There is no cliff edge

The EU specialises in arguing based on fatuous and misleading analogies. We used to be told the UK had to stay in the convoy, an unfortunate image given twentieth century European history. Then we were told we must not miss the train, though many of us did not want to take a train to Brussels Central to be told what to do. Now we are told we will fall off the cliff if we just leave.

There is no cliff. There are numerous deals, contracts and joint activities which will continue after exit as before.People and businesses from Non EU member states fly to the EU, buy and sell with people in the EU, undertake joint ventures with the EU, come to EU universities. So will we once we have left.

I have still to hear from another member state what barriers they wish to impose on their citizens trading and travelling to the UK. It is difficult to see why they would want to get in the way, but if they do the WTO and other international laws and treaties will stop them doing damage to us.

Deficits and growth

The UK Treasury is still worried about the deficit. Getting it down further is going to be easier to do if the economy grows more quickly. So the obvious thing for the Treasury to do would be to move on from the question of how do we get the deficit down, to the more interesting question of how do we get the UK economy to grow faster? There is always the danger that if the Treasury spends all its time talking of the deficit it dampens expectations of growth and diverts attention from cutting tax rates or targeting spending in ways which can do most to promote more activity.

The Treasury does have one other important refrain as well as the deficit. It wants to get productivity up. This is worthwhile cause, though the word itself does not usually ignite warm support or spontaneous applause. Indeed, productivity raising investment in training, computing, plant and equipment is a prime way of raising the growth rate. In recent years under Conservative led governments the UK economy has been very successful at generating many more jobs, and getting more people into work. It now needs to improve at getting more of those people into better paid jobs. It is easier to get a better paid job if you already have a not so well paid job. Your employer may well back you, train you, promote you, or some other employer may poach you for a better paid role.

The announcement that the UK will build 5 new frigates in UK yards is an intelligent use of government procurement to support and develop the manufacturing economy. Defence is the one area where the UK can spend public money under EU rules whilst granting priority to UK suppliers. The aim is to provide workloads for several UK yards who can then seek other private sector work or seek to sell naval vessels to allied and friendly navies, extending the workload and sustaining the overheads and skills base. The procurement also features the new idea of offering a fixed price and asking the yards to provide the best ship for the money.

In the exchanges that followed the Statement I asked that this idea of using government procurement to strengten UK supply be used more widely within defence. Once we are out of the EU, as the Secretary of State confirmed, we could amend EU procurement rules and apply this approach to some non defence areas as well.

The EU Withdrawal Bill does not give Ministers large powers

It is one of those ironies that the people who most liked our membership of the EU which sidelined Parliament over large numbers of important laws, now claim wrongly that the Withdrawal Bill gives Ministers special powers to by pass our democracy. On the contrary, the Withdrawal Bill restores Parliamentary control over our laws in a very real way.

The UK has always had two main types of law approved by Parliament. Main policies and important changes are put into law by Act of Parliament. This requires a long deliberative process in both House of Parliament before approval. Subsidiary details, ways of implementing the legislation and updates to values and dates are often put through in Statutory Instruments. These go through after a short debate on a vote to approve or reject the whole Instrument.

During our time in the EU governments of all persuasions used these Statutory Instruments to impose whole new laws that would otherwise have required an Act of Parliament in order to implement EU Directives. They were able to do so using the argument that Parliament had legislated in the original European membership Act to accept all these EEC/EU laws. Whilst governments observed the form that they had to be approved as Statutory Instruments, Parliament was also told in each case it had to vote for these new laws to conform with the requirements of our membership of the EU.

The Withdrawal Bill is as important a piece of legislation as the European Communities Act which it repeals. IT will remove all ability of Parliament in future to put through what are effectively complex new laws without the need for an Act of Parliament. It will restore UK democracy.

It also will transfer all current EU law into good UK law to ensure continuity, and to reassure Remain voters. Thereafter Parliament will only be able to change these European laws if government proposes and MPs accept new primary legislation to do so. With this in mind the government is planning a Fishing, Customs, Trade and other new laws next year to change features of the EU law in these areas.

Opposition MPs object to the relatively minor power that Ministers may, under the this draft legislation, make changes to EU laws by Statutory Instrument where there are technical matters that need cleaning up. For example many EU laws refer to the UK as a member state. These references need to be amended to former member state. Some EU laws grant rights of appeal to EU bodies whose powers will be removed by this legislation, so Ministers need to nominate new appellate bodies.

Ministers have made it quite clear these powers are not designed to allow them to change the sense or purpose of the law with an Act of Parliament. They will only be used for technical matters. Parliament anyway has the right to veto any SI under these powers, so it would be easy to stop any abuse.

UK Manufacturing looks stronger in August

The UK manufacturing PMI survey rose to 56.0 in August, well above the level of around 52 it was at during 2015 before the Brexit referendum became an issue. Industrial and manufacturing output is up slightly in June 2017 compared to June 2016, confounding the predictions of recession at the time of the vote.

Car output and sales which did extremely well from July 2016 until April this year, were hit by the tax increases of the last budget. However, total car output so far this year is only 1.6% down on the same period last year despite this. In part this reflects the high proportion of vehicles that are exported.

The UK industry runs a £13 bn surplus with the rest of the world and a £21.8bn deficit with the rest of the EU on vehicles. It also runs a £6.2bn a year deficit on components with the rest of the EU and is in balance on parts with the rest of the world. The EU has not been a good or easy market for the UK industry.

Since the vote Nissan has announced two new models for its Sunderland plant and Honda has pledged a substantial additional investment at its Burnaston facility. Component manufacturers also see the opportunity for more UK sourced parts, with Gestamp announcing a new Midlands manufacturing facility.

Meanwhile Ford has said it will be shedding an additional 1100 jobs from its

Bridgend plant. This is in line with its progressive run down of UK vehicle assembly and related work over many years. It closed all vehicle assembly at Dagenham more than a decade ago, and closed its last vehicle assembly line in Southampton before we had in mind a Brexit vote. Transit manufacture for Europe shifted not to the EU but to Turkey. It does intend to carry on making engines in the UK, where UK technology and skills are a strength.

The UK's two largest vehicle manufacturers are Jaguar Land Rover, producing 544,000 last year and Nissan with 507,000, out of the total production of 1.7 million. Both are committed to their UK base and have scope to buy more components manufactured locally.

The UK government is promoting R and D in new vehicles and new technology, and is backing the Automotive Investment Organisation which seeks new investors to set up component capacity. The aim is to get the UK component proportion up from around 40% to well over 50%.

Boosting the component proportion is an important part of the strategy to generate more jobs here, add more value, and simplify the application of rules of origin for international trade. The motor industry has risen from just 5.4% of UK manufacturing output in 2007 to 9.4% last year.

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 larest 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.