

## Trade wars and the car industry

Mr Trump regularly condemns the German car industry for selling too many cars to the USA. He thinks it unfair that there is a 10% tariff on US cars into the EU but only a 2.5% tariff on cars into the USA. Surely it would be better and fairer if the EU removed its tariff completely or took it down to a relatively unimportant 2.5%? The US has opened a formal S 301 review of car trade and will doubtless find that there are trade problems that need to be remedied.

This part of the trade war is not yet fully joined. The USA are still busy trying to get decent reform from China, where trade terms are skewed in China's favour and where China allows abuse of intellectual property. This set of actions followed a comprehensive report into China's handling of IP under a S 301 enquiry. China has promised more enforcement of IP protections, and more market opening. This will benefit the UK as well as the USA, as under WTO rules China has to offer the same improved terms to all members. Now Mr Trump is talking about a 20% tariff on EU cars anyway

If the EU accepts Mr Trump's case about the lack of fair trade in cars then that means the end of the 10% tariff for all WTO members. That too will be a good outcome for the UK as we leave the EU. The sooner we are free to wield vote and voice for fairer and freer trade the better. This is a time of change for world trade where the UK could make a great contribution to reform. The WTO has made clear that there is a vacancy for a substantial country to lead the case for freer trade within the WTO framework. They point to substantial gains anyway from last year's Facilitation of Trade Agreement which they think will cut costs of trade substantially.

Mr Trump asks how it is that the US has a massive trade deficit and Germany and China have massive trade surpluses. He points out that the US has many fine companies with great technology and great skill levels. He thinks the terms of trade are unfair, and need amending.

The UK too has a large current account deficit. Part of this comes from the substantial EU contributions and overseas aid we pay out. Stopping the EU payments will reduce our deficit by around 15%. The EU has always done more to open goods markets where Germany is strong, and less to open service markets where the UK is stronger.

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## The Bank of England wants to slow the UK economy some more

Mr Haldane's decision to vote for an immediate interest rate rise this week

shows the Bank remains split and uncertain about its forecasts. They are still trying to get over their hopeless forecasts of recession in 2016-17 which was never likely. As Chief Economist he should understand that the tough actions of the MPC of the Bank have slowed credit and activity substantially over the last year. Money growth is very sluggish. The car market has been brought down by withholding perfectly safe car loans from potential buyers. The decisions they took to cancel commercial bank facilities, to raise rates by 0.25%, to restrict consumer credit, and to toughen mortgage criteria have all played their part in slowing the UK to just 0.1% growth in Quarter 1. Quarter 2 will doubtless be a bit better, but they should not be thinking of more monetary tightening until quarterly growth gets back up to 0.6% or more. There is no likelihood of overheating given current levels of growth and sluggish money and credit. The slow performance in Q1 was not just weather related but points to the effects of policy actions taken. The Treasury has reinforced these problems with their tax attack on Buy to Let and higher priced properties in the 2016 budget and their tax attack on dearer cars in the 2017 budget, along with the general policy moves against diesels.

Some say there is a bit of wage inflation around. It is true the government has boosted low end wages through its Living Wage policy. It is to be hoped that low end wages will rise a bit more as employers compete for labour. It is also to be hoped that firms invest a bit more so the people they employ can be more productive, earn higher wages, and see machines do more of the routine work. The Business department who spend a lot of time agonising over what might go wrong for the car industry when we leave the EU should get on with the day job, defending the car industry against domestic policy changes that clearly damage output whilst we are still fully in the EU. Why have they not spoken out about the bid drop in diesel sales?

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## [2010-17 Huge increase in tax revenue, increase in public spending, deficit well down](#)

The BBC want to peddle myths about austerity. On thursday I heard the World at One programme devoted to telling us there had been a big austerity drive in the public sector since 2010. They used the old Treasury figure that 80% of the adjustment to get the deficit down was made by public spending cuts, and 20% by increased taxes. The entire programme was devoted to this thesis, without any cash numbers for either revenue or spending being mentioned throughout!

So let me have another go at explaining what actually happened. There was a huge increase in tax paid which cut the deficit and allowed some increase in

total public spending. Most of the tax rise came from growth in the economy, with some help from lower Income Tax rates. Judged by the numbers 100% of the deficit reduction came from more tax revenue. Of course some individual programmes were cut, but overall spending rose substantially in cash terms. The benefits bill is well up despite a good fall in unemployment. Health and education, large spending programmes, were protected from reductions. Payments to the EU and in Overseas Aid went up substantially.

In 2009-10 the state spent £669.7bn on current and capital public spending. It raised just £490.3 bn of this in tax. There were some additional receipts, leaving borrowing of a massive £156.4bn

In 2017-18 (Budget figures) the state spent £795.3bn. That is £125.6bn more than in 2009-10, a cash increase of 18.75%, a bit above inflation.

In 2017-18 the state collected a massive £692.8bn in tax revenue, an increase of £202.5bn or 41.3% above 2009-10 levels. As a result state borrowing fell to just £39.5bn, again after allowing for some other receipts.

In other words the deficit came down thanks to huge revenue increases.

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## Mr Redwood's contribution to the debate on Confidence in the Secretary of State for Transport, 19 June 2018

**John Redwood (Wokingham) (Con):** We have been invited by the Opposition to debate a general motion of no confidence in my right hon. Friend the Transport Secretary. I have full confidence in my right hon. Friend. He inherited a difficult task from the last Labour Government and the coalition Government. I think that he fully understands the magnitude of that task and that he is coming up with a number of creative proposals to try to improve the position.

**Andy McDonald (Middlesbrough) (Lab):** It is a disaster.

**John Redwood:** I entirely agree with the hon. Gentleman that, for 13 years, Labour did not invest in our roads and railways to give us the capacity that we need. I fully accept that during its five years in government, the coalition was unable to invest on the necessary scale because of the financial disaster that it inherited from the outgoing Labour Government.

We have had almost 20 years of totally inadequate investment in road and rail capacity. We now have a growing economy. Many more people have jobs and need to get to work, many more children need to get to school, and many more people want to go to the shops or need to go to hospital, so we are simply

running out of road and rail capacity. My right hon. Friend is trying to use every method he can legally lay his hands on to address that chronic lack of capacity.

In my constituency, another 12,000 new homes are being built quite rapidly, and the pressures on our infrastructure are enormous. I witnessed some of the difficulties due to rail delays on Thursday and Friday when I was trying to use services in and out of Reading and there were disruptions. My right hon. Friend has asked the extremely well-paid leaders of the railway industry to get a grip on their services and ensure they deliver on the infrastructure available. But he has gone further than that: he has said to the railways that they will need much more capacity in the years ahead to deal with fast-growing places such as Wokingham, and he has therefore said that digital technology will make a big difference.

I fully support his strong initiative. The very lengthy and expensive process of creating entirely new railway lines is not a feasible solution across the country, so the way to get more capacity out of our existing railways is to use digital signalling, meaning that instead of being able to run only 20 trains an hour on perfectly good track, we can run 25 or more trains an hour, giving a big boost to capacity for a relatively modest investment.

My right hon. Friend is also right to recognise that he will need private sector as well as public sector investment. I noted that the Scottish National party spokesperson, who clearly did not know the figures, was unable to respond to an intervention about how, in his party's fully nationalised world, it would replace the large sums of capital and the considerable sums of revenue that the private sector tips into the railways as the partnership model develops.

The Labour party is with the SNP on this. It always denies that any fault rests with the nationalised section of the railway, yet in the latest set of problems, particularly in Northern rail, big errors were made by the heavily subsidised nationalised part of the industry. I am very glad that my right hon. Friend says there will be new leadership there, because new leadership is desperately needed to supervise the expenditure of the very substantial sums that this Parliament has voted for that industry and to make sure they are well spent.

Another reason why I have confidence in my right hon. Friend is because he recognises that we need road as well as rail capacity, because the overwhelming majority of all our constituents' journeys are still undertaken by car or van or bus, and they require road capacity.

The most welcome thing he has done so far is to say we need not just to expand the strategic national highways network, which of course we do, but a strategic local network so that we can beef up the A roads. That would mean that we could have more through traffic, meaning that vehicles would be taken away from residential areas and town centres, where we do not want conflict between traffic, pedestrians and cyclists. It would also free some of the blocks on the existing highways and provide better journeys.

I hope that as my right hon. Friend goes about selecting that strategic local route network with councils, he will look favourably on the bids from West Berkshire and Wokingham in my area. We have put a lot of thought into them and wish to make progress, but we will need substantial investment to create better access routes to the main cities and centres of employment, because the existing network is already well over capacity in terms of congestion.

I hope my right hon. Friend will also consider the interface between the rail and road networks. One of the big issues in my area is that we cannot get over the railway line. We rely on level crossings, but their gates are down for a lot of the time at busy periods for the railways, meaning that we get massive onward congestion in the road system. We therefore need money for bridges.

I also hope that work on the strategic local road network will involve looking at junctions. A modest way in which we could get much more capacity out of the current road network would be to improve junctions. It is often a good idea to have roundabouts rather than traffic lights, and another good idea is the better phasing of traffic lights. Traffic lights can be fitted with sensors so that if there is no traffic on an approach road, that road does not get a green phase. Roads should get a green phase only when somebody needs that.

There are many things that can be done. I have every confidence that my right hon. Friend wants to do them, so will he please get on with that, and will Parliament allow him to do so?

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## [Visit to Bohunt School](#)

Today I visited Bohunt at their request. It was good to see the large and stylish new building, with plenty of growing room for the school as it expands its numbers one year group at a time.

The school walls are enlivened by some great quotes chosen by the pupils. We are told genius is 1% Inspiration and 99% perspiration. We are advised that Logic can get you from A to B but imagination can get you anywhere. The general drift of the aphorisms is to encourage creative thinking, self reliance, and a love of learning. The School's catchphrase is Enjoy, Respect, Achieve.

I spent some time with the pupils on the School Council answering their questions about Parliament. I also asked them a few of my own. They told me they thought modern learning was made easier by the use of the ipad. They thought their electronic library met more of their demands than the traditional book library. They had no suggestions for me or their Head on how to improve their school, seeming content with their great surroundings and the ambience created by the teachers.