

# Negotiating our way out of the EU?

In the muddle of the tv debate yesterday there were three positions advanced on how to get out of the EU, and effectively three positions on when to get out.

Mr Stewart argued that Parliament had to pass the Withdrawal treaty it has thrice rejected. That looks very unlikely. In default of that he invented all sorts of new processes which would entail a long delay in exit. His further consultation with the public might well be designed to move towards a second referendum or some other way to stop Brexit altogether.

Messrs Hunt, Javid and Gove argued there had to be a renegotiation, with efforts at least to remove the backstop from the current Withdrawal treaty. It is difficult to believe any of this. The EU has made clear they do not intend to re open the Withdrawal Treaty issues. Changing the Political declaration would not change the backstop or any of the other bad features of the draft Treaty. There is no obvious authority to negotiate with before the new Commission is formed. It seems impossible for a new PM to engage in talks, get meaningful changes to the Treaty and put it through Parliament before October 31. Two of the three countenanced a short delay to get an agreement, with Mr Gove favouring a delay until end December 2019.

Mr Johnson insisted on exit on 31 October. He has in mind offering a free trade deal to the EU. If they will agree to talks on such a proposition then the UK need not impose any new tariffs on them as we leave, nor them on us. Under GATT 24 there would be ample time to discuss the Free Trade Agreement whilst continuing to trade without tariffs whilst doing so. If the EU refuses to discuss a Free Trade Agreement then we leave without a deal and impose the same tariffs on the EU as we impose on everyone else. They do the same to us. The EU has always said they are interested in a free trade agreement but it has to be negotiated after we have left.

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## Then there were five



The elimination of only one contender drags out the contest a bit longer. The contest anyway has become a race for second place, to see who would be best to go up against Boris in the lengthier phase of the contest appealing to the members in the country. I think a Johnson/Hunt contest would be best.

It was unfortunate that Rory Stewart wishes to turn the contest into a re run of the referendum, in denial of the clear stance for Brexit all Conservatives put to the electorate in order to become MPs in 2017. He studiously avoided even contacting many Conservative MPs he knew to be committed to our 2017 promises, preferring to attract the support and good wishes of the media, especially the BBC, and sections of the general public wanting a second referendum. He then claims he could get the completely unacceptable Withdrawal Treaty through the Commons after its three big defeats.

The contest has had an unreal air for another reason. Several of the candidates claimed they could renegotiate the Withdrawal Agreement in time for our exit on 31 October. There has never been any glimmer of reason to suppose the EU would enter deep and serious talks about rewriting the Agreement, or that such work could be completed between the end of July and the end of September allowing time to ratify the Agreement by both sides.

The BBC debate was dreadful. It was set up and chaired badly so we learned little. There was no wish to allow or require a serious discussion of the major issues facing the country. Boris was constantly interrupted by the presenter and the BBC pursued its agenda to make sure the candidates could not discuss the great opportunities that follow if we just get on and leave.

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## **Brexit, populism and the future of the EU – new talk at Politeia, 2 July**

The Foreign Press event about my book “We don’t believe you” may not allow the public tickets we now learn. I will keep you posted if the press relents over wider public access to the event on 24 June

Owing to strong demand I have arranged a new presentation and event with Politeia for 2 July at lunch time at the Oxford and Cambridge Club, Pall Mall. They can help you with tickets on 0207 799 5034. This will help those who were too late for tickets for the IEA. It will be a different talk with a panel to follow up interesting and topical issues.

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## More money for West Berkshire and Wokingham schools?

One of the good things to come out of the Conservative leadership election is a willingness to talk about the obvious need for more money for schools. I have pressed the case with the main leadership contenders, who seem ready to relax the budgets a bit. Rory Stewart has not tried to talk to me or many other MPs because he has been so busy with the media and the wider public, but the others who have contacted MPs are encouraging about more money for schools.

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## The Fed rethinks – what about the Bank of England



<https://johnredwoodsdiary.com/>

The Fed realised late last year it was raising rates too much and tightening the money supply too severely. It backed off and announced a re think. It is currently working its way through how it can change its approach and make it friendlier to economic growth.

The Bank of England needs to do the same., It has been tightening too much for the last two years. Like the Fed, it relies on out of date theory based around the concept of national capacity. It thinks it knows what national capacity is, and argues that there will be inflation when we reach close to that capacity. For an open economy like the UK it is an odd way of thinking about it. We import goods and services and we import labour so our capacity is not constrained by UK resources, whilst world products, services and labour keep prices and wages down as a result of global competitive pressures.

The Bank seems to want to prove a point about its errant pessimistic forecasts over Brexit. It should listen to what the Fed is saying, and back off from its current over tightening. The UK economy needs a bit more Bank flexibility at a time of slowing world growth and little inflationary

pressure. They need to revise their views on how to settle interest rates, in line with the Governor's lecture explaining how the Phillips curve was now flat . Given this there is little need to raise rates as unemployment falls unless there are other signs of overheating or too much credit.