

Jeremy Hunt damages the UK's negotiating position

I thought Jeremy Hunt was a good Health Secretary. He was very positive about the NHS, but insistent on improved transparency and higher standards. He did much to encourage good outcomes by his approach to reporting "never" events and revealing what had been going wrong in some hospitals in earlier years. He did not make mistakes with what he said.

It was therefore a double disappointment to hear some of Mr Hunt's recent comments as Foreign Secretary. They seemed designed to undermine the UK's negotiations, which require us to prepare thoroughly to leave without a deal if necessary and to show the UK will do just fine with No Deal. Instead Mr Hunt said that leaving without a Withdrawal Agreement and Future Partnership Agreement "would be a mistake.. and would inevitably change British attitudes towards Europe". Some of his language was open to interpretation that he thought there were worrying downsides to just leaving.

Let me have another go at explaining the background to Mr Hunt. The UK has had a very troubled relationship with the EU throughout its membership. Pro EU Prime Ministers have ended up in strong dispute with the body. Margaret Thatcher rightly thought we got a rotten deal on financial contributions, and successfully cut them after a bruising set of encounters. She subsequently realised our membership was a bad idea for the UK and came round the view we should leave. John Major had a particularly punishing exchange with them over the way they damaged our beef industry, which he lost. He also had a running argument with them over the Euro and possible UK membership and only made Maastricht possible by getting us an opt out from its main point, the single currency. Tony Blair sought to reform the Common Agricultural Policy. He made major concessions on our financial contributions, only to be double crossed by the EU who failed to deliver the promised agricultural reform. Gordon Brown reluctantly signed the Lisbon Treaty but denied the press access to the signing ceremony as we were told in Parliament nothing significant had happened! It is difficult from this history to share Mr Hunt's strange belief that we have great relations with the EU that will be irretrievably damaged by a no Deal Brexit.

The UK has a long history of refusing to join major parts of the EU scheme. Originally opted out of the social chapter by a Conservative government, Labour joined that but rightly kept us opted out of the Euro and Schengen, the common borders policy. This reluctant European approach has always caused friction with the EU and has led to policy and legal devices to drag us more under its control despite our refusal to join up to the more obviously centralising policies.

Mr Hunt also seems unaware of the large economic upside we will enjoy if we just leave in March 2019 without the impediment of a Withdrawal Agreement delaying us. The UK economy can receive a major boost from spending the £39bn we would otherwise send to the EU on our public spending priorities and tax

cuts here in the UK. We will also be able to draw up a tariff schedule more suited to UK needs and strengths, and sign trade agreements with many countries around the world. If we insist on just leaving, the EU is very likely to seek tariff free trade with us. It is only because they think the UK will give more ground in this negotiation that they are hanging tough on the trade issue.

Many pro Brexit MPs agree that leaving and trading under WTO arrangements is a good option with plenty of economic upside for the UK. The government still believes there is a better deal available than this. If they want to get such a deal they need to show the EU we are serious about leaving without one, and explain the many benefits of so doing in public. Pro Brexit MPs are not going to vote through the legislation necessary to slow down our exit and pay the EU more money for no good reason.

Future relations with the EU will not be mainly determined by how we leave. They will in the future, as in the past, be determined by the interests of the EU and whether they coincide with the interests of the UK. The interests of the two have rarely coincided all the time we have been in the EU, as the UK has persistently refused to accept the clear direction of travel towards full economic, monetary and political union. Removing this major cause of friction should improve relations once we are out. The longer we stay half in and negotiating, the worse relations will get.

What might happen next to Turkey's relations with NATO, the USA and the EU?

There is no mechanism in NATO to evict a member and no sign that Turkey wishes to leave. The base case is Turkey stays in, with increasing tensions for the time being over policy and what can be shared and done together. The more Turkey cosies up to Russia, the less likely the US will share technology and secrets with Turkey. NATO is not about to turn against the Kurds that have helped it in Syria, though no-one seems to have a solution to the Kurdish problems.

Syria is likely to complete its brutal re conquest of the country with Russian help. There will be countless displaced people in Idlib seeking a new home. Turkey will have to decide how many and whom it might help, and look to its border defences if it wishes to say No to large numbers whose natural exit from Syria will be across the Turkish border. The EU will want to keep its arrangement with Turkey going that refugees stay in Turkey and do not travel on to EU members on the continent. This means the EU may well have to offer more financial and other assistance to Turkey to handle her border

issues and look after refugees.

The EU has already provided substantial sums to help Turkey build a 911km wall with a height of 3m, with barbed wire at the top. The EU supplied some of the surveillance technology and military vehicles to enforce the border ban on people crossing from Syria. Presumably the EU and Turkey will use this tough border to make it difficult for refugees to flee Idlib into Turkey, with more deaths in Syria the likely result.

Turkey will continue to negotiate with Russia, who will generally wish to encourage Turkey to destabilise the eastern end NATO. Russia, however, will not agree with Turkey's wish to have a buffer zone in northern Syria. It will be easy for Russia to appear as a better friend to Turkey than the USA all the time President Trump is waging what President Erdogan calls economic war against him.

The USA will want to keep inner NATO secrets from their formal ally. The President seems determined to pursue his trade war with Turkey which will drive Turkey further from the Western alliance. It will be another case where the US pattern of alliances and interests will diverge from the EU's.

The EU is in the most vulnerable position. Their Association Agreement with Turkey makes Turkish policy of considerable interest to the EU. The current drift of Turkish policy is not the one the EU intended, as they sought to bind Turkey more firmly into western ways. The EU's Association Agreements are contentious items. The one with Ukraine lay behind the secession of Crimea, where Russia was able to exploit the tensions caused by the EU policy within the former Ukraine. The Turkish one is not going to lead to a splitting up of the country, but it could lead to an important rift between the West and Turkey. The EU in its March 2016 Agreement offered Euro 3bn to Turkey in return for her keeping the migrants and not allowing them passage to the EU. The EU helped finance and strengthen the border fences which will mark the limit of Assad's reconquest of Syria by force.

Wokingham Conservatives Lunch Club

I was the guest speaker at the Wokingham Lunch Club today. I would like to thank the organisers led by Barbara Houghton, and the 90 who turned up for the event. We had a good range of questions following my comments. I covered local issues, education, transport, law and order, taxes, the economy and the general state of play on Brexit and the negotiations.

The dollar is surging against all currencies – this has nothing to do with Brexit

I see that the usual suspects in the pro Remain press and BBC are out and about arguing that the recent falls in sterling against the dollar are the result of Brexit speculations. What nonsense. The pound has been very stable against the Euro in recent weeks, staying around 1.12 to 1.13 Euros to the pound. Sterling has risen against the vulnerable emerging market currencies. It bought 5.7 Turkish lira in May and now buys 7.4. It has been stable against currencies like the Australian dollar and the New Zealand dollar, not currencies which are experiencing any Brexit effects either!

The dollar is going through a period of great strength for a variety of economic reasons. It is proving very uncomfortable for many emerging market countries and companies that have borrowed in dollars. That is the story, not Brexit. Some of the journalists and commentators involved claim to be independent well informed people providing fact based analysis, so can they begin by explaining these simple facts about recent currency movements?

Turkey at the crossroads

Turkey is a member of NATO and has a comprehensive and complex Association Agreement with the EU. In some senses Turkey's border is the EU's border given the provisions on movement of people. Germany is friendly towards Mr Erdogan, not least because the EU welcomes Turkey's willingness to provide a home for refugees from war torn parts of the Middle East. The EU offers Turkey financial assistance with the refugee programmes, and with strengthening the long Turkish border with Middle Eastern countries. All this implies Turkey remains an important part of the Western system.

Turkey also has a complex set of relationships with Arab countries to the south. An opponent of Islamic State and similar terrorist groups, Turkey is also opposed to Kurdish independence movements and worried about the likely attack on Idlib by the Syrian state given the number of rebels and displaced persons in the last remaining rebel stronghold in Syria, close to Turkey. Turkey has allied herself with Qatar, a state which has fallen out with Saudi Arabia, the USA's main ally in the region.

In recent months there has been a sharp deterioration in US/Turkish relations. President Erdogan felt the US did not offer sufficient support and sympathy when there was an attempted coup in Turkey. The USA thought Turkey over reacted and imprisoned too much of the opposition to the regime. Turkey

does not like the way NATO works with Kurdish forces in its interventions in Syria, and is now locked in a trade war with the USA over steel and aluminium tariffs. Recently the USA has renewed its demands for the release of Pastor Brunson, and Turkey has imposed a range of high tariffs on items like cars and rice from the USA.

President Erdogan timed his re election well. The economy was growing at a rapid 7%. Public spending shot up just before the polls, and the government urged the Central Bank to keep interest rates down despite the obvious build up of inflationary pressures. Shortly after the election win markets turned against the Turkish lira and demanded action to raise rates, slow the economy, rein in debts and curb price rises. The President has no wish to do these things, and has appointed his son in law as Finance Minister to help him see off unruly markets.

So far markets have been getting the better of him. A massive slide in the lira is posing problems for the Turkish companies that took out substantial dollar borrowings in the good days. The Central Bank has raised rates to 17.75 % despite Presidential reluctance, but markets want more. Now Qatar has provided some much needed relief for the banking system by offering loans of \$15bn to ease shortages of foreign exchange. The Central Bank has imposed controls on commercial bank dealings in foreign exchange, and the government may turn to a wider range of controls on the movement of money to stem the run against the lira.

Russia sees all this as an opportunity. Turkey has already bought some anti aircraft missile defences from Russia despite being a NATO member. The USA is now blocking the sale of F35s to Turkey and is concerned about what technology and intelligence it shares with a member state that is developing closer relations with Russia. Tomorrow I will look at the options facing the main participants and discuss what might happen next.