

Turkey at the crossroads

Turkey is a member of NATO and has a comprehensive and complex Association Agreement with the EU. In some senses Turkey's border is the EU's border given the provisions on movement of people. Germany is friendly towards Mr Erdogan, not least because the EU welcomes Turkey's willingness to provide a home for refugees from war torn parts of the Middle East. The EU offers Turkey financial assistance with the refugee programmes, and with strengthening the long Turkish border with Middle Eastern countries. All this implies Turkey remains an important part of the Western system.

Turkey also has a complex set of relationships with Arab countries to the south. An opponent of Islamic State and similar terrorist groups, Turkey is also opposed to Kurdish independence movements and worried about the likely attack on Idlib by the Syrian state given the number of rebels and displaced persons in the last remaining rebel stronghold in Syria, close to Turkey. Turkey has allied herself with Qatar, a state which has fallen out with Saudi Arabia, the USA's main ally in the region.

In recent months there has been a sharp deterioration in US/Turkish relations. President Erdogan felt the US did not offer sufficient support and sympathy when there was an attempted coup in Turkey. The USA thought Turkey over reacted and imprisoned too much of the opposition to the regime. Turkey does not like the way NATO works with Kurdish forces in its interventions in Syria, and is now locked in a trade war with the USA over steel and aluminium tariffs. Recently the USA has renewed its demands for the release of Pastor Brunson, and Turkey has imposed a range of high tariffs on items like cars and rice from the USA.

President Erdogan timed his re election well. The economy was growing at a rapid 7%. Public spending shot up just before the polls, and the government urged the Central Bank to keep interest rates down despite the obvious build up of inflationary pressures. Shortly after the election win markets turned against the Turkish lira and demanded action to raise rates, slow the economy, rein in debts and curb price rises. The President has no wish to do these things, and has appointed his son in law as Finance Minister to help him see off unruly markets.

So far markets have been getting the better of him. A massive slide in the lira is posing problems for the Turkish companies that took out substantial dollar borrowings in the good days. The Central Bank has raised rates to 17.75 % despite Presidential reluctance, but markets want more. Now Qatar has provided some much needed relief for the banking system by offering loans of \$15bn to ease shortages of foreign exchange. The Central Bank has imposed controls on commercial bank dealings in foreign exchange, and the government may turn to a wider range of controls on the movement of money to stem the run against the lira.

Russia sees all this as an opportunity. Turkey has already bought some anti aircraft missile defences from Russia despite being a NATO member. The USA is

now blocking the sale of F35s to Turkey and is concerned about what technology and intelligence it shares with a member state that is developing closer relations with Russia. Tomorrow I will look at the options facing the main participants and discuss what might happen next.

How modern borders work

The people who churn out the latest absurd version of Project Fear are stuck in a time warp. They think that if we leave and go to the WTO model our borders will immediately be congested with lorry drivers in queues waiting for a staff member at the border to carry out an inspection and calculate the tax there.

In the modern world most of the work is done away from the border by computer exchanges. Our border with the rest of the EU is already in their terms a complex border. Goods passing need to be charged to VAT, Excise needs to be levied on various items, the currency changes, and various UK domestic rules on health, safety and migrants have to be imposed. In the case of the majority of imports coming in from outside the EU there are also tariffs to levy.

Most coming across our border comes on big trucks organised by approved traders. The tax is sorted out from the electronic manifest away from the frontier. Any checks on products are carried out at the originating factory, and subject to inspection and spot checks there. Any additional requirements as we switch from EU to WTO can be done in the same way.

So what exactly is the problem? All imports will be under our control to deal with at our borders. We have no need to put in queues and special border checks. Those who say the EU will impose some version of the Napoleonic blockade on us when we leave also live in an imaginary world. It is strange the people who most love the EU expect it to try to start an economic war. They do not understand that even in the unlikely event they wanted to under international law and WTO rules that would not be possible. How would the EU seek to prevent a French cheese maker or a German car maker sending product to the UK? And how would that be legal?

The reasons the PM gives to surrender our powers of self government again

over the supply of goods

In her letter the PM says “the rules of goods are long established – the last substantial change was in 1987”. This is untrue. The EU is regularly updating and extending its rules over business. Once we have left we lose the little influence we did have whilst still a member with a vote to prevent or delay the most damaging proposals.

“Many of the rules are based on international standards set by bodies that we will have a seat on”. Fine, then there is no need to bind us into the EU version anyway

“British businesses which export to the EU have been clear they will continue to follow the rules in order to continue selling into the European market”. Of course if a customer wants a given specification the supplier will meet it. That does not mean we have to adopt those same standards for everything we do at home, or be bound by them if selling to third countries with their own different requirements. Exports to the EU are only 12% of our economic output. The ability to improve and change our own rules is important in a democracy, and important to be able where we wish to do trade deals.

“any changes to our rules will be subject to a Parliamentary lock” – but each time Parliament objects to EU rules or changes to EU rules we will be told we are not allowed to alter them as it would disrupt our relationship and trade with the EU.

She argues we could still do trade deals with non EU countries, though the EU control over our goods market would make this much more difficult.

Ed Balls and the politics of jealousy

It has been amusing to watch Ed Balls trying to understand the support for Donald Trump in the USA. Quite a lot of the time Mr Balls seems thrilled to be part of the car loving outdoors lifestyle of the typical Trump supporters. He seems very at home with the not so rich that he rubs shoulders with, and wants to enjoy his time with the wealthy and glamorous. He leaves it to his individual private talks to the camera after his social events and interviews to confide in us that he still disapproves, with some large moral objection or other to this democratic phenomenon of a popular movement.

The main issue Mr Balls keeps coming back to is how can the low income Trump supporters back a billionaire? How can they vote for a man who gives the rich tax cuts? He seeks to stir up jealousy. So far he has had no success. The replies come back that they like the fact that Mr Trump is a businessman – he might help them make some money just as he has made some money for himself.

They are very relaxed about the higher income people getting tax cuts, because they are getting tax cuts too. Some of the Trump supporters on lower income reckon they might be much richer one day anyway. As one said this Sunday, I am \$100 a week better off with the Trump tax cuts which helps me so I don't mind the rich getting tax cuts as well.

I am surprised Mr Balls finds this absence of jealousy surprising. The whole idea of the American dream is someone can go from Bell boy to hotel owner, from a kid in a deprived neighbourhood to a top paid lawyer or banker . It is at best a get up and do society, where many want their government to get out of their way, and to let them keep more of the money they earn.

In the UK where Mr Balls learned his politics maybe he hopes the politics of jealousy will be more successful. Here too there are many more people who are not jealous. They vote for parties and candidates that can improve their lifestyle, incomes and life chances, not for parties and people who will do down those who have succeeded. Labour wanted to get rid of grammar schools by giving the vote to decide their future mainly to the parents of children who did not get in. The first ballot failed to deliver the closure many in Labour craved, because the parents of children not at the grammar were not jealous of those who went to the grammar. They gave up and grammars survived.

Mr Balls as often on the left also argues from contradictory positions. He both thinks poorer Americans should shun Mr Trump because he is rich and privileged, then argues they should shun him because he has had business failures and was not the in past rich enough! So is he too successful to represent people, or too much of a failure to do so in Balls land? And does it matter, as enough US voters backed him whichever.

I will enjoy the remainder of this mini series. I like it when Mr Balls looks thrilled to be there and is visibly enjoying lifestyles he would normally condemn. I then like it even more when we get the private musings to camera to sure him up with the left wing UK audience that will see the programme as he struggles to find things to complain about. He is going to have do better than the crusade for jealousy, which is an unbecoming political emotion.

[Change in the High Street](#)

I am a man who likes going to the shops. It is good to see the merchandise, look at how the stores present and price their products, and be able to talk to the staff about the rival claims and characteristics of items on display. When buying fresh vegetables and fruit it is good to choose the items in person. When buying clothes it helps to try them on before purchase. I am well aware I need to buy some things from my local convenience store on a regular basis if I want it to be there in future when I need an item in a hurry. I am also busy, so I find the internet is a great way to buy things I already know about. I can buy them quickly at any time of the day or

evening, any day of the week, often at good prices.

Collectively we consumers are voting for more and more of our buying by internet. The market share of mail order never got much above 10%. Internet purchases are now fast approaching a quarter of all things bought from retailers, which is taking a large chunk out of the turnover of traditional High Street stores that rely on sales through their shops. As a result some High Street chains and individual shops are struggling to compete and survive. The big brand retailers that have developed a good internet offer alongside their stores, and have learned how to use internet and shop together to meet customer demands, work well and are still profitable.

The recent decision of Mr Ashley to re brand House of Fraser as the Harrods of the High Street, seeking to trade from most of the old House of Fraser units, will be a bold challenge. Can he find the right merchandise at the right prices for these stores? Can he train and maintain the right expertise and customer friendliness in the staff so people come back to the stores? Will he be able to add an on line offer and approach that is complementary to the shops?

The Treasury has done its bit to hasten the decline of the weaker shop groups by combining high business rates on retail premises with demands for National Insurance on higher wages (wage rises which are needed), and new pensions and training levies that raise the staff costs more for the traditional retailer than for the internet competitor. I hear the Chancellor sounding off about imposing an extra tax on the internet competitors on the principle that if it is working and going well let's tax it. I don't understand why he thinks we need to tax business more when you can never have enough successful business. He would be better employed working out how to get the tax burden down on the High Street, than on thinking up plans to tax the successful newer businesses in ways which may discourage their investment in the UK.