

# The Ukraine war

President Biden was unable to offer the President of Ukraine much money when he visited Washington this week. Instead of the \$60 billion the President asked Congress to approve, he made available just \$200 m . The amounts the previous Congress has approved are running out. The House elected at the mid terms with a narrow Republican majority is saying they want the President to give priority to strengthening US border defences to keep out more of the illegal migrants who turn up every day. House Republicans are cooling on more money for Ukraine anyway. They are asking for a clearer military plan of how the war will be conducted and what might be the results and timescales.

The West has been financing Ukraine on a large scale. Total EU aid since February 2022 totals Euro 85 billion and US Euro 71 bn. There is the military aid, often given free. There is the substantial financial aid to allow the government of Ukraine to function against a background of an economy impaired by war damage, loss of territory and the massive diversion of effort to military activity. There has also been a sharp loss of people as many have sought exile elsewhere. The EU has sent most money, followed by the US, for non military purposes. The US has been the main provider of weapons. The three small Baltic states and Norway have given the largest amount relative to their GDP, as they feel the Russian threat more closely than others.

President Biden says he is still keen to help Ukraine and to encourage Ukrainian resistance to the violent invasion by Russia of Ukraine's lands. However he may be forced to compromise over the money now he has lost control of the House, which in turn may affect his relationship with Ukraine. Meanwhile the Europeans struggle to meet the demand for weapons and ammunition from Ukraine as the conflict is using large quantities of both. The EU is also having budget disagreements of its own.

I think NATO was right not to be drawn into this conflict and not to offer membership of NATO to Ukraine. Instead NATO led by the US has been willing to offer substantial assistance in the form of weapons, money, training and ammunition. NATO countries have been keen to avoid direct conflict with Russia, and have laid conditions on weapons supply that they are only to be used within Ukraine.

So today two big questions loom. What should the rest of the West do if the US political system decides against further large contributions of military equipment and money from that source? What is the strategy for winning the war and what would Ukraine need from the west?

Some will propose a negotiated solution with compromises on both sides. Mr Putin is unlikely to want to compromise ahead of his re election as he places his country on a war footing and seeks to arouse strong Russian nationalist passions. Ukraine, having done so well in resisting the invader starting with a much less powerful military is in no mood to compromise either. What advice should the West be giving Ukraine?

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## The Rwanda bill

I did not support the Rwanda bill in the Commons . It is a flawed draft in need of substantial revision.

I did not vote against it because I agree with the aim of the policy to stop illegal migration into the UK. The Opposition parties who voted against the measure want more legal migration.

I have made various suggestions to Ministers over how they could reduce illegal migration more rapidly. I want them to make cutting legal migration their priority to make a bigger impact on the pressures affecting housing and our public services.

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## Growth and the money squeeze

The Bank of England is the only one of the three big western Central Banks (EU/US/UK) to be selling lots of bonds at big losses and sending the bills to the taxpayers. The UK is the only one of the three to be reinforcing a major money squeeze with a fiscal squeeze at the same time.

The US has offset a lot of its big money squeeze with a major expansion of spending and borrowing in the year to September 2023. It would have been better to have achieved the same effect with lower taxes. Despite the increases in interest rates and bond sales with uncovered losses the US economy has been achieving a good rate of growth.

The European Central Bank refuses to sell bonds at big losses and has paused its rate rises at a lower level than the US or UK. The EU economy is performing poorly, and may well persuade the ECB to be the first of the 3 wayward Central Banks to start to lower rates again.

All 3 Central banks printed too much money and bought too many bonds well into the covid recovery period. This proved to be inflationary. The Swiss and Chinese who did not do the same did not have the rapid inflation as a result despite experiencing the high energy prices. It is a bad idea to compound the error of creating too much money and keeping rates too low by now creating too little and selling bonds at huge losses to be paid by the Treasury.

The Bank needs to think again. It needs to speed its review of its past forecasts and its inflation model. It needs a new one urgently to avoid more errors.

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## What is the cost of large scale migration?

The EU are locked in long and acrimonious talks over EU plans to take over more the tasks of running migration policy at EU level. The EU is wanting burden sharing arrangements. It wants member states receiving a large number of migrants and asylum seekers to be able to send some of them to other countries, or to receive payments from other member states in lieu of taking more migrants.

President Biden meanwhile has lost a vote in the Senate to send more money to Ukraine. The Republicans demand he spends more at home on border security to tackle the millions now coming annually over the Mexican frontier. The President who campaigned against Donald Trump's extension of the border wall is now going ahead with 20 miles of new wall himself.

The UK when it hit 745,000 extra people in one year coming here needed to build three cities the size of Southampton just to take that one year's net arrivals. You do not just need to build lots of homes for them but also shops, power stations, water works, schools, surgeries, hospitals and roads. Many of these items require public money raised from taxpayers.

The government is battling the illegals but needs to concentrate more on the legals running at almost 20 times more than the small boat people. If it wants to control public spending, relieve pressures on housing and calm passions about migration cutting the numbers of legal migrants urgently and substantially is the way to go

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## The Rwanda Plan meets political reality

Today a large number of Conservative MPs will be mulling over the legal advice and predictions for Mr Sunak's Rwanda scheme.

Five of the Conservative groups who want to end illegal migration and think the UK Parliament should instruct all courts accordingly will be told this draft bill does not do that. It undermines its endorsement for UK control with permitted appeals to an international court. MPs from the ironically named One Nation group want to embed rights of appeal to all courts including foreign ones more clearly. As always they do not trust our country, its

people and Parliament and wish to constrain the government through international treaties and courts.

It is a great pity the PM put so much on this scheme and then turned it into a constitutional struggle over whether we can govern ourselves or not. Having two senior Law Officer Ministers from the One Nation group means legal advice that prevents Parliament instructing the courts to stop the boats in the area of international law where different lawyers take very different views of what is possible.

My advice to him is to concentrate on getting down legal migration more rapidly and by more than his current plans. This would do more to relieve pressure on housing and public spending. It is difficult to see how his compromise bill can get through the Lords as well as the Commons. Meanwhile there are other obvious steps he could take to stop some more small boats.