

What are state aids?

One of the central stumbling blocks of the negotiations between the UK and the EU is said to be the issue of state aids. The EU has this idea that they can define and enforce a so called level playing field, though it usually looks more like a playing field that has been carefully prepared for the EU Home team to have an advantage.

Some seem to think it strange this apparently technical middle order issue has got in the way. They misunderstand just what the EU thinks state aid amounts to, or how far they think the playing field turf extends. The EU has long argued that most policies have a bearing on their single market, and that many policies can therefore be a state aid. Their single market stretches from trade policy to education and training, from employment policy to taxation, from energy to transport, from competition policy to digital policy. The market includes a heavily interventionist agricultural and fishing policy.

Their idea of state aid goes well beyond the payment of grants to businesses to help them be more competitive. It encompasses taxes, both the lower variety to boost something and the higher variety to stop something or keep it out. It includes wages and minimum wage policy, social support, route licencing, farm subsidies, product specifications and much else.

So when the EU says it needs to lock us in to prevent the UK gaining any competitive advantage from choosing better policies, it does so knowing that means wide ranging powers to limit the ability of the UK to govern itself. The EU has implied they might make some sacrifice of their requirement that the UK should accept the need to change its laws in many areas every time the EU does to avoid future undercutting. That would still leave a mighty plenoply of powers and policies where the UK would have to observe all EU law at the point of departure.

The whole point of leaving the EU is to levy our own taxes, make our own laws, and create a better background for UK business and consumers. The UK government has said it has no wish nor intent to cut employment or environmental standards, but it should be wanting to change the rules of our fishing and agricultural policies, taking down some EU taxes, and looking at ways to foster more employment at home in making and growing things. This is why it is proving so difficult to negotiate, because the EU wants far more than a Free Trade Agreement. It wants control over our competitiveness and law making.

Energy paper launches consultations

We waited a long time for an energy policy. The energy paper released yesterday still leaves open how we will expand capacity to allow for an industrial recovery and cut our dependence on imported electricity.

Whilst we read that new nuclear is a good answer in the press, what the paper says is

“No decision has yet been taken to proceed with Sizewell C” and the government is working on “creating an up to £385 million Advanced Nuclear fund to support the development of small modular reactors”

There is the suggestion the whole of this Parliament will be spent negotiating and planning a possible new nuclear power station with no guarantee it will be built. They also hope for modest grants to companies who might be able to commercialise smaller nuclear generation plants in due course.

The paper suggests a doubling of electricity capacity in total, but this seems to rely on the pledge already made to take offshore wind power up to 40GW. There is no satisfactory account of what the stand by or back up power will be, given the unreliability of wind power and the clear indication there might not be new nuclear after all.

The only new policy which kicks in from 1 January 2021 is a UK Emissions trading system to replace the EU with the promise that it will be tougher, implying dearer power.

We need a greater sense of urgency and some investments soon to secure the extra capacity this country already needs. We also need better policies for cheaper power for industry, in order to win back lost market share in making and growing things. The affordability package is targetted on retail consumers alone.

No Deal is a good outcome

No Deal is a good outcome for the UK. It means we take back control of our borders, our money, our laws and our fish as promised by the Leave campaign. The deals on offer from the EU fell well short of improving on No Deal. They want to continue overfishing our seas with their huge industrial trawlers. They want to control our law making in any area related in any way to business and trade. They want their Court to adjudicate disputes between us in a clear violation of usual international practice where an impartial Arbitrator is used or the two sides need to argue it

through to agreement. Their every word and action signalled that they do not wish to accept the fact that we have voted to be an independent country and intend to be one.

When Mrs May with senior civil servants foolishly sought to recreate many of the features of our EU membership under cover of a so called comprehensive partnership the EU implied if we just wanted a Free Trade Agreement like Canada or Japan that would be easy to do. Once a new UK government offered to do just that the EU decided to impede and prevent it, and to pretend the UK still really wanted special access to the single market which required in turn subservience to their laws. There was little good faith in trying to implement the Political Agreement by the EU, given that it said at the heart of a new relationship between the EU and the UK would be a free trade agreement. The EU has always behaved with discipline and severity in its negotiating stance, assuming it can have its cake and eat it, whilst repeating its mantra that you cannot have access to the single market without accepting many limitations on your freedoms. This of course is simply not true for the rest of the world who trade with the EU without having to obey their laws, and who are happy to see their trade governed by World Trade Organisation rules. The EU as a member of the WTO also has to accept their rules and accept their disputes resolution. The EU has a history of some violations of WTO rules with penalties, as with the subsidies to Airbus.

I was asked to give many speeches during the Referendum campaign to business audiences. I always said No Deal was the only outcome we could guarantee. It was an outcome which would give a good answer for the UK, achieving all our aims to be independent. I used to go on to say it would be very easy – if there was political will – to add a Free Trade Agreement on top of No deal, which would be beneficial to both sides. In most free trade deals there are delays and problems with each side wishing to defend a tariff here and a non tariff barrier there. In the case of the UK and EU we start from a position where there are no tariffs and untowards barriers to goods trade, so it would just be a question of rolling over what we have. I also sometimes added that some thought the EU would not behave well or want to do that. In that event surely it shows how right we are to leave, if EU our neighbours, friends and allies behave in such a silly way towards us, to the point of hurting their own access to our own lucrative market. To the EU the UK has indeed been Treasure Island. They have taken large payments from us in the form of our net contributions to the EU, and have run a huge surplus on goods and food trade through tariff free entry.

The Prime Minister has been right and crystal clear in saying we will leave the single market and customs union. We want our own international trade policy, and will be a more powerful and consistent voice for freer trade than the EU. To do this we need to have full control of all matters relating to trade and business. The single market has been damaging to the UK overall. In our first decade in the Common market as it was then erroneously called we lost half our motor manufacturing capacity as tariffs were removed. Over the years we have seen the loss of most of our steel industry and aluminium output, serial damage to textile and ceramic manufacture, the mass closure of foundries and the break up and contraction

of our chemical industry. Our market share in temperate food production has fallen sharply, and we have gone from being a net exporter of fish to a shrunken industry with consumers reliant on imports for much of our demand. EU grants and subsidies have bid some business investment away from the UK. EU rules have often been based around the needs and methods of large scale continental producers at the expense of our firms. The EU has failed to negotiate trade deals at all with two of our largest trading partners, the USA and China, and has not bothered about proper service sector access in other deals despite the UK's strong position in many service areas. Our average growth rate was faster before entry into the Common market post war than in the twenty years of Common market membership, which in turn was faster than our average growth rate in the years which followed 1992 and the so called completion of the single market. The UK establishment has never been willing to analyse the data and understand what was truly happening. They visited upon us the disaster of the Exchange Rate Mechanism, whose predictable impact caused a major recession at the very point there was meant to be a boost from completing the single market!

So how can now use our freedoms as we leave with No Deal, assuming there is no last minute wish to be sensible by the EU and agree a Free Trade deal? We should be up and running with tax cuts – at last we can take VAT off all those green products from insulation to boiler controls the EU insists on, and lift tariffs from South African oranges and other tropical fruit and food that we cannot grow for ourselves. We should pursue our offer to the USA of removing EU retaliatory tariffs on their goods if they will drop their tariff on Scotch whisky, which was an unwelcome hit from an EU trade spat. We should set up Freeports and Enterprise Zones to marshal new investment and make more in the UK. We should reorient farm subsidies to slash the food miles and grow more of our own salads, fruits, and vegetables. We should land more of our fish at home and add fish processing to create meals and products that we want to eat or which we can export. We should put in more electricity capacity and end our growing dependence on imported EU power. As the government encourages the planting of many more trees we should ensure more sustainable forestry to cut the massive timber imports.

These are all good reasons to press for the No Deal Brexit. The best reason of all is to be free, living in an independent country. I want to help pass on a country that is self governing, a beacon for democracy. Brexit means taking back control of our laws, our borders and our money. That way we will be better governed. If any given government lets us down we can sack them and get the answer we want from another. That is something we could never do as members of the EU. They gave us the laws and we did not control the government.

(this was meant to be published by Conservative Home who asked for it)

How do we best contain the virus?

The recent world figures for deaths from the virus show Belgium continuing to lead the grisly table with 1516 deaths per million people, followed by Peru at 1099, Italy at 1052 and Spain at 1005. All of these countries have followed World Health Organisation advice and had extensive lock downs. Sweden which did allow a little more freedom rests below average for advanced countries at 720. Germany has done much better than most at 247. Brazil at 840 is below the worst despite taking a more sceptical approach to the consensus.

Most of the Asian countries have done much better with very few deaths in Taiwan, South Korea, China and Japan. Taiwan had to develop its own response early as it is not allowed by China to be a member of the WHO. It used its island position well to keep the virus at bay. Maybe the Asian SARS outbreak left better immune responses or maybe these societies were more disciplined over track and trace follow up.

I would like to see an explanation of why Belgium has suffered so much more, along with more understanding of the much better experiences of many Asian countries. It is possible the world tables are distorted by different definitions of what is a Covid death, and different levels of CV 19 testing. Clearly the U.K. and USA have found many more cases since they introduced Mass testing on a large scale. Some other countries have not tested so much and may have attributed more elderly deaths to something other than Covid.

In the UK The devolved Administrations have from time to time varied their approach from the U.K. and English one. Wales thought that a so called circuit breaker of two weeks would do well, but it did not turn out that way. Scotland was talking about eradicating the virus in the summer by being a little bit tougher, but that did not work either. It has demonstrated there is no easy answer to controlling the spread.

I would be interested in your thoughts on what has worked best, and on why there are such big differences between most of Europe and most of Asia. We still have some months to go of containment, preferably without doing too much more damage to the economy.

The EU Summit December 2020

The main conclusion to come out of the Summit was the new target of 55% carbon dioxide reduction compared to 1990 levels by 2030. This was reached despite opposition from Poland, seeking to defend its coal industry.

This is tough target for the EU, as the EU remains more dependent on coal for

direct and for electrical power than the UK, and cruelly dependent on imported Russian gas. Germany also has a much bigger reliance on carbon fuel related engineered products than the UK, and these are now more at risk. The reliance on Russian gas is a strategic vulnerability as well as a carbon infringement of their green aspirations. I will be looking again at what the new range of carbon reduction targets will mean for western economies and societies in future posts. What is clear from the EU's attempted rapprochement with Joe Biden's USA is they plan a strong green tie across the Atlantic. The EU has a long way to go to get to its new targets, and has various interests unhappy about the direction.

The top down green revolution will now be pressed heavily from both the USA and the EU, assuming the US courts do not change their mind about the Presidential election. Everything the EU says and does is driven by the overriding priority of cutting emissions, and their whole offer to the member states is they will lead Build Back better as top down green growth. They will be looking at a carbon border tax, beefed up emissions trading taxes and a raft of regulations, taxes and subsidies to tilt the playing field in various sectors towards the green alternative.

The Summit also considered the developing conflict between the EU and Turkey. The EU complained about the aggressive language of Mr Erdogan particularly about President Macron. The EU seeks to restrain Turkish offshore drilling in the Eastern Mediterranean and use of warships to protect their activities. Meanwhile Turkey has a lever over the EU, as Turkey is housing 3.6 million Syrian refugees, with financial help from the EU who would prefer the people to stay in Turkey.