

## Trade again

I am amazed at how many people want to talk about trade and little else. Many of them have never sold an export in their lives, have never managed complex supply chains, and clearly have not read how the WTO works.

I have led large industrial companies in the past and never experienced difficulties with importing materials and components from non EU as well as from EU countries. I found it easier to sell the final products into non EU countries than into France and Germany. I was always using a mixed complex supply chain from non EU as well as EU sources.

I also handled Minister of Trade matters in the Commons when the Minister of State for Trade was in the Lords and I was a DTI Minister. I worked closely with Peter Lilley for a bit, who was the last UK Secretary of State to help negotiate a trade round before the EU took it fully over from us.

So let me just clarify a few points.

The first is the only worthwhile discussions to be had on trade with the EU will be those the UK holds with the EU itself. It would of course be easy if both sides were willing to design a trade system for UK/EU trade which was better than WTO most favoured nation status which is what we will have without agreement. Most of this debate about trade is a negotiation with ourselves, which gets us nowhere. The EU has deliberately wasted a year and a half since the vote by refusing to discuss trade.

The second is we know exactly how to trade under mfn status at WTO because it is what we do today in a number of cases. You do not need a bespoke trade agreement with another country before you can trade!

The third is whatever happens trade will continue . There are strict limits to how much damage government including the EU government can do when there are willing buyers and sellers of each other's goods. As a WTO member the EU has to obey their rules against tariffs and barriers other than those permitted. International law and the law of contract are also there to protect buyers and sellers to provide a framework that stops governments as well as others from impeding trade.

Most now accept that outside agriculture where we have a massive deficit with the EU most products have low or no tariffs and services are tariff free under the WTO scheme. Cars at 10% are relatively high but again we have a huge deficit in cars. Non tariff barriers are also limited by law and rules. We will benefit from the Facilitation of Trade Agreement which the WTO brought in last year , and from the important WTO rule that the EU cannot impose something against UK trade that it does not also impose against US and Chinese trade as well. In certain cases like aviation you also need other agreements – e.g. reciprocal landing rights. The good news is France and Germany, and of course Spain that owns our national airline , have no wish to get their planes banned from London.

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## New policies please

One of the advantages of leaving the EU in March 2019 is the ability it should bring to change policies we do not like. Many of us wish to see a new borders policy, a new fishing policy, a new agriculture policy, and the reduction of taxes the EU insists on where we do not agree. Because we wish to get on with improving these areas we do not want a two year so called Transitional period if that means we cannot take control of our laws, borders and money.

I will look again at these areas in turn to see what the opportunities are, and to stress how undesirable it would be to agree to any transition which stopped us getting on with making these changes soon.

Let us take borders for starters. I wish to see a White Paper soon setting out the options and expressing a government preference on how we should control our borders and who we should invite in after March 29 2019.

I want a policy which is fair and even handed between people coming from the EU and from the rest of the world. We should move away from a priority system for EU citizens. I wish to see a policy which allows free movement of tourists, short term visitors, investors and people with the means to support themselves. I want to allow in people with skills and qualifications we need, using a visa permit system. I want our approved universities and Colleges to recruit as many overseas students as they wish.

The policy should be enforced by a combination of work permits and qualifications for benefit eligibility. That way we can have an open border as at present, whilst reducing the numbers of people coming here to claim benefits and to take lower paid jobs.

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## Money for Wokingham and West Berkshire Councils

I had a meeting with the new Local government Minister yesterday, Rishi Sunak.

I explained the poor deal both Councils received when social care funding was reorganised, and asked that DCLG and the Health department considered it again as part of their current review of social care finance. The Minister reminded me that the Councils should respond to the current consultation which ends in March, and was aware of the way the Councils lost out through

the 2014 Care Act changes.

I also raised the issue of negative rate support grant, where the Minister again said he was well aware of the difficulties. I have lobbied for no move into negative grant, as our Councils have similar needs to Councils that remain in receipt of grant.

The Minister reminded me that we are part of the Business rates retention pilot which should offer more money. I pointed out that we would want that to continue after the pilot year.

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## **The UK needs to strengthen its negotiating position**

Instead of asking for a transition period prior to any Agreement the UK should ask the EU do they want a comprehensive free trade Agreement with us or not. If no, we should just get on and leave in March 2019 under the WTO option. We would pay them nothing and be able to put in our own border, fishing and other policies immediately.

If the answer is yes then set a deadline to sort it out this year and see what else we might agree to in return. Nothing is agreed until everything is agreed. There is no point in paying them lots of money for a worse deal than the WTO option. Nor should they stop us getting on with negotiating free trade agreements with others over the next year to be ready for April 2019.

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## **Sterling rises again – what will now happen to inflation?**

The pound fell from \$1.71 in July 2014 to a low of \$1.46 in April 2015, well before a referendum was planned or thought at all likely. There was not a lot of fuss or comment about that.

The pound fell from around \$1.45 before the vote in June 2016, to \$1.29 after the vote. It fell again to a low of \$1.21 in response to the Bank of England's decision to cut interest rates and have additional Quantitative easing in the Autumn of 2016. Many commentators and many parts of the media made a lot of this fall, and claimed that it would lead to a rapid and damaging inflation. The entire decline of the pound was attributed to Brexit, though as the numbers show much of the decline of the pound had occurred

before Brexit was in contemplation and before the City thought Brexit would win.

Since the low, the pound has now risen to \$1.43, more or less back to where it was before the Brexit vote, assisted by the restoration of the interest rate cut by the Bank of England, and to the ending again of Quantitative easing. There has been little media fuss about this, and no commentary saying that inflation should now collapse as the pound has risen by 19% from the low against the dollar. It has also risen against the yen and on the trade weighted.

Isn't it about time the media invited back all those commentators who got it so wrong again? They were given plenty of airtime to talk the pound down and tell us it would fall further. Instead it went back up. They went on to argue that a falling pound meant higher inflation as price rises came through. At the time I said they were exaggerating the impact of the pound on shop prices, that the pound could go up as well as down, and that apart from the immediate aftermath of the vote the pound would usually be moved by forces other than the Brexit vote. So it has proved.

Do I think inflation will now fall sharply from the strong rise in the pound? No, but then I didn't claim inflation would soar when the pound went the other way. Those who said the pound was the main force on UK inflation have some explaining to do. Or alternatively why don't they come back on the media and tell us how wonderful it is going to be as prices sink on the back of a stronger currency?

UK Inflation has been more affected by energy prices which have been rising, and by taxes and public sector charges than by movements in import prices.