

Taxation and the UK single market

[My speech during the debate on the Taxation \(Post-transition Period\) Bill, 15 December 2020](#)

I rise to support what may be an amendment that we are going to vote on or may be a probing amendment from my hon. Friend the Member for Stone (Sir William Cash), because I think there has been a deliberate misunderstanding by the EU and its friends over what Brexit is about and what we need to do in order to achieve a proper Brexit. A proper Brexit is taking back control; it is recreating the sovereignty of the people of the United Kingdom through their Parliament.

My hon. Friend has a distinguished career in this place trying to rebuild that sovereignty and watching, year after year, more and more of our powers taken away by successive treaties, by successive directives and regulations, many of them automatic ones over which the UK had little or no influence, and by court judgments which, again, we had precious little ability to shape. He is right that, as we come to legislate for our new arrangements as a sovereign country from 1 January next year, we need to make quite sure that we have back under the control of people and Parliament all those powers that we need to regulate, to govern and to take wise decisions on behalf of the United Kingdom.

I am very worried about some elements of the withdrawal agreement. I was told, as we were all told, that nothing was agreed until everything was agreed, and that that meant the future relationship as well as the withdrawal agreement. The EU decided for its own convenience to sequence things and say, "You have to sign the withdrawal agreement first and then the future relationship agreement will follow." A bit of flesh was put on the bones of the future relationship in the so-called political declaration, which one would have thought there was a lot of moral pressure to go along with even if it was not as strictly legally binding as they hoped the withdrawal agreement would be. I now think there has been a lot of bad faith, because, according to both sides, the central feature of the future relationship was always going to be a free trade agreement, and where is the free trade agreement?

We now discover that the EU wishes to take all sorts of other powers away from us as the price for the free trade agreement, which we have already overpaid for in the withdrawal agreement and which one would have thought, in good faith, the EU would now grant. It is very much in its interests—even more than it is in our interests—given the huge imbalance in trade, and above all in the trade that would attract tariffs if we had no free trade agreement: the trade in food. That is really what we are talking about: are there going to be tariffs on food or not?

We, the United Kingdom, run a colossal £20 billion trade deficit with the EU on food. We have to impose pretty high tariffs on food from the rest of the world—that makes absolutely no sense where we could not grow any of it ourselves; it may have some benefit for some of our farmers some of the time—but we are not allowed to put any similar tariffs on EU-sourced produce where we could produce it ourselves. The EU system is to try to use tariffs to buttress domestic production, but it has not worked for the United Kingdom; it has worked the other way. The tariffs have been taken off in order to benefit the Dutch, Spanish, French or Irish suppliers of our market with food at zero tariffs. The EU already has rather more interest in tariff withdrawal than we do, because we could have a range of tariffs that would probably achieve the aims both of cutting food prices by having a lower average tariff and of having a bit more protection on the things that we really could make and grow for ourselves here, which we are not allowed to protect against continental products at the moment.

I therefore think that the Bill could be improved by reminding the EU that we will not be pushed around and we will not suffer too much bad faith from those original negotiations or from the withdrawal agreement itself. I think it was a very imperfect agreement. It is pretty ambiguous in places; it is imprecise in places. I have never felt that anything the Government have done, or thought of doing, was in any way illegal. Lawyers could make a perfectly good case under the withdrawal agreement treaty terms themselves, and anyway, we have the protection of my hon. Friend's section 38, which made it very clear that this Parliament's acceptance of the withdrawal agreement was conditional. Why else would anyone have put section 38 in the withdrawal agreement Act unless they were making a point?

Sir William Cash (Stone) (Con): Does my right hon. Friend appreciate that it was the Prime Minister who, after an eight-hour meeting I had in No. 10 that day—17 October 2019—insisted that section 38 was necessary and appropriate? If we go back to the previous Administration, just imagine where we would be when we consider the Chequers arrangements, and then imagine what it would have been like if we had not decided to vote against that dreadful withdrawal agreement in its original shape. There were provisions that needed to be rectified, and section 38 provides the mechanism that enables us to do that.

John Redwood: Indeed. I think my hon. Friend has confirmed that under the previous Prime Minister, when those of us who could not vote for her agreement said that we needed a sovereignty escape clause, we were told that that would not be permissible because it would not be effective implementation of the agreement; which was then reassuring to us, not liking the withdrawal agreement very much and realising that it was a provisional agreement and would be completed only were there to be a satisfactory outcome to the total range of talks. It was a totally artificial constraint that the EU invented that it had to be sequenced, when up until that point everybody had always rightly said that nothing was agreed until everything was agreed. I would like to hear from the Minister a little more explanation on the detail of the Bill. As I understand it, the Northern Ireland protocol would apply only to goods that are passing from Great Britain to Northern Ireland and then on to the Republic of Ireland, or the reverse—goods coming from the Republic to Northern Ireland and then passing on to Great Britain. Am I right in thinking that that is a very small proportion of the total trade? In what ways will the Government ensure that it is properly defined, so that we do not catch up most goods in those more elaborate procedures? The bulk of the trade will be GB to Northern Ireland and back, or Republic of Ireland to Northern Ireland and back, and it should not in any way be caught up in any of these proposals. I am not sure that we do have a de minimis way of dealing with the so-called things at risk. It is not clear how the system will work for items at risk where we agree that they are at risk—and I hope it is a UK decision about what is a risk, not some other kind of decision with EU inspectors. It would be helpful to me and the wider community interested in this debate to know how a business would proceed if it had such a good at risk, to whom it would answer, and what decisions would be made about such a good in Excise, because it sounds a rather complicated and difficult arrangement, both for the business concerned and for those who are trying to enforce. I am trying to tease out from the Minister, in pursuit of the interests of my hon. Friend the Member for Stone and myself on sovereignty, whether we are really in control if the trade has started off from GB and is going to Northern Ireland. What kind of external intervention can the EU or the Republic of Ireland engineer—how is that fair, and how will it be determined? I think that is what we are most worried about in this piece of legislation, and we would be more reassured if there were the override that my hon. Friend proposes. I should be grateful for some explanation.

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Sir John Redwood (Wokingham) (Con): I have declared my business interests in the Register of Members' Financial Interests.

I rise to support what may be an amendment that we are going to vote on or may be a probing amendment from my hon. Friend the Member for Stone (Sir William Cash), because I think there has been a deliberate misunderstanding by the EU and its friends over what Brexit is about and what we need to do in order to achieve a proper Brexit. A proper Brexit is taking back control; it is recreating the sovereignty of the people of the United Kingdom through their Parliament.

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What are state aids?

One of the central stumbling blocks of the negotiations between the UK and the EU is said to be the issue of state aids. The EU has this idea that they can define and enforce a so called level playing field, though it usually looks more like a playing field that has been carefully prepared for the EU Home team to have an advantage.

Some seem to think it strange this apparently technical middle order issue has got in the way. They misunderstand just what the EU thinks state aid amounts to, or how far they think the playing field turf extends. The EU has long argued that most policies have a bearing on their single market, and that many policies can therefore be a state aid. Their single market

stretches from trade policy to education and training, from employment policy to taxation, from energy to transport, from competition policy to digital policy. The market includes a heavily interventionist agricultural and fishing policy.

Their idea of state aid goes well beyond the payment of grants to businesses to help them be more competitive. It encompasses taxes, both the lower variety to boost something and the higher variety to stop something or keep it out. It includes wages and minimum wage policy, social support, route licencing, farm subsidies, product specifications and much else.

So when the EU says it needs to lock us in to prevent the UK gaining any competitive advantage from choosing better policies, it does so knowing that means wide ranging powers to limit the ability of the UK to govern itself. The EU has implied they might make some sacrifice of their requirement that the UK should accept the need to change its laws in many areas every time the EU does to avoid future undercutting. That would still leave a mighty plenitude of powers and policies where the UK would have to observe all EU law at the point of departure.

The whole point of leaving the EU is to levy our own taxes, make our own laws, and create a better background for UK business and consumers. The UK government has said it has no wish nor intent to cut employment or environmental standards, but it should be wanting to change the rules of our fishing and agricultural policies, taking down some EU taxes, and looking at ways to foster more employment at home in making and growing things. This is why it is proving so difficult to negotiate, because the EU wants far more than a Free Trade Agreement. It wants control over our competitiveness and law making.

[Energy paper launches consultations](#)

We waited a long time for an energy policy. The energy paper released yesterday still leaves open how we will expand capacity to allow for an industrial recovery and cut our dependence on imported electricity.

Whilst we read that new nuclear is a good answer in the press, what the paper says is

“No decision has yet been taken to proceed with Sizewell C” and the government is working on “creating an up to £385 million Advanced Nuclear fund to support the development of small modular reactors”

There is the suggestion the whole of this Parliament will be spent negotiating and planning a possible new nuclear power station with no guarantee it will be built. They also hope for modest grants to companies who might be able to commercialise smaller nuclear generation plants in due

course.

The paper suggests a doubling of electricity capacity in total, but this seems to rely on the pledge already made to take offshore wind power up to 40GW. There is no satisfactory account of what the stand by or back up power will be, given the unreliability of wind power and the clear indication there might not be new nuclear after all.

The only new policy which kicks in from 1 January 2021 is a UK Emissions trading system to replace the EU with the promise that it will be tougher, implying dearer power.

We need a greater sense of urgency and some investments soon to secure the extra capacity this country already needs. We also need better policies for cheaper power for industry, in order to win back lost market share in making and growing things. The affordability package is targetted on retail consumers alone.

No Deal is a good outcome

No Deal is a good outcome for the UK. It means we take back control of our borders, our money, our laws and our fish as promised by the Leave campaign. The deals on offer from the EU fell well short of improving on No Deal. They want to continue overfishing our seas with their huge industrial trawlers. They want to control our law making in any area related in any way to business and trade. They want their Court to adjudicate disputes between us in a clear violation of usual international practice where an impartial Arbitrator is used or the two sides need to argue it through to agreement. Their every word and action signalled that they do not wish to accept the fact that we have voted to be an independent country and intend to be one.

When Mrs May with senior civil servants foolishly sought to recreate many of the features of our EU membership under cover of a so called comprehensive partnership the EU implied if we just wanted a Free Trade Agreement like Canada or Japan that would be easy to do. Once a new UK government offered to do just that the EU decided to impede and prevent it, and to pretend the UK still really wanted special access to the single market which required in turn subservience to their laws. There was little good faith in trying to implement the Political Agreement by the EU, given that it said at the heart of a new relationship between the EU and the UK would be a free trade agreement. The EU has always behaved with discipline and severity in its negotiating stance, assuming it can have its cake and eat it, whilst repeating its mantra that you cannot have access to the single market without accepting many limitations on your freedoms. This of course is simply not true for the rest of the world who trade with the EU without having to obey their laws, and who are happy to see their trade governed by World Trade

Organisation rules. The EU as a member of the WTO also has to accept their rules and accept their disputes resolution. The EU has a history of some violations of WTO rules with penalties, as with the subsidies to Airbus.

I was asked to give many speeches during the Referendum campaign to business audiences. I always said No Deal was the only outcome we could guarantee. It was an outcome which would give a good answer for the UK, achieving all our aims to be independent. I used to go on to say it would be very easy – if there was political will – to add a Free Trade Agreement on top of No deal, which would be beneficial to both sides. In most free trade deals there are delays and problems with each side wishing to defend a tariff here and a non tariff barrier there. In the case of the UK and EU we start from a position where there are no tariffs and untowards barriers to goods trade, so it would just be a question of rolling over what we have. I also sometimes added that some thought the EU would not behave well or want to do that. In that event surely it shows how right we are to leave, if EU our neighbours, friends and allies behave in such a silly way towards us, to the point of hurting their own access to our own lucrative market. To the EU the UK has indeed been Treasure Island. They have taken large payments from us in the form of our net contributions to the EU, and have run a huge surplus on goods and food trade through tariff free entry.

The Prime Minister has been right and crystal clear in saying we will leave the single market and customs union. We want our own international trade policy, and will be a more powerful and consistent voice for freer trade than the EU. To do this we need to have full control of all matters relating to trade and business. The single market has been damaging to the UK overall. In our first decade in the Common market as it was then erroneously called we lost half our motor manufacturing capacity as tariffs were removed. Over the years we have seen the loss of most of our steel industry and aluminium output, serial damage to textile and ceramic manufacture, the mass closure of foundries and the break up and contraction of our chemical industry. Our market share in temperate food production has fallen sharply, and we have gone from being a net exporter of fish to a shrunken industry with consumers reliant on imports for much of our demand. EU grants and subsidies have bid some business investment away from the UK. EU rules have often been based around the needs and methods of large scale continental producers at the expense of our firms. The EU has failed to negotiate trade deals at all with two of our largest trading partners, the USA and China, and has not bothered about proper service sector access in other deals despite the UK's strong position in many service areas. Our average growth rate was faster before entry into the Common market post war than in the twenty years of Common market membership, which in turn was faster than our average growth rate in the years which followed 1992 and the so called completion of the single market. The UK establishment has never been willing to analyse the data and understand what was truly happening. They visited upon us the disaster of the Exchange Rate Mechanism, whose predictable impact caused a major recession at the very point there was meant to be a boost from completing the single market!

So how can now use our freedoms as we leave with No

Deal, assuming there is no last minute wish to be sensible by the EU and agree a Free Trade deal? We should be up and running with tax cuts – at last we can take VAT off all those green products from insulation to boiler controls the EU insists on, and lift tariffs from South African oranges and other tropical fruit and food that we cannot grow for ourselves. We should pursue our offer to the USA of removing EU retaliatory tariffs on their goods if they will drop their tariff on Scotch whisky, which was an unwelcome hit from an EU trade spat. We should set up Freeports and Enterprise Zones to marshal new investment and make more in the UK. We should reorient farm subsidies to slash the food miles and grow more of our own salads, fruits, and vegetables. We should land more of our fish at home and add fish processing to create meals and products that we want to eat or which we can export. We should put in more electricity capacity and end our growing dependence on imported EU power. As the government encourages the planting of many more trees we should ensure more sustainable forestry to cut the massive timber imports.

These are all good reasons to press for the No Deal Brexit. The best reason of all is to be free, living in an independent country. I want to help pass on a country that is self governing, a beacon for democracy. Brexit means taking back control of our laws, our borders and our money. That way we will be better governed. If any given government lets us down we can sack them and get the answer we want from another. That is something we could never do as members of the EU. They gave us the laws and we did not control the government.

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