

# Complex supply chains and industrial integration

There is a strain of advice going to Ministers from officials, the CBI and others of the Remain persuasion that we now have complex supply chains in business, and that European integration of industrial activity means we have to stick close to the single market.

In the 1980s before I became a Minister I chaired a large quoted industrial group. Between 2003 and 2010 in the opposition years I chaired an industrial group servicing the global market with some European production, as well as plants in the USA, India and China. I now realise I was in charge of complex supply chains. They did not cause problems at the time, despite the fact that components and finished product crossed many borders both within and outside the EU.

I have two main conclusions from my experience. The first is it is true that just in time and high quality production required careful management of suppliers. Sourcing was global, not regional. There is a high degree of mutual dependence in modern industry on a range of suppliers around the world. Large companies do not rely just on the EU or just on the US these days.

The second is we had no more difficulties with non EU sourced components than with EU products, despite all such products if needed in EU based factories having to come in under WTO rules.

The crucial things we had to manage were the quality and quantity suppliers could deliver, and the ability of the transport system to deliver them over long distances in some cases. Government interference in the process was rarely the main problem. Goods moved with electronic manifests, were always traceable and well known to the authorities in the countries they were travelling through.

There is absolutely no need to bend or drive UK policy on some fear about supply chains. Cheaper good quality components and products will still get there from EU and non EU places as they do today, whatever Agreement or lack of Agreement we end up with.

In the case of the pharmaceutical industry some claim to worry about the degree of UK/EU business integration, whilst ignoring the fact that UK/US business integration is much closer for the majors and takes place across WTO rules based frontiers.

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## Paying for local services

I am making further representations to Ministers about the need for Wokingham and West Berkshire to have a realistic grant settlement in future years, following my intervention in the Commons. If anyone has additional arguments or evidence which helps the case, please send it to me.

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## The twin deficits

For several years the UK economic debate has been fixated by the state deficit and borrowing requirement, and has largely ignored the balance of payments deficit. I presume this is because of official adherence to all EU rules and guidance, so they have been trying to get our budget deficit back down to Maastricht compliance levels at under 3% of GDP. There is celebration this month because at last we have got there thanks to a further surge in tax revenues that outperform the usual Treasury pessimistic forecasts that delight in getting it wrong.

I have not been worried about the state deficit for sometime, ever since Mr Brown found out that the UK state can literally print money to pay its bills. Mr Osborne, originally a critic of this in opposition, then discovered its charms in office as well. It turned out to have no adverse consequences on shop price inflation, though of course it caused massive price inflation in government bonds, because it was accompanied by severe pressure against bank lending to the private sector to avoid an inflationary blow off. I always adjust the outstanding debt by the £435 bn the state has bought up, as this is in no sense a debt we owe. So our government borrowing level (excluding future state pensions which some here worry about and which have always been pay as you go out of taxation) is modest by world standards at around 65% of GDP, and at current interest rates is affordable.

Most of the state debt we owe to each other anyway. The government owes it to taxpayers who own the debt in their pension funds and insurance policies. The state can always raise enough money to pay the domestic bills backed by the huge powers to tax, and as we have just seen when credit expansion and inflation are low it can also use liquidity created by the monetary authorities.

The deficit I worry about much more is our external deficit. That is the one where we have to buy foreign currencies to pay for it. It is the reason why we keep selling some of our best property and business assets to foreigners, and why we have to borrow abroad. Running at around 5% of GDP it is high by world standards, and means we gradually get into more debt or sell more assets to keep up with it. When you owe money to foreigners they may not accept money created to pay them off but will need real assets.

One quarter of the payments deficit is the government's payments abroad for EU contributions and overseas aid. Stopping the EU payments halves that, and spending more of our overseas aid on the refugees who come to the UK here in the UK would help as well. Under overseas aid rules you can include the first year costs of refugees and migrants in your own country, and supplies and capital items you need to provide aid abroad. So lets make sure where appropriate we do spend the aid money at home or in the country we are helping, rather than buying imports from other advanced countries with it. One of the big wins from Brexit should be the opportunity to slash the big deficit in fish and food which is an important part of the burden of this overseas drag on our finances. I want the Treasury to take the balance of payments deficit more seriously and to act as a counter to those who want us to give more money away to the EU to perpetuate this large imbalance.

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## **Bad weather and the roads**

It is good to be able to drive around our local area again more easily and to walk the pavements without fear of slipping on ice, slush and snow.

I will be talking to the national and local roads administrators about the experiences people had of the latest freeze. I would be interested in comments from constituents about how well the national and local authorities dealt with the emergency and how things could be improved next time.

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## **Media interviews on Brexit**

It is commonplace for tv programmes on the BBC and even on some independent channels to interview far more Remain than Brexit sympathisers, and to give them more uninterrupted airtime. Doing some interviews again this week I was reminded how bizarre it sometimes is.

There is first the test they sometimes apply to you. They ask if you would be willing to come on. When you say you will they then interview you for the task to see if they think your views are the ones they wish you to have for the sake of their programme. Sometimes they drop you, presumably because your views are not stupid or extreme.

Then there is the barrage of interruptions when you are on, if you dare to say sensible and moderate things. They are constantly putting words in your mouth that you have never uttered or thought, and you have to spend the interview denying their words are or ever have been your views. They are

particularly hostile to new points or points they have not heard before.

If you look as if you are going to answer a question they think should floor you, they interrupt with another one in the hope that you will not have an answer to that.

I cant remember on Brexit when I was last asked an original or different question. The whole debate is repetitious, going over the same old lines we rehearsed on both sides endlessly for the referendum campaign. Every day is Groundhog day. We have debated at length the issue of membership of the Customs Union and single market, and the Commons has twice decisively voted against remaining in either. Now Labour wants to do it all over again as some Labour MPs have apparently changed their mind and wish to ditch their Manifesto on this matter. So the media then goes through it all over again. There is little likelihood of another Commons vote before Easter on this.

It is easy for the media to know what I am likely to say, because my views are all set out on every issue they raise on this topic on this website. Most of them interviewing me seem to be briefed by researchers that have never read my actual views, yet nonetheless reckon they know them better than I do.

Some in the media still have not grasped that the Northern Ireland/Republic of Ireland border is already a complex border with a different currency, different Excise taxes, VAT and Income taxes either side which need sorting out as goods move across. This does not need a man or woman in a kiosk on the border doing the sums whilst vans and lorries wait. It is all done electronically. So why can't the new arrangements be done similarly? Have these interviewers ever heard of TIR, Authorised Economic Operators, and electronic manifests? If not, it is difficult for them to ask sensible questions of those who think all this means watch towers and Customs officers holding everyone up which no-one wants and we do not need.