

## Trade wars

The USA has temporarily suspended the tariffs it threatened to deploy against China. Apparently the trade talks are making progress. China accepts that the balance of payments surplus it enjoys with the USA is excessive, and wishes to help the USA find more ways to sell to China. Some of this requires market opening by China of a general kind, and some requires more successful US exporting relative to say Germany of products China already imports.

China is a heavy importer of transport goods, engineered products and technology. The USA is wishing to be more cautious about how much technology she sells, given worries about the way China has handled Intellectual Property in the past. Boeing will be hoping a new trade deal strengthens their hand against Airbus, and the US car makers will be wishing to do better against Mercedes and BMW.

The UK should win from some of the changes envisaged. China accepts she needs to liberalise her banking and financial services markets more, which could assist the UK as well as the US. We too have a substantial trade deficit with China.

I assume Mr Trump would prefer to find some common ground and show he has a "win". So far China seems to understand and accept this, and is busy trying to find ways in which the US can do a bit better. China can argue that her policy is to liberalise progressively anyway, as she has been doing at a slow pace since joining the WTO. Accepting the idea that the trade gap must narrow a lot is one thing, but bringing about the day to day reality of more US exports or fewer US imports is still going to take time and will be difficult to deliver.

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## The future of the High Street

As forecast here, the tribulations of some traditional retailers gets worse. There are many older shopping areas and High Streets with empty shops, closing down sales and poor footfall of customers. There is still plenty of buying going on, but more of it is on the web, and more is concentrated in the glamour centres from Bicester Village to the Metro Centre, from Oxford Street to Birmingham New Street and from Trafford to Westfield.

We see a pattern of bankruptcies, financial reconstructions and shop shrinkage by many traditional retailers. Administrations and restructuring seek to get rents down to keep shops open, or close stores to cut the cost base. Meanwhile well intentioned policies like the Living Wage and the Stakeholder pensions push up the costs of employment, and business rates help push up the cost of property. A rising cost base hits falling turnover as

people examine the goods in store only to order them from an internet provider on line. Some people complain about the fall of the High Street only to support the rise of the Internet by how they buy.

Last week's announcement by the government to slash the maximum stake permitted in fixed odds betting terminals in High Street shops was motivated by the wish to cut down addictive gaming which can wreck family finances and damage family life. It is also likely to lead to more High Street closures of such shops and to drive more gambling on line. This comes close on the heels of Mothercare announcing 50 shop closures, and ToysRUs going into administration. House of Fraser is undergoing a financial restructuring and looking for cost reductions. Ocado with its strong on line offering an expansion into the US now has a larger stock market value than Marks and Spencers.

I am working on a series of options for the government to bring some relief to struggling High Streets, as they wish to do. Flexibility in switching uses and users of High Street property must be part of the answer. Plenty of free or cheap shoppers parking nearby is another part. The combined rate and rent package has to be affordable for a moderately successful trader.

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## [Why do the "liberal" establishment so hate democracy?](#)

On both sides of the Atlantic in relatively free societies with open and fair elections and referenda there is a nasty anger at the results from some who claim the moral high ground of being the "liberal" establishment. I too have no time for racism or undemocratic attitudes, but think many voters for so called populist parties and causes are decent people making good points about the change they wish to see.

Indeed, it is becoming so bad that in most advanced country democracies now the liberal elite fulminate against those the voters choose to elect. In the USA they pour bile on the elected President, Donald Trump. In Italy they complain that 5 Star and Lega who commanded a majority of the votes and seats at the recent election should not be in government as they do not conform to the Euro scheme. In Greece they used to reject the verdict of the people when they voted for Syriza to sweep aside the old parties and to go on to challenge austerity, but are less concerned now Syriza has conformed with their views. In the Netherlands the Wilders party topped the poll but is widely disliked. The governments of Poland and Hungary are seen as enemies of Brussels and of the establishment. The liberal elite are full of disapproval for the Brexit vote in the UK. Only in France has a populist movement met with approval, because it is one under Macron that seeks more European integration.

So why is there this contempt for the will of the people? It seems the so called "liberal" elite are worried about the obvious challenges to two of their pet projects. In Europe they are very concerned about the unpopularity of the austerity policies they impose on Euro states. Despite this causing high unemployment and poor economic growth much of the time, the elite insists there is no alternative to the limits imposed on borrowing and state debt. In Italy, Spain, Greece, Portugal, Ireland and elsewhere the EU effectively puts up taxes and cuts spending in national budgets. In both Europe and the USA they seem upset that populists including the all important President Trump are not keen to become entangled in religious and civil wars in the Middle East. The elite prefers the Clinton approach of engagement, bombing and if necessary the commitment of advisers and troops to proxy armies on the ground.

The issue the elite most mention unfavourably is that of migration. They dislike the way people on both sides of the Atlantic vote for fewer migrants to come. They argue that this makes the populist parties racist. It is true there is a minority of voters and even politicians motivated by racial and religious considerations. This is not true of most of the voters, who simply argue for lower numbers. It is the populist voters who complain of the consequences of rapid migration that they think creates housing shortages, lower wages, and pressure on public services. It is the elite who welcome cheap labour for their businesses or as helps in their own homes.

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## Brussels still rules

One of the extraordinary things since the vote is the enthusiasm of the UK establishment to carry on implementing everything the EU sends us and to wish to be even more rigorous in applying EU rules, when many continental countries take a much more relaxed approach. I see we are being taken to the ECJ for alleged non compliance with the clean air rules and over EU citizenship rights and we are busily putting into UK law various EU measures.

One above all shows just how much control Brussels exerts over us. That is the General Data Protection Regulation. This directly acting EU law comes into force on May 25th. It has led to months of work and much opportunity for consultants and lawyers, as businesses scramble to ensure they are fully compliant. Most are already careful in the way they keep and handle data about people they deal with, but need to demonstrate they handle it in a specified way under the new law. I have no problem with the aim of the legislation, but this blockbuster of a law requires specific bureaucratic processes to handle data to be sure that a business that does handle data well is seen to do so.

This of course includes MP offices. We are often sent sensitive details about

a person's job or income or health when people wish us to help resolve a dispute with public authorities or help them get a better deal from a branch of government. .

The House authorities sent out substantial and very cautious advice. The Secretary of State for Culture, media and sport who is responsible for this area of law has also offered less austere advice. MPs are keen to be able to share data in order to resolve queries and complaints about government, but also keen to comply with this new law.

The government is also enacting a similar law as UK law. This is the Bill that allowed amendments concerning the press which have been the subject of recent controversy. With or without this law the GDPR comes into effect next week. Businesses are having to contact people and firms on their mailing lists and getting consent to staying on those mailing lists. Some are worried they will lose contact with large numbers of people they want to talk and who may wish to hear from them. Is this a helpful good idea?

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## That Customs Union again

How many more times do we need to explain the Customs issues to the media and to some of the Remain peers and MPs?

The government's debate about the New Customs Partnership or Max Fac (Maximum Facilitation) is we read inclusive. There does seem to be general agreement there is no worked out model of a New Customs Partnership that everyone thinks will work, and certainly no buy in to the original concept from the EU. No 10 has denied rumours that the government now wants to extend transition. That would be a very bad idea.

I suggest the government leaves the NCP debate, and goes back to the basics of the negotiation. They tell us they have worked up a No Deal option and are prepared to leave without a deal next March, though they are very keen to have a deal. So the first requirement in any briefing of Ministers and in public statements should be to set out clearly how the system will work with No Deal as the base case. This is not difficult to do, as we know how we currently trade with the rest of the world under WTO rules and with the EU tariff schedule, and we know that works. Many so called complex supply chains need components from outside the EU and they come in just in time. We can then negotiate better terms with the rest of the world, reducing the tariff barriers that already exist. Any deal needs to be better than No Deal.

The government should then ask the EU if it wants a tariff free deal or not. Assuming it does we then do not need to put the extra customs line into electronic filings for EU goods in the way we currently do for non EU goods. The UK and EU can negotiate the exact terms quite quickly, as it can be based on Canada plus extra items that reflect our current arrangements for service

access to each other's markets.

If the EU does not want a free trade agreement with us then we end the idea of a Deal and ensure proper enforcement of the smooth border arrangements under the WTO Facilitation of Trade Agreement . We should agree a sensible way of dealing with detailed matters to ensure smooth flows of trade, which are much in the EU's interest.