

Let the UK be a voice for free trade

Most economists and most western governments agree that the more you free trade the more prosperous the participating countries will be. It is clearly true in theory. If Country A removes tariffs or other barriers to importing better and cheaper items it will be better off by the amount it saves on the imports, whether the other side similarly liberates or not. If both sides remove barriers then clearly both will be better off, as each will concentrate on what they are best at, lifting the buying power and living standards in both countries.

Today the theory of free trade and international specialisation is under threat, both from Mr Trump who thinks tariffs and a trade war might be good for the USA, and from China, the EU and others who impose tariffs and non tariff barriers against trade whilst claiming to believe in free trade. It is the huge German/EU surplus on its US trade, and the Chinese surplus with the USA that has triggered Mr Trump's interest in the first place. He argues that there is an excessive imbalance because China and the EU do not play fair. He points to cheap currencies, state subsidy of overcapacity and below cost prices for some Chinese goods, and the EU tariff of 10% on all imported cars as part of his case. He says he wants to rework NAFTA and explore bilateral trade deals that are fair to the USA and to the other party. He thinks a bad trade deal is damaging to US interests, undermining jobs and incomes at home as the US comes to rely on cheap imports and foreign exchange borrowings to pay for them. He points to high levels of protectionism on agricultural produce in the EU and the NAFTA area.

A trade war will make losers of all involved. What country A gains on domestic production by pricing out imports it loses on exports to Country B who retaliates, and loses out from the higher price level in its own country squeezing real incomes. With a steel tariff on imports into the US, for every steel job at home that helps, several steel using jobs at home are weakened.

At this juncture the UK stands close to the point where it is an independent country again capable of pursuing its own free trade policy globally through its membership of the WTO and its worldwide network of diplomatic and business contacts. This is a good time to make the case for freer world trade and to lead negotiations at the WTO to put new life into removing tariffs and other barriers. They are still universally high on agriculture, and a wider issue with many emerging market countries that retain high levels of protection in ways that are unhelpful to themselves.

Mr Redwood's intervention during the statement on the National Planning Policy Framework (NPPF)

Rt Hon John Redwood MP (Wokingham) (Con): Wokingham Borough Council, the unitary authority in my area, has issued a very large number of planning permissions—well above its five-yearly amounts under the plan—but the build rate has not always been high enough. Will the Secretary of State help such local authorities through experiments to find ways of increasing the build rate so that homes are built where they are agreed to be built, rather than granting on appeal houses elsewhere where there would not be the same infrastructure contribution and the same ability to fit in with the plan?

The Secretary of State for Communities, Local Government & Housing (Mr Sajid Javid MP): My right hon. Friend raises a real and important issue, which he knows I have discussed with his local authority. The measures subject to the consultations that we are announcing today will certainly help with that problem. I hope that my right hon. Friend the Member for West Dorset will provide further help when he reports back on the work that he is doing.

Complex supply chains and industrial integration

There is a strain of advice going to Ministers from officials, the CBI and others of the Remain persuasion that we now have complex supply chains in business, and that European integration of industrial activity means we have to stick close to the single market.

In the 1980s before I became a Minister I chaired a large quoted industrial group. Between 2003 and 2010 in the opposition years I chaired an industrial group servicing the global market with some European production, as well as plants in the USA, India and China. I now realise I was in charge of complex supply chains. They did not cause problems at the time, despite the fact that components and finished product crossed many borders both within and outside the EU.

I have two main conclusions from my experience. The first is it is true that just in time and high quality production required careful management of suppliers. Sourcing was global, not regional. There is a high degree of mutual dependence in modern industry on a range of suppliers around the world. Large companies do not rely just on the EU or just on the US these days.

The second is we had no more difficulties with non EU sourced components than with EU products, despite all such products if needed in EU based factories having to come in under WTO rules.

The crucial things we had to manage were the quality and quantity suppliers could deliver, and the ability of the transport system to deliver them over long distances in some cases. Government interference in the process was rarely the main problem. Goods moved with electronic manifests, were always traceable and well known to the authorities in the countries they were travelling through.

There is absolutely no need to bend or drive UK policy on some fear about supply chains. Cheaper good quality components and products will still get there from EU and non EU places as they do today, whatever Agreement or lack of Agreement we end up with.

In the case of the pharmaceutical industry some claim to worry about the degree of UK/EU business integration, whilst ignoring the fact that UK/US business integration is much closer for the majors and takes place across WTO rules based frontiers.

Paying for local services

I am making further representations to Ministers about the need for Wokingham and West Berkshire to have a realistic grant settlement in future years, following my intervention in the Commons. If anyone has additional arguments or evidence which helps the case, please send it to me.

The twin deficits

For several years the UK economic debate has been fixated by the state deficit and borrowing requirement, and has largely ignored the balance of payments deficit. I presume this is because of official adherence to all EU rules and guidance, so they have been trying to get our budget deficit back down to Maastricht compliance levels at under 3% of GDP. There is celebration this month because at last we have got there thanks to a further surge in tax revenues that outperform the usual Treasury pessimistic forecasts that delight in getting it wrong.

I have not been worried about the state deficit for sometime, ever since Mr Brown found out that the UK state can literally print money to pay its bills. Mr Osborne, originally a critic of this in opposition, then discovered its

charms in office as well. It turned out to have no adverse consequences on shop price inflation, though of course it caused massive price inflation in government bonds, because it was accompanied by severe pressure against bank lending to the private sector to avoid an inflationary blow off. I always adjust the outstanding debt by the £435 bn the state has bought up, as this is in no sense a debt we owe. So our government borrowing level (excluding future state pensions which some here worry about and which have always been pay as you go out of taxation) is modest by world standards at around 65% of GDP, and at current interest rates is affordable.

Most of the state debt we owe to each other anyway. The government owes it to taxpayers who own the debt in their pension funds and insurance policies. The state can always raise enough money to pay the domestic bills backed by the huge powers to tax, and as we have just seen when credit expansion and inflation are low it can also use liquidity created by the monetary authorities.

The deficit I worry about much more is our external deficit. That is the one where we have to buy foreign currencies to pay for it. It is the reason why we keep selling some of our best property and business assets to foreigners, and why we have to borrow abroad. Running at around 5% of GDP it is high by world standards, and means we gradually get into more debt or sell more assets to keep up with it. When you owe money to foreigners they may not accept money created to pay them off but will need real assets.

One quarter of the payments deficit is the government's payments abroad for EU contributions and overseas aid. Stopping the EU payments halves that, and spending more of our overseas aid on the refugees who come to the UK here in the UK would help as well. Under overseas aid rules you can include the first year costs of refugees and migrants in your own country, and supplies and capital items you need to provide aid abroad. So let's make sure where appropriate we do spend the aid money at home or in the country we are helping, rather than buying imports from other advanced countries with it. One of the big wins from Brexit should be the opportunity to slash the big deficit in fish and food which is an important part of the burden of this overseas drag on our finances. I want the Treasury to take the balance of payments deficit more seriously and to act as a counter to those who want us to give more money away to the EU to perpetuate this large imbalance.