

The German election

The latest polls put Mrs Merkel's party on 39%. She has opened a good gap over her main rival, the SPD, but only because their vote has fallen away. The two main German parties sit on just 61% between them. On this basis Mrs Merkel is likely to lead the largest minority party, but will once again need to be in coalition to govern. She is currently in coalition with the SPD. In present polls the SPD who might like to try to form a coalition with the Greens and Die Linke, would not be able to do so. IT is not clear who would need to be willing to serve in a Merkel led coalition and what they might demand.

Germany has a less acute version of the pattern of the collapse of the combined vote of the two main traditional parties that we see in most Eurozone countries. Germany has prospered better than the others, by locking into the single currency at a competitive rate for her and then keeping wage growth and deficits down to retain competitiveness. IT is clear from the sharper decline in most of the other Eurozone countries by the old established parties that there remain unhappiness about what is happening on the economic front. In Germany the anti EU vote is still quite small at around 10%.

This situation contrasts with the last UK election where Mrs May's Conservatives got over 42% of the vote and the Labour opposition got 40% of the vote, making a total for the two main parties in excess of 82%. The Conservative vote was higher by a decent margin than at any time since the full impact of the European Exchange Rate mechanism policy became apparent in late 1992 with a nasty recession. That policy was recommended by the CBI, the Labour party and the Lib Dems, but the Conservatives understandably took the hit for actually implementing it. It took a the banking crash of 2008 to get the Conservatives back with a chance of winning with a better rating for economic competence.

The German election provides the background to the recent unfortunate comments by EU Commissioners and to the briefing to the German media about the UK's negotiating position and abilities over Brexit. Clearly the German audience wants to hear that the UK will make a larger financial contribution for longer, as Germany will have to pay more once the UK has left as the EU does not seem keen to cut spending.

Meanwhile the government has rejected claims that they have offered a substantial financial settlement to the EU as some have briefed the press to say write. Judging by the remarks of the Commission and some Germans in recent days the UK clearly has not offered to pay anything other than pour legal obligation to pay the running contribution up to the date of exit.

Shopping for Brexit

When we first joined the EEC and the public by majority voted to stay in I used the common market as it was intended. I bought a German car and French wine. I went on family holidays in Spain, bought Danish bacon and Dutch market garden produce. I noted that the businesses I worked for usually traded globally but made little or no progress in selling to the continent whilst doing well in the Americas and Asia. I also watched as UK industrial businesses struggled against the competitive strength of many continental challengers, from German cars to Italian clothing and textiles.

As the EU and individual member states from time to time made statements and decisions which were clearly against the interests of the UK and its economy I started to change my shopping habits. First to go were the foreign cars. I have bought UK manufactured vehicles since the early 1980s. I replaced French red and white wine with English whites and Australian reds. More recently over the last decade or so I switched to an annual holiday in England rather than the continent. I give priority to English food products when I go to the supermarket. This summer it has been possible to buy salad items, vegetable and fruits entirely from English farms.

Every time someone from the EU threatens us as their idea of a good way to negotiate I check the labels on products more carefully in the local shops. There is plenty of scope for us to make and farm more of what we need at home, which is exactly what we will do were the EU to seek to impose farm tariffs on their trade with us.

I note that still no member state has said it wants to impose new tariff and non tariff barriers on their trade with us. One day perhaps the EU will get round to talking about how they can keep their great access to our market. Meanwhile they should not upset all their customers in the UK too much. I saw other shoppers checking the product origin labels carefully on my last visit to the supermarket.

The German media tantrum

You know people are losing when they resort to personal abuse and bluster. Clearly the German government was unhappy about being told the truth about their 100bn Euro bill for the UK to leave – it is a work of fiction.

I had many dealings with the German government and with their business representatives when I was single market Minister, many when I was making the case for the UK not to belong to the Euro, and a few in the run up to the referendum. The Germans always began in a friendly and diplomatic way, seeking to explain to me why it was in the UK's interests to accept a new

law, join the Euro and remain in the EU. They thought I would be sufficiently amenable to see it from their point of view. They kept telling me that if I did not see it their way the UK would lack influence in the EU. That was such a silly irony – you will only have influence if you agree with us on all the big issues!

I used to explain to them that I am a UK MP, not a German one. I have no special insight into what laws, taxes and budgets Germany needs, and am not accountable to German electors for such decisions. I do not seek or expect any influence over the big issues affecting the German economy. In return I do not think Germany can help me and my colleagues in deciding what currency the UK should use, how high our taxes should be, what taxes we should impose, what laws we should have and how we run our borders.

They might then shift their ground and pretend that the EU does not have that much influence after all, and that the UK inside the EU could nonetheless influence its laws. I would explain that the true project, the one they often used to want me to adopt, includes the Euro, Schengen, common defence and much else that does mean major powers at EU level. This is clearly something the UK does not want. I accept and always have accepted that out of the EU they will decide what regulations to impose on companies selling to them, just as the USA decides the terms on which we export to them. The difference is once we are out we do not have to impose those same requirements on everything we make and sell elsewhere if it does not suit us and our customers.

Today we see yet again the German media and probably some in the German and EU governments misjudge the UK position. Once again they think pressure, personal ridicule, scorn will force the UK to see it their way. It did not achieve their end when they tried to pressurise us into joining the Euro. It did not work when they offered Mr Cameron very little, thinking it would be sufficient to secure a stay in vote. It looks like they misread it again.

The truth is the UK can and will leave in March 2019, with or without a deal on the future relationship. I forecast that on that date, even after many more rows and disagreements, planes will still be able to fly from Frankfurt to London, German cars will still be admitted into UK car showrooms, and tourists will still make the pilgrimages between our two countries. The only question is will the EU make this easier, or does it have workable plans to make it a bit more difficult. We await their answer when they have cooled down. The present intemperate language belittles them. It does not damage us.

[Why do some commentators and many in](#)

the media exaggerate the economic impact of Brexit?

Brexit is a very important political event. Taking back control of our laws, our money and our borders means restoring democracy to these islands. That is why so many voted for Brexit. We didn't expect a magic wand once we are free again. We do want to live in a country where the government is answerable to the people and can be kicked out if it gets too much wrong. We do not like what is happening on the continent, where people cannot change their economic policies when they fail because they are controlled by the EU. As Syriza in Greece found, you can win on a ticket of changing policy but the EU does not let you. You remain in their case lumbered with mass unemployment and more cuts in cash wages .

The UK already has considerably more control over its economy than a Eurozone member. It can still create money, control its own banks and set its own interest rate. It can influence its own exchange rate. Its budget, however, is burdened by EU contributions, it is meant to follow the Maastricht criteria on deficits, it has to impose various taxes that it cannot remove and finds that elements of the rest of its tax system are altered or controlled by ECJ judgements.

Now we have voted to leave many ascribe every twist and turn of our economic performance to the Brexit vote. They usually credit Brexit with any negative figure, and express surprise at positives. They often add to a positive figure some comment that it may deteriorate at a future date, or say it has improved despite Brexit. Much of this is nonsense. The car market rose sharply from June 2016 to March 2017. This was not mainly owing to Brexit. It then fell and stayed low since then. This was nothing to do with Brexit, and everything to do with the Chancellor's decision to sandbag the market for new cars with higher VED on dearer cars, and for the government to cast a shadow over diesel cars in general.

The further fall in the pound in the summer of 2016 had much to do with the Bank of England's decision to halve interest rates again, and to create more money. This seemed a needless idea given that consumer confidence remained high and growing after the vote. The fall off in turnover in the housing market and the slowdown in price rises started in April 2016 before the vote, when the Chancellor made a tax attack on BTL property and hit the upper end of the property market with much higher Stamp duties.

Whenever a new figure comes out, good or bad, I ask myself how would we have explained this without the Brexit vote. In most cases the explanation today will be the same as before. I do not ascribe the excellent rate of jobs growth in the UK to the Brexit vote, as that had started well before the referendum. Nor do I attribute most of the fall in sterling to the vote, as that too had started well before.

On Thursday morning I almost fell out of bed when I tuned in to the Today

programme and heard the business interviewer ask out of keeping a guest what positives could come for him from Brexit. I soon relapsed into my view that the BBC does not do positive Brexit when the interviewer followed up with the suggestion that Brexit would allow the UK to slash the employee protections in employment law! Why don't they follow the Brexit plot at all? Where were they when we kept repeating that we have no wish to remove people's employment protections and intend to keep them all? It must just have been mischief making for Brexit again as it usually is.

Mr Barnier's state of mind

Mr Barnier seems to think the UK will not settle what it owes. That is a misunderstanding. The UK government has always made clear it will honour its legal obligations. It will, for example, pay around £30 bn of additional net contributions to the EU for the near 3 year period of transition from our vote to leave to our exit in March 2019. That is a big win for the EU, given the fact that the UK Parliament could have moved to implement the referendum decision quickly and unilaterally to end our contributions much earlier. We could have renounced the EU Treaty instead of complying with it by sending an Article 50 letter. We chose the friendly route of leaving instead. It gives them plenty of time to adjust their budgets for after our departure. The problem for Mr Barnier is there is no legal or Treaty power to levy money on us after we have gone, and no legal requirement for us to co fund their budget after 2019.

As Mr Barnier and his colleagues are usually sticklers for the law of the Treaties, he should get on with implementing the various clauses in the EU Treaties requiring the EU to have close and friendly relations with neighbouring countries, and to promote trade between them. That of course is what businesses and many voters on the continent want him to do, as they want best possible access to the lucrative UK market.

It does sound as if the EU has been doing some homework on the lack of UK Ministerial powers to make ex gratia or additional payments to the EU above and beyond the legal and required contributions whilst we are a member. I see they are now talking about the UK paying money to low income third countries as overseas aid. UK Ministers do of course have powers to make overseas aid payments to such countries. The good news is we are already making large payments under this heading, so the EU might be able to take that into account to help it move on to the important issues over our future relationship.