

## **“We don’t believe you”**

I am bringing out a new book which looks at why populist parties and Presidential candidates are doing well in many elections. It looks at the big gap between what the establishments do and what the voters want them to do. It points out that the two sides do not just disagree about the remedies, but they now disagree about what are the main problems.

More criticism and disillusion set in with the series of difficult civil and religious wars in the Middle East. Electorates in the USA and the EU were not impressed by the political follow up to the military campaigns, and by the fall out from the bitter wars. It got worse with the banking crash of 2008-9. Governments and Central banks blamed the bankers, but voters thought the governing elite were partly responsible as well. In more recent years the failure to advance real incomes at the pre crisis pace, the attack on personal transport and the wish to control people’s thoughts on a wide range of topics, the alliance between big business and big government, higher taxes and the apparent scorn for democracy have all served to make the fissure greater between traditional political parties and candidates on the one hand, and the governing elites on the other.

The book has chapters on military intervention, austerity economics, Brexit, the collapse of the Social Democrats and Christian Democrats as governing parties in most of the EU, the clash between social media and conventional media, the way some large businesses side with big government to the annoyance of their customers, political correctness, large scale migration and the difficulties caused by the Euro.

“We don’t believe you Why Populists reject the establishment” Bite-sized books Available through Amazon

---

## **Mrs May strengthens Remain forces in Cabinet**

The replacement of Gavin Williamson in Cabinet with Rory Stewart is the net change of yesterday’s mini reshuffle. The purpose is clear. Mr Williamson thought we should get on with leaving the EU. Mr Stewart is wedded to Mrs May’s deeply unpopular stay in and pay up Agreement. The Agreement delays our exit by around 2 years, maybe 4 years, and probably keeping us in the customs union and much else thereafter.

There was no leak of sensitive national security information. Someone leaked which Cabinet members opposed Mrs May’s wish to let a Chinese company into the UK 5G system. This is no worse than the regular leaks from Cabinet that

we have got used to. Mr Williamson denies he leaked.

Whatever the truth of this leak it is quite obvious the system is unfair. There has been no leak enquiry when the leaker could have been a Remain supporting Cabinet member. Yesterday was another bad day where the position of those who want to stop us leaving the EU as promised now was strengthened with an additional recruit who shows no sympathy for all those who oppose the Agreement for failing to take back control as the Leave majority wants to.

<https://johnredwoodsdiary.com/>

---

## **Just leave and table a Free Trade Agreement**

On Tuesday EU Trade Commissioner Malmstrom gave an interesting interview stating EU policy on the major trade issues around the world. The principal concerns were the EU/US relationship and the EU/China relationship.

She was also asked about the UK position. She said

"If the UK leaves fully the EU and becomes a third country, it will still be a European country, it will still be our friend, it will still be an ally and a very important trading partner, so obviously we will have to try to find as comprehensive a trade agreement as possible with that country. But obviously it will not be 100% seamless because they are leaving the common market. Obviously it is in our interest as well as the UK's to have a trade agreement"

I have always said we can just leave and that will work fine, but it would be better to have a Free Trade Agreement. I have always thought it much in the EU's interest to have such an Agreement, but have pointed out they might want to damage themselves to damage us. It is important to know it is official EU policy to negotiate a Free Trade Agreement in good faith with the UK if we just leave. It is useful to know they want a comprehensive one, which is easy to do if both sides want it because we have tariff free trade at the moment. So why wont the UK government get on with it and table one? I am having another go at pressing the government to table an FTA, stop the Euro elections and leave.

---

# The continuing collapse of the UK car industry in the EU

The latest figures for car output and sales confirm the long downtrend which the UK government started with their Vehicle Excise tax hikes in the Spring of 2017 with the Bank of England assisting with their squeeze on car loans. For many recent months there has also been a parallel fall in car sales in China, the USA, and especially on the continent of the EU. I forecast here the impending decline of car manufacturing following the 2017 budget measures and money squeeze. In the USA higher interest rates on car loans did not help. In China a 10% purchase tax hit sales. On the continent the general economic downturn, regulatory changes over emissions and the attack on diesels also damaged car sales.

What is curious is the SMMT and some others who claim to speak for the UK industry go on and on about the damaging consequences of Brexit when we have not left and when this downturn is the result of several forces which have nothing whatsoever to do with Brexit. Why don't they speak out about the tax hikes here and in China that have hit demand? Why don't they discuss what is an affordable and responsible level of new credit to buy cars? Why don't they comment on how the shift to a strong attack on diesels by the EU and various governments including the UK have upended the big investment in diesel powered vehicles the EUK industry has recently made? Why don't they discuss how they will design and invest in a new generation of electric cars that enough people want to buy, if that is the agreed way to the future for the industry and governments?

UK March car output was down by 14%. The SMMT predicts a total production of 1.36m cars this year in the UK, down from 1.52 million last year. The main manufacturers are scrambling to shut down excess diesel car capacity, much of it modern and expensive, whilst trying to design and invest in new hybrid or electric vehicles. There is not yet much customer enthusiasm for the new electric cars governments want them to sell making judging the new investment difficult. The industry also decide to hold the usual summer shutdowns of plant for holidays and maintenance around the original date for Brexit, so the April figures will carry the impact of that as well. The industry could not even work with the government it seems so close to to be able to arrange the closedown at the right time for Brexit, given their unjustified pessimism about the process.

---

## The Spanish election

According to the BBC and others the Spanish socialist party won a famous

victory. It is true they are the largest single minority party in the new Parliament, and have the first chance to try to form a government.

“Winning” means they got just 28.7% of the vote and 123 seats in a 350 seat Assembly. This is fewer seats than the centre right Popular party got in the previous election when they had 137 seats. They were unable to create a stable government in coalition with others to last a full term.

The conservative PP plunged from 137 seats to just 66 seats. Their vote share almost halved from 33% to 16.7%. They lost votes to the right of centre challenger party Ciudadanos who increased their position to 57 seats and to the new force of Spanish nationalism, Vox, who took 24 seats from zero before. The right of centre parties commanded 42% of the vote and have 149 seats between them.

The left of centre parties took just 1% more of the vote, at 43%. They captured 165 seats between them, with the PSOE (socialists) on 123, and Podemos on 42. This leaves them short of a majority.

The biggest third bloc comes from Catalonia. There are 22 MPs from that part of Spain where many voters wish to leave the Spanish union. Neither the left nor the right coalitions will be that keen to do a deal with the Catalans, as Catalan nationalism is unpopular in the rest of Spain whilst remaining popular in Catalonia. It is likely Spain will remain without a government pending the European and local elections. Neither the PP led coalition nor the PSOE led coalition was able to govern effectively in the last Parliament owing to the arithmetic of support.

These kind of outcomes are now very common on the continent where the main centre left and centre right parties no longer command enough support to form stable governments in the way they used to. It probably suits the EU, as it means there is no strong challenge or power centre in most member states capable of disagreeing or pressing successfully for a change of EU policy.

<https://johnredwoodsdiary.com/>