

Why the single market damaged the UK economy

As a young man one of my first votes was in the original referendum on whether to stay in the EEC, misleadingly called the Common Market during the campaign. I was against the language in the Rome Treaty that warned us this was much more than a Common Market in the making, and disliked the Labour government's lies about the nature and long term aims of the body. I also was asked to produce a decade forecast of the outlook for the UK if we stayed in by my employer.

As I drafted it five problems became clear. The first was the burden of our financial contributions was too high, and these would produce a nasty dent in our balance of payments as we sent that money away and it was converted into foreign currencies. I did not know or forecast Margaret Thatcher would become PM and negotiate a better deal, which limited the damage a bit – or that I would help her.

The second was the UK's industry which had management and Union issues, some old capital stock and poor nationalised industries like steel and shipbuilding that were not cost effective. This meant it was going to have to face the full frontal assault of German and French competition with the full removal of tariffs before it was ready to withstand those pressures. My forecasts rightly assumed we would lose a lot of capacity in areas like steel, cars, foundries, ship building and textiles. Our car output halved in the first decade of membership.

The third was in the areas of services where the UK had a good competitive advantage the considerable barriers to trade were going to remain in place. As a result I reported a major and long lasting deterioration in our balance of payments as imports of foreign goods surged, exports of services were still limited and as we had to make new large payments away.

The fourth was the dreadful deal on fish, bound to damage our industry substantially.

The fifth was the complete removal of tariffs from EEC food, the imposition of tariffs on Commonwealth food, and the hugely damaging impact the EEC would have on areas like fruit and market garden produce.

Later policies as the EU emerged and increased its wide ranging legislative grip also drove us into importing everything from defence equipment to electricity. It was a great scheme for continental exporters. In those days running a balance of payments deficit required stringent credit and money control which slowed growth.

We voted to leave the single market and customs union of the EU

EU representatives still seem to think the UK wants special access to the single market and is desperate to stay in their trading arrangements. They may be fuelled in this mistaken belief by sections of the UK establishment who seem to think the single market is a good construct that we would be wrong to leave.

One of the few things Leave and Remain agreed about in the referendum was leaving the EU meant leaving the single market and customs union. The winners thought this a good thing and the losers thought it was some kind of threat hanging over us. I became a strong critic of the single market when I was the UK's Single market Minister. I was given the task of supervising the UK's response to and involvement in the so called "completion of the single market" in the run up to 1992 when they declared it finished.

The endless Council meetings and negotiations were to complete 282 pieces of law making to regulate all sorts of things people trade. Many of these added little or nothing to trade, and many entrenched in law the preferred ways of making and doing things of large continental companies. They stated "1992 will be a pivotal year in the development of the European Community. It marks the final year of the enterprise to complete the single market" and the year when they went on to economic and monetary union.

I lost the main argument within the UK government before when I was the PM's adviser. I pointed out you do not need a whole lot of common laws to have a free market. The EU already had established the key proposition, that any good of merchandisable quality in one country could be offered freely for sale in another. This was sufficient in itself. It meant companies could get the benefits of scale and trade their goods freely across the whole EU without tariffs and non tariff barriers. Consumers could decide for themselves if they liked the product and the supporting standards of the sponsor country when making a purchase.

The EU was determined to use the excuse of a single market to greatly expand its legislative control over member states. They demanded the end of the veto over all single market legislation to expedite putting through regulations that were against the interests or traditions of individual countries. I advised the government to only surrender the veto for the 282 specified pieces of legislation, and for it to revert thereafter. The government was not even prepared to protect us to that extent, and the UK swallowed the idea of majority voting for huge swathes of legislation. By the time I became Single market Minister I had to construct blocking minorities of countries every time the Commission came up with another damaging or needless proposal.

As I feared the EU had no intention of limiting itself to 282 laws for its single market, but went on year after year long after the so called completion of the single market pushing out many new laws to exert control

over many new areas all in the name of the single market. The single market was much better at ensuring tariff and barrier free access to the UK for continental manufacturers and farmers than it was at securing access for UK service providers to the continent.

How the EU sought to make us dependent

As we exit the EU fully we need to be aware of just how far the EU had got in seeking our integration and submission to their system. They were always bitterly disappointed that the UK avoided joining the Euro, the main mechanism by which a fully integrated EU economy is being created. Greece and Italy have discovered the hard way that there are many policy choices they can no longer make as they are committed to the disciplines of the Euro.

Despite this they sought to ensnare us with various common policies. The Common Fishing policy took more and more of our fish to foreign ports, leaving us with one of the richest seas in the world to become net importers. The common energy policy got us to depend more on imports through interconnectors, making a country with plenty of its own energy partly dependent on a continental EU short of energy and committed to Russian gas. The common state procurement policy meant we bought more and more goods than the UK is quite capable of making from EU suppliers with continental factories. The Common Agricultural Policy led to a sharp decline in the proportion of our food we grow and rear for ourselves. The trade policy made us impose high tariffs on food products from outside the EU we could not grow ourselves. The animal welfare policy fell short of what we wanted, but we had to accept live movement of cattle and the standards the EU would accept for everything from chicken cages to sow tethers.

In future blogs I will be examining the scope there now is to improve so many things. The annoyance is the way the last Parliament and much of the UK establishment blocked preparatory work to grasp these many opportunities to do better more quickly.

How should the UK government handle Devolved government?

I opposed the creation of a devolved Scottish Parliament and Welsh Assembly when Labour offered its second referendum on these matters in 1997, as did the Conservative party as a whole. I accepted the result fully, even though

the Welsh one was very narrow. Since that day I have never asked for another referendum to test opinion again, and have always supported co-operating properly with the devolved bodies.

I have not felt the need to change some of the arguments I put at the time. For example, I argued that setting up these bodies would not create a happily united UK in the way Labour envisaged. It was more likely that nationalists in Scotland would use the excellent platform the Scottish Parliament offered them to campaign continuously to move from devolution to separation. This has predictably come to pass. Not even a full and fair referendum to ask the question did Scotland wish to be independent was sufficient to restore peace on this issue, as the SNP unlike Conservatives never accept the result of a referendum when it goes against them. Today in Parliament every debate on whatever matters is another debate on Scottish independence as far as the SNP is concerned.

Today we see the results of managing the CV 19 response when the devolved authorities of Scotland, Wales and some City Mayors wish to be involved and wish to differentiate what they do. We get mixed messages, public disputes, selective leaks of privileged conversations and variable responses around the UK. I think a good case can be made for more local decision taking on this issue. After all the virus spreads at very different rates and at different times around the country. Hospital admission needs and death rates are very variable. Local circumstances over testing, hospital capacity and Care home management are different.

This argues for a two tier approach. The national government should provide a menu of powers and national advice on the best medical, scientific and economic response to the crisis. The national government and Parliament can decline powers that are thought to be too damaging and unhelpful. Devolved authorities should be free to select from the menu of special powers and responses what they wish to impose in their areas. The U.K. Parliament needs to press harder for a plan which does less economic damage than the current one.

Trying to do it by collaboration is more difficult, as this blurs responsibility and allows devolved authorities to play politics with a national crisis. The SNP government is said to have selectively leaked confidential information about possible future options before a common position was agreed or announced. They also spent the first part of the pandemic setting slightly tougher rules in Scotland, claiming this would allow Scotland to be virus free whilst England would suffer from being too lax. It did not turn out like that, with the Scottish government now needing to explain why their different approach did not produce better results.

Today why not let devolved authorities decide what they should do about rising case rates. They do not seem to like the national government telling them how to organise their pubs and restaurants, and they want to be more responsible for track and trace in their areas. If a Council or devolved assembly wished it could ask the national government to take responsibility for it. Otherwise the government will need to be firmer with sending plans to local and devolved government that they just need to implement as agents of

central government.

The best argument against local differentiation is the variety of rules that will apply. The best argument in favour is many areas of the country will not need the heavy handed lock down the government's advisers think necessary for areas with a high incidence of the pandemic.

(In the 1979 referendum Welsh voters rejected devolution by a massive 4 to 1 margin. In 1997 they voted 50.3% Yes on a 51.3% turnout, with a majority of just 6721 votes for devolution)

Time to walk away

The EU is not negotiating in good faith. The PM should keep his promise and end the talks.