UK's establishment tries to undermine UK Brexit position again

I read today criticisms of the PM' s sensible approach to Brexit talks from a former a senior civil servant in the Brexit department. He thinks the UK should concede on ECJ jurisdiction as if we were to remain a member state under their control when we left! Why do some people in the UK establishment just want to take dictation from Brussels and want to undermine the generous and good offer the UK is making?

I also hear some in business thinks the needs of the City are being ignored. Of course they are not, but the needs of the nation as a whole drive our offer. The City is well looked after within that.

Muddled messages from Central Banks

This week the ECB seemed to hint that Euro rates might have to rise and bond buying be reined in given the uptick in inflation and some recovery in activity. The Euro strengthened, then the ECB seemed to stress again continuing easy money and negative rates.

Meanwhile the Bank of England Governor said UK rates would stay low, only to be followed by his Chief Economist arguing that we might need an earlier rise. This led to a revised view from the Governor not ruling out some earlier rise. The pound rallied more against the dollar as a result. The pound has now risen 8% against the dollar from the low. All those who think UK inflation is driven by sterling will presumably now revise their inflation forecasts down, though they do not do so noisily as they did when get pound was falling.

Does any of this matter? Yes it does. Markets which determine mortgage rates and other real world matters have been unsettled by wobbly guidance from mighty institutions that have great impact on the rest of us. They need consistent and clear guidance, as the Fed successfully gave in the run up to its rate rises, and is now seeking to give in its wish to cut back the amount of created money and bonds it holds.

The Bank of England wants to cut personal borrowing in general and car loans in particular. This is seeking cuts and tightening before the recovery is well advanced. It comes on top of the damage the large increases in VED on dearer cars have caused, and the adverse impact of high Stamp duties and Buy to let changes on the housing market.

It has been a good couple of weeks for those of us who think the main determinant of currency moves is actual and expected interest rate differentials, not Brexit. The UK authorities are tightening prematurely, so expect less inflation and a bit less growth as a result.With expanding numbers of jobs, a short term spike in inflation and more growth to come allowing current levels of consumer borrowing would be a sensible approach. Just as the Bank tells us it is looking through the inflation spike, so should consumers who have jobs.

Why No deal will work fine

The latest scare stories doing the rounds seek to suggest that the UK could not trade successfully with the rest of the EU from outside the single market and customs union if there is no deal. I have explained in general terms why I think this is wrong, but there is still some demand for more detail. I will supply it. It is always difficult tackling nonsense, as there are no limits to the amount of nonsense you have to tackle. I am choosing the most common examples.

1. “Planes will not be able to fly to and from the continent and the UK the day after we leave, as there will be no Air Services Agreement in place” say some gloom mongers. Many air travel routes carry on daily around the world without a formal Air Services Agreement. All you need is a landing permission in the airport you are going to, and you need to get a flight path from air traffic control in controlled space. If there is no deal then the UK will of course allow EU carriers to continue with the landing slots they currently have, and the rest of the EU will do the same for UK carriers. The EU will not want to ban plane loads of UK tourists and other visitors from going to their countries and will not want to lose the landing revenues at their airports.

2. “The need for customs clearance will mean massive queues at our borders, with disruption to the supply system for the UK” argue some pessimists. Both the EU and the UK as a member of the EU are currently putting in new streamlined customs procedures to handle third party imports. These will work fine for rest of EU goods as well if necessary. Under customs simplified procedures for freight there is already a system of electronic registration of consignments, with the ability to undertake customs clearance at the importers premises once the goods have been successfully delivered. The EU will want decent procedures on the UK side of the channel as they export so much to us, including big volumes of perishable agricultural products.

3. “The need for products to comply with EU rules will hold up movements of goods” say some negative commentators. At the moment all UK goods exported to the EU conform with EU rules anyway. In future there is likely to be be mutual recognition of each other’s standard granting bodies, as with non EU country trade. There can also be continuity of the current system of self

certification by manufacturers of the standards and specifications of their products. The EU will want this for their exports to the UK. None of this need physically hold up goods crossing borders, where electronic documentation will have been filed in advance and cover all necessary details about consignments.

4. “Complex supply chains will incur tariffs that make Assembly of components from different sides of the Channel uneconomic” say those who often have never run complex supply chains. Most components are zero rated for tariff if they are included in a good which attracts a tariff on final sale, or of course for a good which is rated at zero tariff. Some components do attract low level tariffs which are more than offset by the fall in sterling against the Euro. I have never experienced difficulties in bringing in components from non Eu sources in my past life with manufacturing companies.

5. “Rules of origin” will be too difficult to sort out in time” say some anti Brexit people. Rules of origin work fine for non EU trade, with a system of self certification of origin available.

Parliament votes again to leave single market

A Labour rebel tabled an amendment to the Queens Speech to keep us in the single market and Customs Union. It was defeated by 322 to 101 votes, with 49 Labour rebels voting for it against their leadership’s view. 3 Shadow Spokesmen had to resign.

The BBC who have run a year long campaign to Keep us in the single market did not report this on the radio news, nor the big split in Labour. I wonder why?

The EU presses for higher and more EU taxes

I was pleased to see in the latest Commission Paper on the future of EU Finances the EU has set out a number of options to pay for a more ambitious Union government. As they say, the level of political ambition must be aligned with the financial means to act. They look at both increasing the contributions from member states, and seeking new direct sources of tax revenue.If they just decide to carry on around the current level of commitment and integration they identify the need for more sources of revenue and the end to rebates. It is in line with many continental wishes for a full Union, and with what some of us predicted prior to the referendum. It is good the UK will not now be trying to stop them and will not be in line for paying.

They also state that "The withdrawal of the UK will signify the loss of an important partner and contributor to the financing of EU policies and programmes. However, it also presents an opportunity for a vital discussion about the modernisation of the EU budget" – as the Uk of course stood in the way of getting rid of rebates to own resource contributions.

They look forward to cancelling all rebates on contributions. They float the idea of directly acting common environmental and energy taxes. They look at taking a percentage of each country's Corporation Tax and at a Financial Transactions Tax.

They consider auctions under the Emissions Trading System, emission premia for cars, and entry fees for travellers. They could tax electricity and motor fuel. They also expect to make more from seignorage on the Euro.

It will be interesting to see which of the five scenarios the EU signs up, ranging from doing less to doing much more together. It appears from the statements of Mrs Merkel and Mr Macron that the move will be towards doing more and towards greater political union. This will obviously entail accepting higher payments under the current system, allied to new sources of Union revenue from the list above.

Reflection Paper on the future of EU finances EU Commission June 28th 2017