Brexit and the Anglosphere

In 1973 when the UK joined the European Economic Community it had to impose tariffs on Commonwealth countries, put in VAT and confine its free trade ambitions to the European continent. There was a sense of betrayal in New Zealand and Australia where they saw Europe replace themselves in crucial export areas like food. The UK was brusque and unhelpful to those countries that had done most to stand by Britain, especially during the long and brutal second world war when the UK was fighting against Germany and Italy, two founders of the EEC.

Winston Churchill put out many ideas about the future and about how the world might develop. He did envisage a European Union, though any careful reading of the relevant speeches makes clear that was for the continental countries and did not include the UK herself. His work has been much traduced since by those who claim he was an early pioneer of the EU. To reinforce the point Churchill wrote a long four volume history of the "English speaking peoples", not of the Europeans. That concluded that he thought there would be a union of the english speaking peoples and it would begin as a defence alliance. All his life he had closest affinity with the English speaking world, from his family and strong political links with the USA through his early adult life in South Africa to his passions for Empire and then for Commonwealth.

Today this takes shape. The UK is a member of the five country 5 Eyes alliance for sharing deepest intelligence with the USA, Canada, Australia and New Zealand that goes beyond what NATO members share. There is the 3 country Pacific AUKUS defence alliance with the USA and Australia. The USA and UK have been the leaders of NATO, given the French on off involvement and wish to create a separate EU defence arrangement. The TPP with a services chapter missing from many EU trade deals is more suited to the UK needs and may attract the USA as a member to join the UK, New Zealand and Australia.

I do not myself favour unions of states and do not expect an eventual union of the UK with either the English speaking world or Europe. You do not need to be governed by trade partners to trade with them. Most jobs and income in the UK will continue to depend on home UK trade.

The UK avoids the pile up of debts in the EU

In our later years in the EU it was becoming a problem that the Uk was in the EU but not in the Euro. There were meetings the UK had to leave early when they wished to go onto tackle Euro issues. There were programmes they needed to complete their political and monetary union that the UK did not want to join. There was a burgeoning set of debts and transfers that sharing a currency necessitated.

Since we left the EU has been freer to get on with the necessary increased EU level government to underpin the currency union. The EU needs larger transfers from the richer parts to the poorer parts as we have in our sterling currency union and the US has in its dollar union. The system kept going in the past through allowing the countries in need of more financial support like Greece, Spain and Italy to borrow at zero or low cost from the European Central Bank, drawing down surpluses deposited by Germany and the richer members. What was planned as short term and limited facilities to ensure the Euro deposits were honoured throughout the zone became a long term cheap financing facility. Germany today has contributed 1.25 trillion euros through the ECB. As interest rates rise this becomes more problematic.

Now the EU is relaxing the former constraints on more state debt by two main means. It is introducing large borrowings at EU level, with Euro 800 bn of new borrowings planned under the NextGenerationEU green energy led development projects. It is relaxing the limits placed on running deficits at 3% of GDP and on the stock of state debt at 60% of GDP. Each country will be able to agree with the EU laxer debt totals for policies the EU likes. As a result total debt in the EU will grow, and each member state in the system will be jointly liable for the growing EU debt .

The European Central Bank has stirred itself to a rare criticism of the EU, reminding them that too much debt is undesirable and asking them to retain some controls over the total level of state and EU debts. The Bundesbank has gone further, condemning the move to more borrowing. The UK no longer has to pay its share of a fast rising budget, nor accept liability for any share of EU debt now being accumulated. I am glad we have shed these risks, and glad our former partners can now pursue their debt union without a UK brake on the budgets as that seems to be their desire.

One of the biggest Brexit wins so far is avoiding many billions of extra debt as the EU borrowings grow rapidly.

Can the UK now recapture lost markets and market shares?

Our period in the EU led to the loss of substantial market share in many important areas of economic life. In the first ten years in the EEC our car output halved, before the Thatcher government helped rebuild the industry by inviting in large Japanese producers. German and French cars proved too competitive for the largely nationalised UK industry on entry when the tariffs came off. We lost a large part of our steel industry to more competitive German steel. Under Labour and under Conservatives the progressive closure of most of the large 5 integrated works of the nationalised industry occurred with continental steel replacing some of the lost output.

Our fishing industry went from producing more fish than we consumed to losing large amounts of capacity to foreign vessels under the Common Fishery Policy. Our ports were drained of trawlers and we turned to importing more of what we ate. Large industrial trawlers from the continent , some over 100 m in length were allowed to hoover up too many fish and do damage to the fishing grounds. Our natural resource was plundered.

Our farms suffered under the Common Agricultural Policy. We lost about 25% market share as the EU paid grants to grub up our orchards to import apples and pears from elsewhere. Fruit, vegetables and flowers from expensively heated and subsidised greenhouses in Holland took market share. Vegetables and fruit from hot Spain, short of water, replaced English produce on supermarket shelves. Our beef industry was damaged by an excessive response to BSE, and our dairy industry cut back by inadequate quotas.

Our chemical industry wilted under pressure from German competition. We even started importing more heavy building materials products that we had been able to make for ourselves before. The UK moved rapidly into a large and permanent deficit on goods trade account with the EU. Our trade with the rest of the world grew more quickly and was often in balance or surplus, not deficit.

Today we could change the rules and the pattern of subsidies to produce more of the above. The government should work harder on encouraging more home grown and home produced items as other countries are visibly doing. The threat to ban all new diesel and petrol car sales here as soon as 2030 will undermine our car industry further and needs to be lifted. The pattern of farm subsidies needs to be radically shifted away from wilding and environmental grants to food producing grants. Over 100m fishing boats should be banned. There needs to be a scheme to help set up a new UK fleet of sea going trawlers to catch more of the allowable total in our own waters.Our high energy using businesses should be freed of the burden of extra carbon and emissions taxes. These serve to increase not reduce world CO 2 as they force us to rely on imports with extra transport costs.

Something for something – better pay and better productivity in the public sector

The big decline in public sector productivity over the pandemic, and the failure to get back to previous levels now we are well past lockdowns is disturbing. The government needed to accept the Pay Review Body recommendations, as it did last year when they were tough on staff. It also needs to impart a something for something approach to senior public sector management so better paid and better motivated people deliver more.

In parts of the public sector leaving rates are high and sickness rates are high. These are usual signs of low morale that can become self reinforcing. If too many people leave or are absent the rest of the staff feel put upon and may have unrealistic workloads. If too many people feel their grading and job specification is unfair there will be more people leaving. If an organisation has to rely on temps and recently appointed staff too much it will be more difficult to get things done efficiently and smoothly. Experienced staff will need to devote more time to informal training and mentoring to get things done reducing their own effectiveness.The NHS employs far too many temps at agency rates well above regular wage levels for the same job as a result of not retaining enough payroll staff.

The NHS workforce plan sets out to tackle some of these issues, but it will only succeed if management buys into the need to ease the tasks of the medical staff, provides good back up and removes some of the burdens of form filling and training not central to the medical tasks of treating patients well. Management success requires each team member to feel they are valued, to know they are good at what they do, and to take an individual and a team pride in delivering great quality at a realistic cost. Promotions, rosters and back up need to be organised to get the most out of people, the most important resource of these public services.Senior managers who cannot lead the staff, end the strikes and raise morale need to be trained and mentored to do so, with bonuses and promotions dependent on success.

Saving the UK car industry

The UK and much of the EU needs to wake up to the reality that China has gained control over much of the raw materials and fabrication capacity to make vehicle batteries for electric cars. China is about to unleash more competitive car products onto the wider world market, from her large home base where electric cars are already a quarter of new car sales. Indeed a Chinese company acquired the MG brand to have a more familiar name on some of their products for a western market.

The UK and other European countries that do make cars are in a scramble to attract investment in electric vehicle assembly, and in battery and component manufacture. Much of the value of an EV lies in the large battery which typically forms the base plate or chassis of the vehicle. Making this is central to making an electric car and confirming it is a UK or EU product with sufficient added value from local sources. There is also a scramble to acquire lithium, nickel, graphite, copper and manganese amongst other materials to produce the batteries. There are sources of these in friendly parts of the world, but for the time being China dominates in turning the products from the mines into the usable metals.

The result is a subsidy war, just at the time when the last thing the UK government needs is more demands for public spending. The problem with excessive subsidy is it allows a private company to invest with less concentration on how commercial the product will be and with less discipline over how the investment pounds are spent. The taxpayer is a co venturer taking much of the risk but not eligible for any of the reward should the investment pay out well.

The truth is the western industry is not ready for an early ban or withdrawal of all new diesel and petrol cars which several companies here, in Germany and elsewhere have excelled in making. The UK should put back its ban which will now act to divert private sector investment away from the UK and will terminate successful factories prematurely. The UK and other European countries also needs more time to make provision for more electric cars. It will require a huge expansion of both generating capacity and grid capacity to provide the power to recharge a large fleet of electric vehicles. It will also give the industry more time to design affordable popular electric cars that people want to buy. They cannot make people buy new electric cars,but they can lose us a lot of jobs and prosperity by early bans.

The government should scrap the proposed penalties from next year on car producers who do not sell 22% of their cars as so called net zero vehicles. Not enough people want to buy all battery EVs. They are anyway not net zero. They run off a grid dependent on gas, wood and coal for much of its power.