

# The collapse of Labour and Conservative sister parties in the Euro area

It looks as if neither the Republicans (Conservative) nor Socialists (Labour) will have a candidate in the last two to be French President. It looks as if a third force party run by Mr Wilders will be the top performing party in the Netherlands election in March. Syriza came from nowhere to be the largest party and form the government in Greece. Pasok (Labour) have no seats in the present Greek Parliament. In Italy Grillo's 5 Star Movement is well ahead of the two old main parties in the polls. In Spain Podemos and Ciudadanos have made huge inroads into the traditional centre right and left main parties, making it impossible for either to form a stable government easily.

I find it extraordinary that these once great governing parties of the post war world in Europe have given up their pre-eminence so easily. It shows just how out of touch they have become. The main driver of their demise and of the popular discontent seems to be the bad impact of EU austerity economics and the Euro on their economies. When a country has half its young people out of work and around a fifth of its entire workforce laid off, it is no wonder voters seek a better way. The traditional parties are either deaf to the entreaties of those who want change, or impotent to change the things that matter because they have locked themselves into the EU and Euro schemes.

Whenever a country gets into a predictable governing crisis owing to its fractured party politics the EU proposes a technocrat led coalition government following the Brussels rules. When a country votes for decisive change, as Greece did when it elected Syriza to government, the EU works to ensure there can be no positive change and redoubles its efforts to enforce the very policies that have led to the political explosion in the first place. Economic failure can lead to a cry for strict controls on the movement of people, and a sharper nationalist rhetoric, as people hit out in search of a solution to a problem which their EU loving rulers scarce admit exists.

It is one thing for the traditional parties to decline, as they are. It is another for a single strong challenger party to emerge and take over government. That so far has only happened in Greece, though it could happen elsewhere this year. It is an even more difficult thing for that challenger party to break free from the shackles of conventional EU politics and improve the outlook. So far Syriza has been unable to do that, owing to voter ambiguity about the Euro project.

Marine Le Pen is made of sterner stuff than Syriza. Were she to win she would take France out of the Euro and run an economic policy she thinks would change France for the better. The AFD in Germany want to take their country out of the single currency, and have recently defeated the two traditional parties in Lande elections. They remain well behind Mrs Merkel's party in polls for a national election. Sgnr Grillo is playing on the growing

unpopularity of the Euro in Italy and may want to exit were he to win.

The ruling elite of the EU, with its single currency and panoply of Brussels controls, is on trial in this years elections in the Netherlands, France, Germany and probably Italy too. The triumph of Brexit and Trump show there could be an upset for the ruling EU group in one or more of these. Meanwhile the Euro elite fasten their seatbelts and proceed with the same approach.

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## New houses and Grazeley

I was given some more information about the Council's possible project for a new town at Grazeley with 15,000 homes at a meeting on Friday. This is the project the Council is currently consulting about.

My comments included

1. Will the Council seek some guarantees that were it to go ahead at Grazeley there would be a direct reduction in pressure on other sites around the Borough?
2. What will the bid be for infrastructure investment? It would need to be large given the number of people who would go to live there.
3. What impact would 30,000 more cars have on the area? What extra capacity would be needed on our current highway network?
4. What would the impact of the railway plans be on Mortimer and on current rail use on that line?
5. How many primary and secondary schools will be needed – the indication is 5 and 2 – and is there provision for them?
6. What would the impact be on flooding and drainage patterns?
7. What extra provision will be needed for NHS and social care services?

Our infrastructure and public service provision is struggling to catch up with all the latest developments. Before committing to any major new project there needs to be detailed plans to tackle the extra required and to deal with the backlog.

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## Contemporary democratic revolutions

There is a mood to sweep away the old centre left and centre right parties on the continent in a desperate bid to have something better . In the USA and the UK there is the wish to force change on the body politic by voting for Brexit and Donald Trump, within the traditional party structures. On both sides of the Atlantic and the Channel there is that same impatience with

politics as it has been practised for the last twenty years, and anger at the way the governing corporate, civil service and Ministerial elites have behaved.

The anger is justified. The elites told us they knew best. They assured us they had the expertise. On the continent Tweedledum and Tweedledee parties alternated in government but little of substance changed. In the UK a puppet Parliament pretended to be in control whilst shovelling through thousands of pages of laws and many spending programmes that the EU required, with both parties claiming to support them without criticism or proper debate. In the UK we were made to live through the Exchange Rate Mechanism recession, the Banking Crash recession and the Euro crisis at one remove. The US was put through the Great Recession and the Iraq war. The Euro area had to endure the most economic pain with the ERM crash, the Banking Crash and the continuing Euro crisis.

People not very interested in politics, or pessimistic about their chances of changing anything for many years, have decided to take back control. In the USA Mr Trump first tossed aside all the serious professional well honed politicians of the Republican party to take their crown. He then went on to defeat the doyenne of political insiders, the darling of the elite, Hilary Clinton, who ran on a ticket of expertise and experience. The public said if it meant the expertise that had brought them the Great Recession and the Iraq war, they would rather try something new.

In the UK many groups of people with very varied political opinions united behind a campaign with the express slogan of Take Back Control. The more Remain paraded every great figure of the established governing and corporate bosses, the more the Leave case was supported. The experts who had led much of southern and western European economy into mass unemployment with their Euro currency were surprised when people did not believe their forecasts of gloom if the UK dared to vote Out. My belief Leave would win was strengthened at a big public meeting when many in the audience laughed and cried out their disbelief when the Project Fear forecasts were put before them.

If parties wish to run and support technocratic government it must at least be competent technocratic government. If they believe only they have the expertise to make the decisions and that the people just need bread and circuses, they must make sure everyone can afford the bread and get to the circus. The main reason the old establishment is being swept away is it failed to deliver.

Tomorrow I will look at the parlous light of the Conservative and Labour look alike parties on the continent.

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## The IFS offers more gloom

The IFS tells us in their latest forecasts that we can look forward to more years of tax rises and spending cuts. They expect the UK economy to slow this year, and slow again next year. They are out of touch with the mood to banish austerity and go for growth.

They are more pessimistic about the Eurozone than about the UK. They have lowered their 2017 growth forecast to 1.5% for the Euro area, whilst proposing 1.6% for the UK. They run one scenario which looks at what weak European banks and Brexit could do to their forecast – an unusual pairing with no explanation of why they are lumped together or the relative contributions to their extra gloom on this basis.

They do confess that there are “increasing chances that the forecasts may be too pessimistic”. They accept that the UK consumer carried on spending post the referendum when most forecasters said they would not. They admit that business investment rose a little faster after the vote, instead of falling off the cliff as in many forecasts. They agree that trade which had performed disappointingly last year might add a bit to our economy in 2017.

They confess that “real levels of day to day public service spending have actually fallen very little overall in the last three years”. If they checked the Red Book figures they would see the cash growth in overall public spending actually rose faster than inflation over that time period. They now think removing the deficit should be the priority, which leads them to conclude political parties have to offer some combination of higher taxes and lower spending.

Politically it is much more attractive to square the circle with more growth. More growth brings in more tax revenue without tax rate rises. It cuts the costs of benefits as people move from no pay to low pay, and from low pay to better pay. The issue before us should be what more can we do to promote growth.

I do not accept that growth will be as low as they say in 2017 or 2018. That still makes me keen to find more measures which can promote more growth. A tax rate cutting budget could help, especially if we cut those tax rates that are damaging the revenue collected. Spending enough on social care and health is a cross party priority, and we have to accept these services will continue to need more cash in the future. Investing more when long term interest rates are still so low should make sense, though the state needs to show commonsense over projects chosen and where possible harness the private sector to ensure a proper profit test on the project.

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# My contribution to the debate on the European Union (Notification of Withdrawal) Bill, 8 February 2017

**John Redwood:** I find myself in agreement with new clause 2, which makes perfectly sensible statements about what our negotiating aims should be. I have even better news for the Opposition Front-Bench team: it is a statement of the White Paper policy. Of course we wish to maintain a stable, sustainable, profitable and growing economy, which we have done ever since the Brexit vote. Of course we wish to preserve the peace in Northern Ireland, to have excellent trading arrangements with the European Union for goods and services free of tariff, to have lots of co-operative activities with EU member states and institutions in education, research and science and so forth, and to maintain the important rights and legal protections enshrined in European law. As I understand it, the Government have made it crystal clear in the White Paper and in many statements and answers to questions and responses to debates from the Front Bench that all those things are fundamental to the negotiating aims of the Government.

Having excited the Opposition with my agreement, I need to explain why I will not vote for this new clause. I have two main reasons, which I briefly wish to develop. First, I am happy to accept the promise and the statement of our Front-Bench team, and I advise the Opposition to do the same. Secondly, although the words do not explicitly say, "This is what has to be delivered", the fact that it is embedded in legislation implies that all these things must be delivered, and some of them are not in the gift of this Government or this Parliament. I return to the point that the Opposition never seem to grasp: we are all united in the aim of ensuring tariff-free trade, but it will be decided by the other 27 members, not by this Parliament or by Ministers.

**Mr Harper:** Given that the list in new clause 2 exactly matches some of the things in the White Paper, it is pointless. Is it not interesting that the two areas it does not mention are immigration and strengthening the United Kingdom? Those omissions are very significant.

**John Redwood:** That is a very powerful point. I could add others. It is a great pity that it does not mention the opportunity to have a decent fishing policy. It certainly does not talk about having a sensible immigration policy. The Opposition still do not understand that we have to remove the jurisdiction of the European Court of Justice if this Parliament is to be free to have a fishing policy that helps to restore the fishing grounds of Scotland and England, and to have a policy that makes sensible provision for people of skills, talent and interest to come into our country, but that ensures that we can have some limit on the numbers.

**Mr Angus Brendan MacNeil (Na h-Eileanan an Iar) (SNP):** I heard the right hon. Gentleman's wish list at the beginning of his speech. Has he grasped the fact

that that wish list is actually encapsulated in two words: single market?

**John Redwood:** No, it clearly is not. The hon. Gentleman has not been listening to what I have been saying. The whole point about the single market is that it does not allow us to have a sensible fishing policy or a sensible borders policy, which are two notable omissions from the list, which, fortunately, were not absent from the White Paper or from the Government's thinking.

**Joanna Cherry (Edinburgh South West) (SNP):** Perhaps the right hon. Gentleman would like to reconsider what he just said. He said the whole point about the single market is that it does not allow us to have a sensible fishing policy, but Norway is in the single market in the European economic area, but not in the common fisheries policy. It controls its own fisheries policy, which he would know if he had read this excellent document, "Scotland's Place in Europe".

**John Redwood:** Well, why have we not had a sensible fishing policy for the past 40 years? It is because we have been a full member of the EU and its single market. What is agreed across this House—even by some members of the Scottish National party—is that we want maximum tariff-free, barrier-free access to the internal market. However, what is not on offer from the other 27 members is for us to stay in the single market, but not to comply with all the other things with which we have to comply as a member of the EU. There is no separate thing called the single market; it is a series of laws that go over all sorts of boundaries and barriers. If we withdraw from the EU, we withdraw from the single market.

**Alex Salmond (Gordon) (SNP):** The right hon. Gentleman's example was of fishing policy, so does he agree as a point of fact that Norway is in the single market but pursues its own independent fishing policy? Yes or no?

**John Redwood:** I agree that Norway decided to sacrifice control of her borders to get certain other things from a different kind of relationship with the EU, but we do not wish to join the EEA because we do not wish to sacrifice control over our borders. That is straightforward.

**Helen Goodman (Bishop Auckland) (Lab):** The right hon. Gentleman is absolutely wrong. Norway was part of the Nordic free movement area with Sweden, Finland and Denmark way before the European Union was even invented.

**John Redwood:** Norway is now part of a freedom of movement area far bigger than that, and that was part of its deal. It also has to pay in a lot of money that British voters clearly do not wish to pay, so why would we want to do that?

**Mr Steve Baker (Wycombe) (Con):** Does my right hon. Friend agree that if Opposition Members are serious about the flourishing of our economy, 80% of which is services, they should accept that we need to be able to do trade deals on services, which means that we have to leave the EEA so that we can negotiate about regulation?

**John Redwood:** That is quite right, and they also ignore the whole of the rest of the world. It so happens that we have a profitable, balanced trade with the rest of the world. We are often in surplus with the rest of the world overall and we are in massive deficit in goods with the EU alone. There is much more scope for growth in our trade with the rest of the world than there is with the EU, partly because the rest of the world is growing much faster overall than the EU and partly because we have the chance to have a much bigger proportion of the market there than we have, whereas we obviously have quite an advanced trade with the EU that is probably in decline because of the obvious economic problems in the euro area.

**Sammy Wilson (East Antrim) (DUP):** Does the right hon. Gentleman note that although the shadow Minister made no mention of the importance of controlling immigration, his new clause 2 mentions “preserving peace in Northern Ireland”, although he never mentioned one word of it? Does the right hon. Gentleman accept that the shadow Minister perhaps understands that Brexit has no implications for peace in Northern Ireland? It is not a cause of increased terrorism. Indeed, the terrorists never fought to stay in the EU; they fought to get out of Britain.

**John Redwood:** The hon. Gentleman has made his own point, and we all wish Northern Ireland well.

**Mr Kenneth Clarke (Rushcliffe) (Con):** First, let me congratulate my right hon. Friend on recognising that there is nothing in new clause 2 that is remotely objectionable to either leavers or remainers as an objective for the country in the forthcoming negotiations. If tariff-free access to the single market is desirable, does he accept that access to any market is not possible without accepting obedience of that market’s regulations? Otherwise, there are regulatory barriers. We need some sort of dispute procedure. If we start to reject the European Court of Justice and say that all the regulations must be British and that we are free to alter them when we feel like it, we are not pursuing the objectives in new clause 2 with which my right hon. Friend expresses complete agreement.

**John Redwood:** Of course there is a dispute resolution procedure when we enter a free trade agreement or any other trade arrangement. There is a very clear one in the WTO. We will register the best deal we can get with the EU under our WTO membership and it will be governed by normal WTO resolution procedures, with which we have no problem. The problem with the ECJ is that it presumes to strike down the wishes of the British people and good statute law made by this House of Commons on a wide range of issues, which means that we are no longer sovereign all the time we are in it.

**Mr Bailey:** The right hon. Gentleman argues that our membership of the EU inhibits our ability to trade with the expanding economies of the rest of the world. If so, will he explain why Germany exports nearly four times as much as we do to China and exceeds our exports to both India and Brazil, the other fast-growing economies, and why France also exports more to China and Brazil than we do? What is it that they do in the EU that we will do when we come out?

**John Redwood:** It is quite obvious that Germany will export more at the early stages of development in an emerging market economy, because it tends to export capital equipment of the kind that is needed to industrialise, which is what China bought in the last decade. Now that China is a much richer country, she is going to have a massive expansion of services and that is where we have a strong relative advantage in that if we have the right kind of arrangement with China we will accelerate the growth of our exports, which China will now want, more rapidly. The hon. Gentleman must understand that the EU imposes massive and, I think, dangerous barriers against the emerging market world for their agricultural produce. The kind of deals we can offer to an emerging market country, saying that we will buy their much cheaper food by taking the tariff barriers off their food products in return for much better access to their service and industrial goods markets where we have products that they might like to buy—[Interruption.] I hear my right hon. Friend the Member for Wantage (Mr Vaizey) express a worry about British farmers, and British farmers, would, of course, have a subsidy regime based on environmental factors, in the main, which we would want to continue.

**Jonathan Edwards (Carmarthen East and Dinefwr) (PC):** What impact does the right hon. Gentleman think that that would have on Welsh agriculture and the rural economy in Wales?

John Redwood: I just explained that it should boost it. I am sure that more market opportunities will open up for Welsh farmers, but we will also debate in this House how to have a proper support regime. I hope that it will be a support regime that not only rewards environmental objectives but is friendly to promoting the greater efficiencies that can come from more farm mechanisation and enlargement, which will be an important part of our journey to try to eliminate some of the massive deficit we run in food with the rest of the EU while being more decent to the emerging world—the poor countries of the world to which we deliberately deny access to our markets.

**Angela Smith (Penistone and Stocksbridge) (Lab):** May I take it from what the right hon. Gentleman has just said that in any free trade deal with New Zealand he will continue to ensure that sheep farmers in this country are not sacrificed in the interests of getting good access to the New Zealand market for our financial services?

**John Redwood:** I am sure that that would be a very appropriate part of the discussions our country holds with New Zealand and Australia. I broadly take the view—I thought Labour was now of this view—that getting rid of tariffs was a good idea. Labour has spent all of the past six months saying how we must not have tariffs on our trade with Europe, but now I discover it wants tariffs on trade with everywhere else in the world. It is arguing a large contradiction.

**Dr Murrison;** My right hon. Friend is making a very powerful case. Does he not agree that it is truly remarkable that Germany makes three times as much money on coffee as developing countries because of tariffs and that we are noticing a problem with out-of-season fruit and vegetables in our supermarkets in part because of the pressures applied to producers in north Africa? It is no good colleagues on the Opposition Benches having a go at

those who are concerned about international development assistance if they are prepared to tolerate such tariff barriers, which act against the interests of developing countries.

**John Redwood:** I think that we have teased out something very important in this debate. The Opposition want no barriers against ferocious competition from agriculture on the continent, which has undoubtedly damaged an awful lot of Welsh, Scottish and English farms, but they want maximum tariff barriers to trade with the rest of the world so that we still have to buy dear food. That does not seem to be an appealing package.

**Kit Malthouse:** My right hon. Friend might be interested to know that just last week I visited Randall Parker Foods in my constituency, a company that slaughters and processes several hundred thousand Welsh lambs every year and that is salivating at the chance of opening up the US market, in particular, where Welsh lamb is under-represented and where there is huge potential for us to export more than we do.

**John Redwood:** Like my hon. Friend, I think that there are some great English, Welsh, Scottish and Northern Irish agricultural products, and that with the right tariff system with the rest of the world we could do considerably better with our quality products.

**Sir William Cash (Stone) (Con):** I congratulate my right hon. Friend on his great speech, but I want to ask him one question that goes to the merits of the new clause. It says that the Prime Minister "shall give an undertaking", which is clearly a mandatory requirement under statute, and which itself calls for judicial review if somebody decides to do that. However, in all my time in this place, I have never seen a clause proposing the preserving of peace in Northern Ireland as a matter of public interest and of judicial review. It is unbelievably unworkable and completely contrary to all the assumptions that one might rely on for a decent provision.

**John Redwood:** I am grateful to my hon. Friend for drawing me back to my central point. He kindly said that I have made a good speech, but I have just responded to everybody else making their own speeches and riding their own hobby horses. I hope they have enjoyed giving those hobby horses a good ride.

To summarise my brief case, the aims of the new clause are fine. They happen to be agreed by the Government. However, it is disappointing that the Opposition have left out some important aims that matter to the British people: taking back control of our borders and laws, and dealing with the problem of the Court immediately spring to mind, but there are many others. They leave out, as they always do, the huge opportunities to have so many policies in areas such as fishing and farming that would be better for the industry and for consumers. They have now revealed a fundamental contradiction in wanting completely tariff-free trade in Europe, but massive tariff barriers everywhere else, and do not really seem to think through the logic.

My conclusion is that there is nothing wrong with the aims. We need the extra aims that the Government have rightly spelt out. It would be quite silly to

incorporate negotiating aims in legislation. I believe in the Government's good faith. We are mercifully united in wanting tariff-free, barrier-free trade with the rest of Europe. It is not in the gift of this House, let alone the gift of Ministers, to deliver that, but if people on the continent are sensible they will want that because they get a lot more out of this trade than we do. They must understand that the most-favoured nation tariffs are low or non-existent on the things we sell to them, but can be quite penal on the things they have been particularly successful at selling to us. The aims are a great idea, but it is a silly idea to put them into law.