mexico's as 1.7 per cent; Australia's as 3.9 per cent; Estonia's (in 2002) as 0.05 per cent; Norway's as 1.6 per cent. Listed as "approximately zero" were those of Switzerland, Singapore and Hong Kong. These estimates are theoretically calculated, and higher than those calculated by dividing duties actually collected by the actual value of imports.

Anti-Dumping Duties

Anti-dumping duties remain in the CET armoury but are **sparingly used.** Out of total EU-15 agricultural & industrial duties collected in 2002 of €14,098 million, under one per cent (€114 million) were anti-dumping or anti-subsidy duties. The three most important sectors targeted were "Fish", "Footwear" and "Vehicles & Parts"⁴. Out of total duties of £1,910 million collected by the UK, only £9.5 million, or one half of one per cent, consisted of anti-dumping duties (see Table 1).

Tariffs in the World Trading System

Cross-border trade consists of trade in goods, trade in services, and receipts of income (on income-generating assets such as direct and portfolio investments, and financial assets such as loans or deposits). Transfers such as payments to and receipts from supra-national (e.g. the EU) or multilateral (e.g. the UNO) organisations, and remittances by residents of one country to residents of another country, are also included in the balance-of-payments definition of trade. "Goods" or "merchandise" are called "visibles"; all the other categories of trade, including transfers, are called "invisibles".

Exports of goods by all countries in 2002 accounted for 66% of total exports, exports of invisibles for 34%.⁵ For the UK, exports of goods accounted for well under half - 46% - of its total exports.⁵

Tariffs, also known as customs duties, **are taxes levied on imports of goods only**. Trade in many categories of goods - perhaps accounting for half of global trade in goods by value - is tariff-free. Trade in invisibles - services, income and transfers - is tariff-free. Approximately two-thirds of all global trade in visibles and invisibles is thus already likely to be completely tariff-free. Non-tariff barriers to trade in both visibles and invisibles tend to be low in industrialised countries (except on agricultural products) and high in some developing countries.

The UK cannot choose its own tariff regime; it has to apply the EU Common External Tariff ("CET") to its imports of

goods from non-EU countries (imports from EU countries are tariff-free).

Average tariff rates within EU-15, based on actual amounts collected, varied in 2002 from 2.4% for Belgium to 0.8% for Ireland.⁴ For Germany the rate was 1.3%; for France, 1.3%; for Italy, 1.3%; for the UK, 2.0%. The variations are due to the varying 'mix' in different countries' overall imports of goods from outside the EU. Since most EU-15 countries import more than half their goods completely tariff-free from other member-states, their **effective tariff rates on all imports of goods** from inside and outside the EU **are much lower: under one per cent**.

<i>From where</i>	<i>Imports</i>	<i>CET*</i>	<i>Average Tariff Rate</i>
Outside EU:			
industrial goods	100.1	1.60 ⁷	1.6%
agr.+fish produce	2.8 ⁸	0.30 ⁹	10.9%
all goods	102.9¹⁰	1.91	1.9%
EU-14:			
industrial goods	117.8	zero	zero
agr.+fish produce	12.1	zero	zero
all goods	129.9¹⁰	zero	zero
World:			
industrial goods	217.8	1.60	0.7%
agr.+fish produce	14.9 ¹¹	0.30	2.0%
Total from World	232.7¹⁰	1.91	0.8%

** the EU Common External Tariff - "CET"*
of which £9.5 million as EU Anti-Dumping Duties¹²

<i>From where</i>	<i>Imports</i>	<i>Imports Indexed</i>	<i>CET*</i>
Outside EU:			
industrial: positive tariff	31.8	32	1.61
industrial: zero tariff	68.3	68 ¹³	zero
industrial total	100.1	100	1.61
EU-14:			
industrial: zero tariff	117.8		zero
Outside EU:			
agr.+fish produce: positive tariff	2.8		0.30
EU-14:			
agr.+fish produce: zero tariff	12.1		zero
World:			
industrial & agr.+fish produce	232.7¹⁰	100	1.91
of which: positive tariff	34.6	15	1.91
zero tariff	198.1	85	zero

** the EU Common External Tariff - "CET"*

Note that the figures in Tables 1 and 2, in £ bn, are from UK official sources; they are almost, but not exactly, consistent with the figures in Table 3, which are in € bn and from the Commission.

	Col 1: Duties on Agricultural Produce		Col 2: Duties on Industrial Goods		Col 3: Total Duties (Cols 1+2)		Col 4: Value of all Imports of Agr. & Industrial Produce		Col 5: Rate of Duty (Col 3/Col 4)	
	€ bn	%	€ bn	%	€ bn	%	€ bn	%		
EU- 15	1.18	100	12.92	100	14.10	100	916.6	100		1.54%
UK	0.50	42	2.77	21	3.27	23	160.6	18		2.04%
EU- 14	0.68	58	10.15	79	10.83	77	756.0	82		1.43%

References

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