

Borders open for trade

The EU is labouring under various misapprehensions about the UK. It seems to think if it hangs tough the UK will make more generous offers. It feels it has no need to engage on trade as if their access to our market will stay the same whatever the outcome of the talks. They need to realise if we leave without a deal we will put in the current EU tariff schedule with the EU outside our border paying the tariffs to comply with WTO rules. They apparently think if they block an open border proposal made by the UK for Northern Ireland the UK will give in and agree that all or part of the UK has to stay in the customs union.

It is in everyone's interest involved with the Republic of Ireland and Northern Ireland to uphold the various Agreements and to retain an open border. The UK has set out clearly how that can be achieved. Outside the customs union the UK would have an electronic border for the goods of recognised traders, allowing their trucks through without stopping through number plate recognition against filed documentation in advance. Small Irish and Northern Irish traders regularly crossing the border would be exempted from tariffs and other new barriers. We will install this unilaterally if there is no deal. The EU will have to decide if it wants to put up its own more restrictive border on the Republic side. The Republic of Ireland needs to sort out with its EU colleagues just how they will operate their side of the border.

The papers published on Monday on Customs and Trade make clear the UK has a solution for our borders with No Deal or with a Trade Agreement with the EU. We will adapt the current registered Economic Operators approach, so most of our trade will be notified in advance of the truck or container reaching our port. Goods from approved traders will go straight through without extra customs checks compared to today, with any duty settled electronically as part of the account. Ro Ro ports which mainly handle EU trade will be brought within this same system as EU trade becomes foreign trade if we have no deal.

The UK government is well advanced with changing EU trade agreements with other countries into UK trade agreements with those countries, as it is entitled to on splitting from the EU. There is no cliff edge. A Transition period may only be needed if the EU and the UK come to a late agreement next year which requires computer and physical changes to our border arrangements that need time to implement. Getting on with implementing a customs and border check system for No Deal covers most of the issues anyway.

There is growing resistance amongst Brexit voters and many businesses to the idea of a long further period of delay. Uncertainty is reduced by preparing for No Deal in ways which allow a deal. If the EU as I fear says the UK has not done enough to warrant trade talks anytime soon the government needs to redouble its work to make a success of No Deal. Maybe then the EU will see they have overplayed their intrinsically weak hand.

Those Brexit talks again

It was Brexit day again in the Commons yesterday. The EU continued its miserable commentary. Earlier this week it talked up talks with Mr Corbyn in the hope that would split the UK. Yesterday they decided to reject the PM's friendly offer.

Prime Minister set out where we are with the talks. Good progress is being made on issues including healthcare, the Irish border and the rights of EU citizens in the UK and UK citizens in EU countries. There is no meeting of minds on money, and no agreement yet from the EU side to talk about the future relationship. From the UK's point of view there is nothing to be gained from the so called divorce, and every reason to discuss all relevant matters about the future as soon as possible. We would not need any implementation period if we used the remaining eighteen months before exit intelligently.

The Prime Minister is right to remain optimistic, positive and friendly, offering a good future partnership on trade and security to the other EU states. She is also right to plan for No Deal, as she stressed she is, just in case the EU continues to overplay its hand by resisting talks about the future relationship in good time. Showing No Deal can work is not only prudent in case the talks fail, but also sensible as it reminds the EU that an Agreement is only worth having if it is better than No Deal.

It never ceases to amaze me just how much the media make of no news on talks. There could be months more of this shadow boxing. We may not know for a year whether there is going to be a deal or not. We must use this time to show business how trucks will move through ports, planes will fly, financial services will be traded and laws will be enforced after 30 March 2019 without a deal. There is no cliff edge. The rest of the world trades with the EU without belonging to it. The UK can transfer its trade account from Brussels to Geneva and to the WTO where we will be welcomed as an advocate of free trade, and can use the various agreements and protocols of that organisation to ensure smooth trade.

I have spent the last three weeks with Parliament in recess talking to various business audiences and in meetings to hear the worries of traders. No new issues have emerged above the ones we have often discussed on this site. It is a pity the EU cannot put in place a proper mandate for its negotiators soon, as there are good ways of improving on No Deal that would help both sides. The issue the EU has to get round to answering is how many barriers and tariffs do they wish to place on their trade with us, bearing in mind they are limited in what they can do by world trade rules. It is bizarre that both sides say they support free trade and prosperous commerce, and both agree they have a good basis for trade at the moment. So does one side, the EU side, really want to damage it? If they do they will find they do more

damage to themselves than to the UK, given the big imbalance in trade and the nature of the goods and services traded.

Meanwhile as the PM reminded Parliament voted to take back control of our money , our laws and our borders. The government has to deliver that as soon as possible. Its such a pity the EU overplays its weak hand, which takes the EU closer to facing self imposed barriers on its access to our lucrative market.

Sovereignty and consent

Being neither a Spaniard nor a Catalan I do not take sides in the current political dispute over the future of the Spanish Union. I am interested, because it goes to the heart of the identity politics that have come to play a more prominent role in recent years throughout the EU area and in bordering states like Ukraine. The EU itself where we remain members until 2019 has expressed a view, supporting the rule of law of the Spanish Union against the subordinated democratic Parliament of Catalonia and its wishes.

If the Spanish state had approached the Catalan independence movement as the UK Parliament did the Scottish independence movement, there may well have been a referendum in Catalonia that gave a victory to the Union. Instead the Spanish state denied Catalans a legal referendum under the Spanish constitution, and tried to prevent by force the referendum organised by the government of Catalonia which did not enjoy the legal backing of the Spanish Parliament. The use of force to close polling stations and to prevent people voting created bad scenes for world television, and has led to adverse comment when the Spanish Prime Minister claimed the force shown was proportionate. It seems likely that more Catalans would now vote for independence than before recent events.

This week the world waits with bated breath as the two sides plan their next move. The Spanish state could use the national constitution to close the Catalan Parliament and demand new elections, or could seek to close down devolved government altogether. The Catalan government might declare independence based on the results of its recent referendum even though this would be illegal under the national constitution. The Catalan nationalists might claim they had a popular mandate from their own elections and from the referendum, and were forced to act against the rules of the Spanish state owing to the unwillingness of Madrid to offer them legal means to pursue their democratic objectives. Would the Spanish state then seek to arrest the Catalan politicians? Would the Spanish state seek to displace police and officials loyal to the Catalan government, with police and officials loyal to the Union government? We all hope this can be handled peacefully without large demonstrations getting out of hand. It looks today as if both sides want the other to make the next big move, as they are engaged in a battle

for support from those not strongly committed to either side.

Opinion is now split three ways in Spain. In Catalonia itself there is a strong movement for independence, though there is no definitive vote to tell us the true balance of opinion for or against. In Spain outside Catalonia and the Basque country there is a strong block of opinion behind the proposition that the state should enforce Spanish law against the Catalan government. There is then an emerging third force throughout Spain that wants the two sides to talk, to try to find a legal and democratic way through. The Spanish government does not welcome this, as it wishes to take a tough line to what it sees as a simple matter of law enforcement.

The Spanish government has facilitated businesses who want to take the precaution of switching HQ from Catalonia to somewhere else in Spain. This may be just to increase pressure on the Catalan government, as it is otherwise a sign that the Spanish state thinks secession possible. The Spanish state needs Catalonia, as the region contributes around 20% of Spanish national income whilst receiving around 11% of public spending.

This conflict evokes memories for some Spaniards of troubled twentieth century conflicts between Catalonia and the Spanish state. It highlights how the rule of law is the important underpinning of free societies and prosperous democracies.

The rule of law is a necessity for a flourishing commerce and for the safe enjoyment of people's property and family lives. This rule of law depends on the consent of most of the people most of the time to the origins of that law in Parliament, and to the special powers of police and the courts to uphold it. These deep disputes about identity threaten that framework. If enough people in a democracy say they no longer accept a given Parliament, backed by a police force and court system, as the originators and enforcers of their rule of law, the politicians do have to work out how they can design a new framework which does command respect. If a small minority break laws they find inconvenient the state has an enforcement problem and the support of the people to enforce the law. If a majority of people no longer accept the law of a democratic state the state has to think again.

[The budget and the productivity black hole](#)

The ONS tells us productivity is still not rising. They say they got their forecasts wrong again and need to serve up worse figures for the UK outlook just in time for the budget.

I am not surprised they got the numbers wrong. They usually do get them wrong. They were fashionably too pessimistic for the year after the Brexit

vote. It is a difficult task to get right.

Nor am I surprised they and others are worsening their figures for next year as growth is slowing a bit. I have forecast continuing problems in the housing and car markets thanks to tax attacks by successive Chancellors and to credit tightening by the Bank of England.

Productivity is stagnant for good as well as bad reasons. The UK economy continues to generate a lot of extra jobs in lower value added activities, whilst high value added like oil production and some banking services are in decline. Its good news we are creating more jobs. Industrial productivity is doing fine. The bad news is the weak productivity performance of the large public sector.

So what should the Chancellor do? Instead of going gloomy and saying there is no money for spending or tax cuts he should have a budget for extra growth. Selective tax cuts to boost incentives and enterprise should figure prominently. As I have often described, the right tax cuts can also pull in more revenue. The public sector does need a bit of extra spending and needs to help people work smarter. We need to make sure all EU contributions stop in March 2019 to help pay our bills.

[Injecting some balance into the EU talks](#)

All the time the UK accepts that the talks are about the so called divorce settlement without including a future agreement and trade issues they are a waste of time from the UK point of view. It would be better just to leave.

On Thursday morning I was invited to the LSE to lead a discussion with a legal expert on EU Treaty law and the Vienna Convention on Treaties on the issue of the so called divorce bill. Many at the seminar were on the EU's side, favouring us paying a large sum and seeking legal, political and moral reasons why we should.

The good news was no-one was able to sustain a legal case for us to pay. Article 50 clearly makes no such demand. There was also general agreement that any attempt by the EU to pursue us for money after we have left through any international legal procedure would fail. Article 50 gives us the absolute right to leave after 2 years, and expressly states that ends our rights and obligations.

The moral case for paying is based on the proposition that we were round the table when the 7 year budget plan was agreed. This falls down because we were not let off payments for budgets agreed before we joined once we became a member. When you join you have to accept the liabilities already incurred, so

when you leave the liabilities must stop.

The political case for paying is based on the simple fact that the EU wants us to pay, so many pro EU Brits think we should do so. They sometimes think this will unlock advantages for us which apparently take the form of staying in bits of the EU that we voted to leave!

When I go into a shop I do not give them a large sum of money because they would like me to, and then ask them if they will give me any goods back in return. If the EU wants us to stay in the EIB or Erasmus then they need to tell us and spell out the price and what we would get in return. We should not pay to trade, or pay for talks, as they are in their interest too.

If as many expect the EU says at the October Council they still do not intend to talk about a future Agreement we should just get on with preparing for exit with No Deal. We should certainly not offer them money, which would be taken as signs of weakness by the UK, encouraging them to dig in harder to get more.