

The shackles of the single market and customs union

Being the UK's Single Market Minister during an intense period of EU legislating when they said they were "completing" the single market turned me from a mild sceptic to a strong critic of the undemocratic approach of the EU. It was quite clear watching and listening to the EU officials during that period that their aim was to take more and more powers of self determination away from member states in the name of the single market. All you needed for a single market was the rule that a product of merchantisable quality in one country could be offered for sale in another with suitable labels.

They had a doctrine of the occupied field. Everytime they put forward a regulation or Directive in a new area it meant they established competence or power over that area. Quite often the first piece of legislation did little and was unexceptional. The reason was they merely wanted to capture the jurisdiction without at first using the power in ways that alarmed or upset. That came later, once competence was established.

My job was often a negative one. The UK government wanted the single market, but also often wanted to resist bad or needless legislation in its name. It was also the case that often the draft regulation was based on a Franco German way of conducting business, and not on a UK way where that was different. I then had to argue for a change of draft to stop UK businesses being made to change their model or being declared illegal.

All this should worry the present government about the Withdrawal agreement. If the UK signed that as currently drafted there would be no UK vote, voice or veto on any law the EU wanted to pass in all the areas of its competence. That means that every business sector and company in the UK would face a prolonged period when the EU might deliberately or inadvertently legislate in ways that damaged their business models with us being unable to stop them.

Why don't the UK business bodies raise this issue? Why don't they raise the problems for our car industry created by the attack on diesels, car loans and the costs of purchase? UK industry has suffered from past EU regulations and taxes, and could be made to suffer more.

Freer trade worldwide

The UK stands on the threshold of being able to lead the movement for freer trade worldwide. If we leave the EU in March we can pioneer new trade deals around the globe. Japan and others would like us to join the TPP, a vast free trade area in fast growing Asia. Australia and New Zealand, Singapore and

South Korea, Canada and Japan would all like closer trade relationships than we have enjoyed as members of the EU.

The big issue is how the west relates to China. The world is witnessing a bruising encounter between the USA and China over many trade issues. The USA wants China to remove some of its many tariff barriers. It wants China to allow more inward investment without requiring joint venture partners and technology sharing. It wants a better enforcement of intellectual property rights in China. It wants more action by the Chinese to reduce over capacity and participate more as importers as well as exporters in the world trading system.

The UK should have a place in these debates, and will be able to once we are out of the EU. The UK too would benefit from more open markets in China, and from the removal of more tariff and non tariff barriers to trade by Beijing. The UK is helpful to China as she builds a large banking and financial service industry, with London playing a leading role in the international development of Chinese finance.

Many of us who voted Leave have a global perspective. Recognising the strong logic of numbers, this is the Asian century. Our trade with the EU will naturally diminish as a proportion of the total whether we are in or out of the EU. Our trade with Asia will grow. The issue is how quickly our Asian trade will increase, and how enthusiastic will we be about this development. Now is a good time to be a free trade advocate, and to get involved in TPP and Chinese trade relations. We can be a force for the good, for greater prosperity and more open markets.

It is long past the time when the UK government should publish its tariff schedule for April 2019. This too offers an opportunity to lower the EU tariff schedule we currently use, whilst keeping some bargaining power for future trade deals to eliminate more tariffs. If they see our tariff schedule it might also cement EU enthusiasm for tariff free trade with us.

[The Remain Parliament tries again to stop Brexit](#)

This week the same MPs who look down on Leave supporters and want to dilute or defeat the decision of UK voters to exit the EU were repeating the same tired lies of Project Fear. This was the case put to voters which lost the referendum. They seem to think that all we “stupid” Leave MPs will get it in the end and change our mind about Brexit. Apparently if you shout the same false forecasts and ignorance about how trade works for long enough the country will decide to stay in the customs union and single market, and maybe in the whole EU.

These MPs perpetuate the myth that WTO trade without a customs union cannot work. They seem to think tariffs will have to be paid at the ports with lorry drivers carrying wallets of fivers as if computers and electronic manifests had not been invented. They do not recognise that complex Just in time supply chains already accommodate non EU components and supplies coming in under WTO rules with EU tariffs. They do not seem to acknowledge the substantial friction of EU UK trade, with VAT, customs, currency change, anti terrorism and anti smuggling checks at or away from borders, and with the need to complete a complex Intrastat declaration.

The government proposed a contradiction on Thursday. The Minister said leaving without a deal remains a possibility, as the law says. Yet the government motion said they were taking no deal off the table! That is why many MPs abstained, as we saw no point in voting for such a contradictory and inaccurate motion. Many abstaining MPs agreed with the part of the motion that supported trying to get a better deal from the EU and made clear their support for that.

The Prime Minister needs to press the EU for a better deal and return with that to the Commons in due course if she wishes to reverse the big defeat the Withdrawal Agreement suffered. I agree with her long held line in the election and afterwards that No deal is better than a bad deal. The Withdrawal Agreement is a bad deal. It would need a lot of improvement to persuade me to like it, as I have set out before. It's not just a case of tweaking the backstop.

Leaving without signing it takes back control of our laws, our money, our borders and our fish. It is what we voted for. We have had 2 years eight months to prepare for leaving, and the government has said we will be ready. The government has said they are not going to block our ports or create new delays at the border, so our imports will flow as before.

I want to see them table a Free Trade Agreement so we do not have to impose tariffs and any other new barriers to trade, and to expedite a managed WTO exit in March. The sooner they do this the better. They should also publish a schedule of tariffs for March 30 so the EU can see what not agreeing to talks on a Free Trade deal looks like. I would have thought they would prefer tariff free to continue.

[Pound rises against Euro](#)

For all those who like to explain movements of the pound on the basis of Brexit news, they should be saying today the pound rose because Parliament voted to keep no deal on the table. The pound is stronger now than before the vote.

As regular readers will know, I think the pound's movements are usually the

result of other economic and market forces.

Paying for a degree

The topic of student loans and student debt is back on the agenda. There is wide dissatisfaction with the current system. Students worry that they are asked to pay too much and borrow too much. Universities worry that some course fees do not cover the costs of providing a good education. The public debate worries about access to higher education for students from lower income backgrounds, and about the value of some courses to a person's life chances.

I am a fellow of an Oxford College drawing no salary. The College is a research institution financed from Endowment income. It has no students and no fee income so I am not conflicted or pursuing self interest in this matter.

The case for the student loan system initiated by Labour and extended by the Conservative/Lib Dem Coalition government was straightforward. Going to loans allowed universities to expand and more students to attend. A grant based system implied rationing as there were limits to the amount of state cash allocated to this service. Universities themselves would decide how many places to offer and set entry requirements. The system as a whole would supply money and a place for anyone wanting to go who met a university's standards. The taxpayer was let off paying grants. In some cases lower income taxpayers without the benefit of a degree had to pay more tax to give a grant to someone would go on to earn many times their income, which was generally thought unfair.

The problems of the loan scheme were also well understood. Many students would not repay them, leaving taxpayers with the debt after all. Graduates with a large debt might feel constrained about buying a home or building their own business as they had already borrowed a lot. Some people would be put off going to university, not liking the idea of starting adult life with a big debt.

There were attempted fixes for some of these problems. People from lower income backgrounds can apply for access funds or scholarships, so they can borrow less and still pay the bills. In an attempt to cut taxpayer costs from non repayers the interest charge was set high. The successful and honest ex students are asked to pay more to cover some of the costs of those who never earn enough to repay or of those who leave the country to try to walk away from their debt.

Reform is the air, with both Labour and Conservative wanting to move to lower fees or no fees. Replacing the whole system with grants would be very expensive and raises the issue of state rationing again. Cutting the maximum

fee will curtail universities and militate against more dearer courses in science which require expensive facilities and more intensive teaching.

Offering more scholarships to lower income students might be a better way forward, with scope for government and universities to negotiate over how many and who pays. Universities do provide access funds, and many are building endowments with independent financial capacity to help students.

The provision of university places is not a proper market. There is a fee cap, which means they all tend to charge the same maximum permitted, whilst there does have to be a system of rejecting some who want the service but are not qualified to benefit. Just as under the state financed system that went before, there is a market for talent where the brightest and best qualified tend to go to the universities that come out highest in league tables, thereby reinforcing their positions.