

## Signing the EU Withdrawal Agreement would be bad news. Leaving without signing it would be good news.

The Prime Minister was scarcely overwhelming in her support for Brexit, which remains her most distinctive core policy, when she said leaving without a deal would not be the end of the world. Let's have another go at explaining the reality.

There is no agreed deal on the table for the UK's "future partnership" in the way she wants. Indeed Mr Macron has just poured more cold water on the Chequers proposals, which are not going to emerge as an agreement. What is on offer is an almost completed EU Withdrawal Agreement which is heavily one sided, giving the EU much of what it wants. It delays Brexit for us and burdens the UK with a huge and needless bill which we are under no legal obligation to pay unless we sign to do so.

So here's my advice. The UK government should be positive and release the new policies on fishing, farming, migration, and trade that could add to our growth rate and prosperity, using the freedoms leaving gives us. Above all the Treasury should cheer up and tell us how they are going to spend the £329bn they have in the budget to give away to the EU. Spend that on tax cuts and public services at home and that's a great 2% boost to our output and incomes, which we could enjoy over the next two to three years.

Signing a Withdrawal Agreement to give continuing overseas aid to a group of rich countries on the continent will leave us poorer. Let's hear the Treasury calculations of how much economic damage is done by the large payments abroad, and by the large balance of payments deficit we run with the EU under present rules. It's high time they did a calculation of the additional costs and losses brought to the UK by EU membership. Let's also have a new tariff schedule which works for the UK, allowing us to narrow the deficit and do more at home to supply our needs. The single market has not been good for our trade balance or for our big parts of our industry.

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## Wokingham Conservatives lunch on Sunday 26 August

There was plenty to talk about when Conservative members assembled for a summer lunch last week-end. We reviewed progress with getting more money for Wokingham's schools, social care and road improvements. We talked to Councillors present about the need to re open the roads in time for the

return to school and the end of many people's summer breaks. And yes, the topic of Brexit did come up.

No-one present spoke up for the Chequers proposal. The majority view was to press the Prime Minister to move on from Chequers, and to see what kind of free trade deal might be possible. This was not a formal political event with votes or decisions, but it was interesting to see such a broad measure of agreement from a good audience. There was a general wish for the UK to be firmer in negotiation and to talk more about the benefits of leaving.

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## Two questions for farmers to take advantage of Brexit

UK agriculture- and fisheries – has been one of the most heavily managed sectors by the EU and one of the most damaged. We have moved from being a net exporter of fish to be a net importer, despite having the best fishing grounds in the EU. We have lost substantial market share in temperate foodstuffs despite having a good climate and soils to grow our own.

As we move to leaving the EU without a Withdrawal Agreement we need to ask what tariffs we should impose on world exports of food to us, including food from the EU. If we simply impose current EU tariff levels on the EU as well when we leave to meet the obligation for common tariffs on our complete worldwide trade, there would be a substantial tariff barrier against items like Danish bacon, French cheese and Irish beef which would give the UK a huge boost to produce more for ourselves. The tariff revenue we collected as our industry adjusts to its ability to displace imports should of course be given back to consumers as tax cuts so we are not worse off.

Does UK agriculture think we should impose the full EU tariffs against the EU, or should we take advantage of putting new tariffs on EU product to lower the overall tariff on world food generally so some of the benefit is given direct to consumers of non EU food? For example, we could remove all tariffs on food we cannot produce for ourselves. Why not abolish the EU 16% tariff on oranges from outside the EU? Some say we should simply impose the full tariffs. Some say we should impose a lower average tariff on temperate food. Either way there will be a boost to domestic output. I will return to the issue of our tariff schedule in a later post, but would like to know your views.

So my second question to UK farmers is what plans are there to step up your output after March 29 2019? How quickly can we grow extra tomatoes, vegetables and the other items that pour in from Spain and the Netherlands at the moment? How much more cheese and yoghurt can you produce to regain market share from the continent? Are there plans to expand beef and pork production when we get the price advantage any new tariffs will bring?

I will be sending a version of this to the NUFU to hear their comments.

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## How Theresa May could have a good party conference.

It is that time of year when advisers to the Prime Minister have to consider the first draft of the big speech she has to give to party conference in Birmingham in the first week of October.

The Chequers proposals have gone down very badly with the party in the country. The negotiations with the EU have not produced a breakthrough for Britain in the way the government wanted. The Prime Minister should say something along the following lines:

"I have worked hard with my team to try to negotiate a good exit deal for the UK. I have always been friendly and positive towards the EU. I have stressed we would prefer to have a comprehensive future partnership. I have offered to maintain the substantial contribution we provide to European security through our pledge of armed forces, our intelligence work and our general collaboration. I would be happy to keep tariff free trade between us, even though we import much more than we export. I have offered to pay money we do not owe to show goodwill over the EU's process of adjustment to the ending of our large financial contributions. I have offered to maintain the rules and standards of the single market for goods even after we have left.

Many of you think I have offered too much. Some of you are concerned that we would not in practice be taking back control of our laws, our money and our borders as promised. I think we would, but I understand your worries.

I am therefore today withdrawing the very generous Chequers offer, which the EU has told us does not go far enough. The EU has also been critical of important parts of the compromise it embedded. So I say to the EU, in the time remaining time to do a deal, I propose we negotiate a comprehensive free trade treaty instead.

Some say this cannot be done in just a few months. I disagree. If there is a will there is a way. Both the UK and the EU have accepted the Canada Free Trade deal the EU has recently signed. We can take that text as our starting point, and see what more we can add to it, given that the UK and the EU start on trade and commerce regulation from the same position.

In the meantime I have recently chaired a Cabinet to stress to all Ministers and senior officials in all Brexit facing departments that I want us to be ready to leave without a Withdrawal Agreement in March 2019. I stressed that the government will provide whatever resource is needed to be ready. The problems have been greatly exaggerated. I know of no reason why the planes

will not fly or the medicines cease to arrive the day after we have left. Where lower level agreements or understandings are needed between the EU authorities and the UK government we are ready to put them in place. These will be mutually beneficial, and more profitable to the rest of the EY given the large imbalance of trade between us.

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## The Treasury is too gloomy

The UK economy has done well in creating many new jobs, generating considerable additional tax revenues for public services, continuing to grow and attracting large new investments from leading companies around the world since the referendum. This has happened despite a series of tax attacks on it by successive Chancellors out to damage the housing and car markets amongst others and against the background of a substantial monetary tightening engineered by the Bank of England. It has been possible thanks to past reforms and thanks to the growth of a large cadre of entrepreneurs prepared to venture their time and their money, and to many people willing to work in new areas and jobs. It has happened with the Treasury and Bank forecasting a recession in 2016-17 that did not happen, and constantly telling us of unlikely negative effects of our chosen policy of Brexit.

This week again the big difference between the Chancellor and the government was visibly on view. This is not a new problem.. He was elected along with all Conservative MPs on a Manifesto which said we would get on and implement Brexit. The Manifesto saw the benefits of taking control of our laws, our money and our borders. It looked forward to spending plans that spend the EU contributions on our priorities, and to trade and migration policies that make sense for the UK and are fair to all parts of the world. The Chancellor thought otherwise and has spent his time in office trying to delay or derail Brexit by recreating as much of our current arrangements within the EU as possible.

The government line on timing was that we will leave on 29 March 2019. Under pressure from the Treasury and others the PM then allowed the government to say that if they reached an Agreement late with the EU, any individual clause or requirement of the Agreement that could not be put in place by 29 March 2019 could slip to a later specified date. She proposed a variable implementation period. This was still not sufficient for the Chancellor who led the charge to demand a 2 year delay in our exit from the EU. The EU pushed this back to 21 months and demanded a high price for this concession. It meant that a Chancellor who is famous for seeking to block any good idea to spend a bit more on a domestic public service that needs it, was happily flagging through a huge new set of payments to the EU in order to stay in it for a bit longer. The absence of effective Treasury resistance to the financial demands of the EU is one of the worst

features of their behaviour. One of the main reasons I and others voted to leave the EU is we want to spend the money we send them here at home on a mixture of increased spending and tax cuts to promote faster growth and a stronger economy and society.

Six members of the government and two Conservative Vice Chairmen resigned over Chequers because they rightly saw it granting too many concessions to the EU undermining what people expect from Brexit. Looking at the arguments within government that have spilled over into the press the differences between the Chancellor's views and where most of the rest of the party is are larger than the disagreements between those who resigned and the compromise position he helped force on the government at Chequers. As this week has made clear the Chancellor is fundamentally against the whole idea of Brexit, wrongly seeing it as damaging to the economy, a central policy put to the people in the Conservative Manifesto of 2017 and a core policy of the government. He should back it and be sensibly optimistic about the economy he helps guide, or pursue his disagreements from the backbenches. He should also reverse the damage his and his predecessor's higher taxes have done in the next budget.