

Chequers: the Single Market by another name

Ewen Stewart
Director, Global Britain

ewenstewart@globalbritain.co.uk

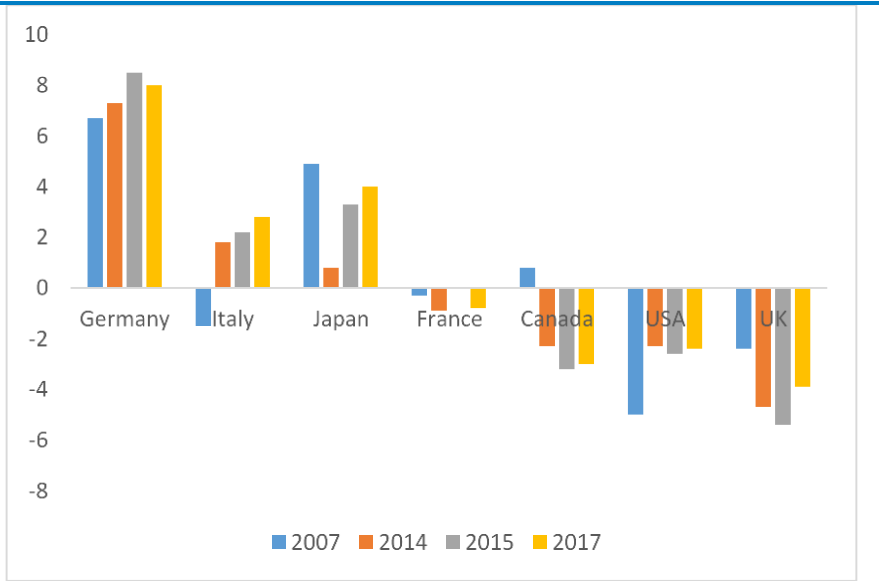
November 10th 2018

The problem with Chequers

- There is a myth that the Single Market is central to the UK's prosperity: so central that *the benevolent establishment* see it as their mission to limit *the mistake* of BREXIT.
- The common rule book is the Single Market by another name and if Chequers is adopted it is hard to see any meaningful BREXIT.
- This presentation demonstrates the fallacy of the Single Market/ common rule book approach and why Parliament urgently needs to ditch the common rule book and adopt global free trade.
- History will judge our current leadership very harshly if they fail. Currently leadership lacks conviction, confidence and belief. They have been beguiled by our big neighbour not spotting it is dysfunctional and in structural decline.
- Parliament must act, as it has done at critical times in ages past, to secure the will of the people and act confidently to reassert Britain's unique and positive place in the world.

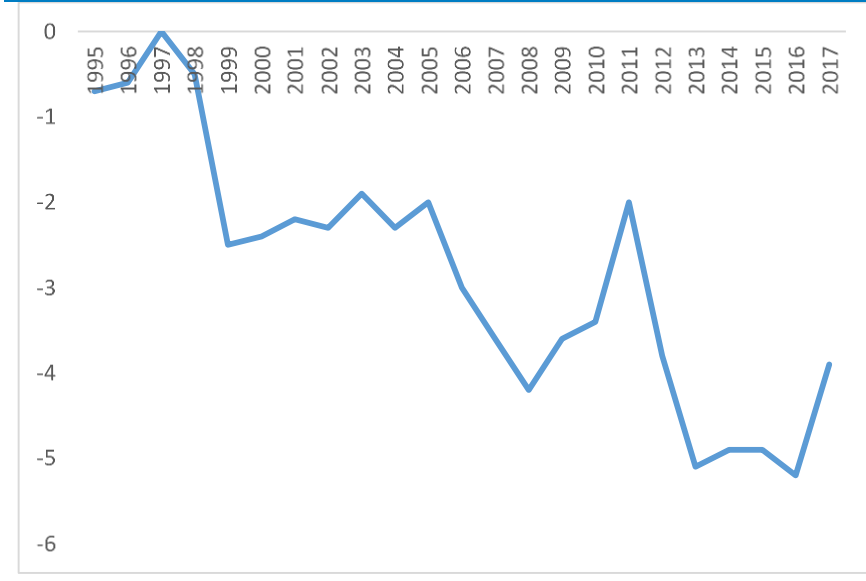
The UK has a trade problem

Current account balances of the G7 economies, 2007, 2014, 2015 and 2018 percentage of nominal GDP



Source Pink book 2018

UK Trade Balance 1995-2017 % GDP

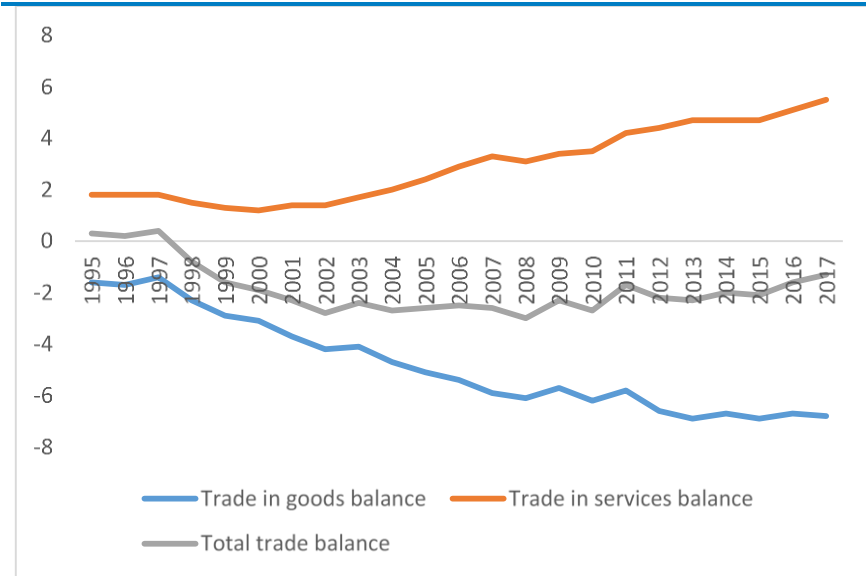


Source Pink book 2018

- The UK has the greatest trade deficit in the G7. It need not be so.

Asymmetry One – The UK is good at services, not so good at goods

UK trade in goods and services balance, current prices, 1995 to 2017, percentage of nominal GDP

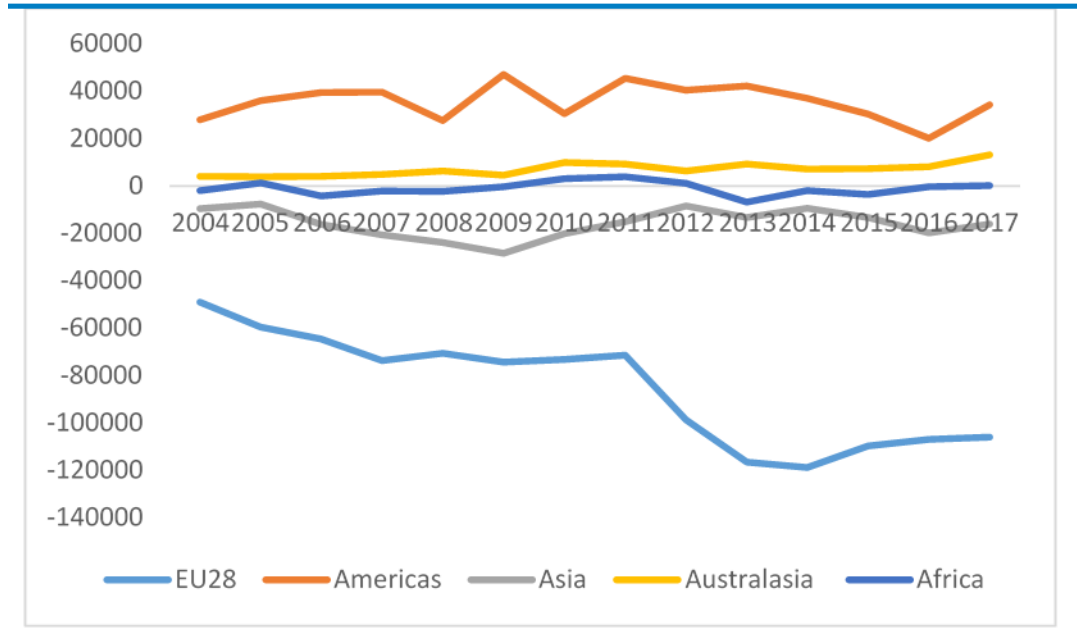


Source Pink book 2018

- The UK has a strategic advantage in services but a large deficit in goods.
- Services are generally higher margin, harder to copy and in structural global growth.
- The problem with global manufacturing is increasingly it is under deflationary threat.

Asymmetry Two – the UK does well with the rest of the world but very badly with the EU

UK Current Account trade balance by region £bn

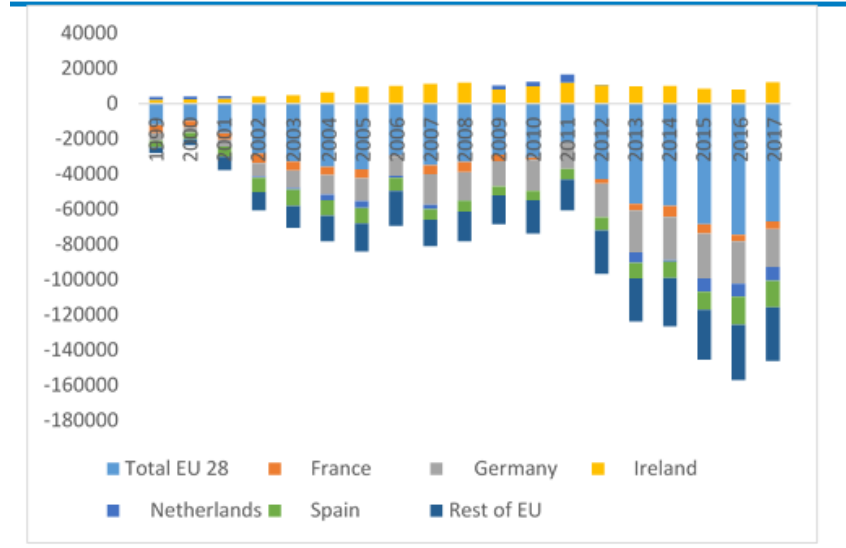


Source Pink Book 2018

- The defect is entirely with the EU - £96bn
- Our global trade ex Europe is in modest surplus

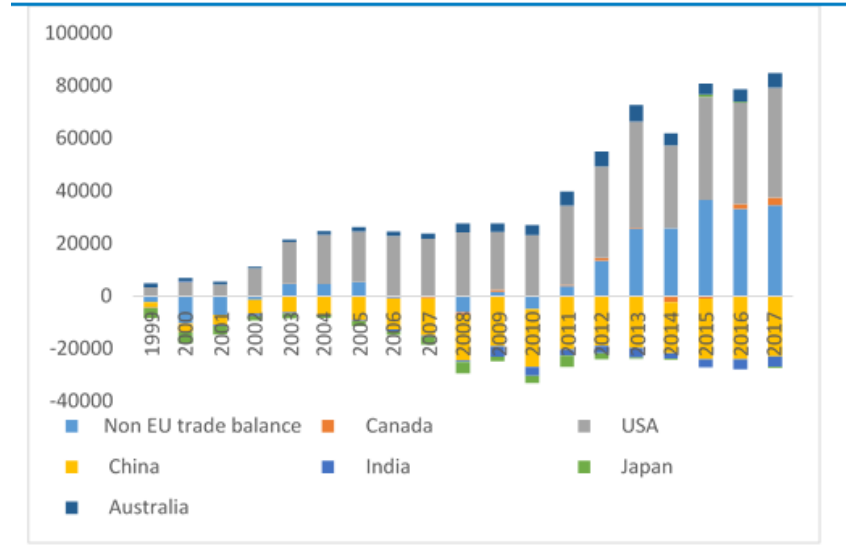
Isn't it odd the UK have a trade surplus with the world, but a large deficit with the EU where there is a common rule book?

UK trade in goods and services balance with the EU and selected EU countries, 1999 to 2017 £bn



Source Pink book 2018

UK trade in goods and services balance with selected non-EU countries, 1999 to 2017 £bn

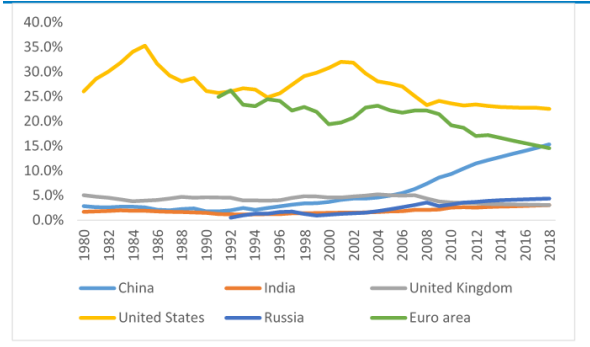


Source Pink book 2018

- The UK manages a substantial surplus with the US, where it has no trade deal and trades under WTO tariffs and a huge deficit with the EU where it is in The Single Market.
- One of the key reason for this is the Single Market is rule book bounded and mercantilist in goods but weak in services where the UK has comparative advantage.

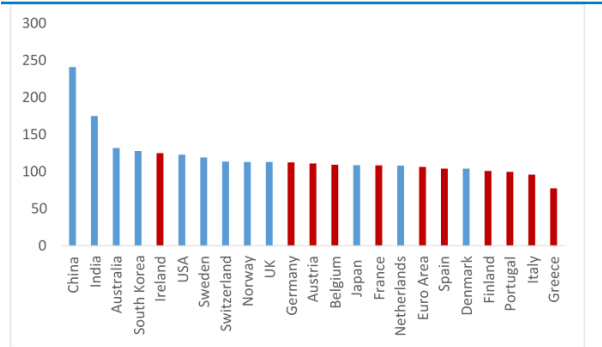
Asymmetry Three – the global power of the EU is in inexorable structural decline

Share of Global GDP %



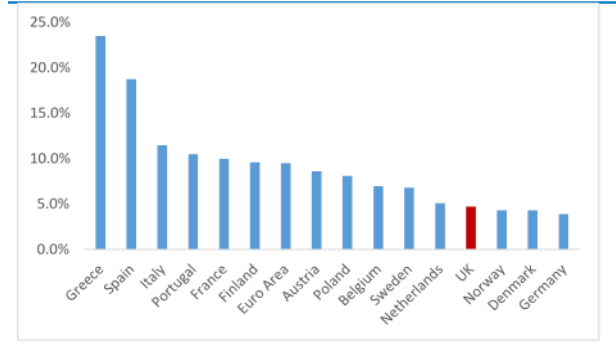
Source World Bank

Cumulative GDP 2009-2017 (2009= 100) Eurozone member in red



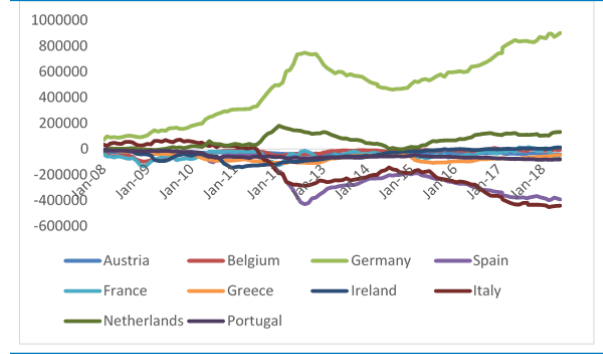
Source ONS

European Nation Unemployment % workforce



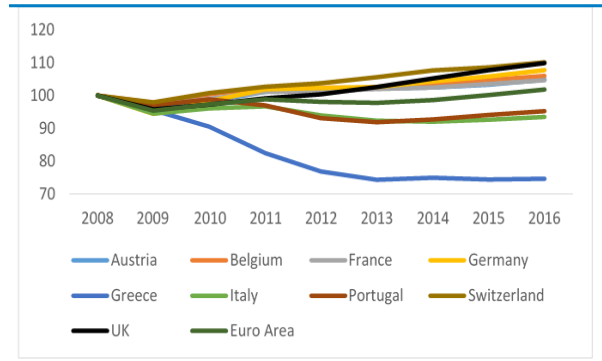
Source Trading Economics

Target 2 Selected Eurozone member-balances €k



Source ECB

Selected European GDP Growth Index 2008=100



Source Trading Economics

German CPI, 2 Year treasury and differential %

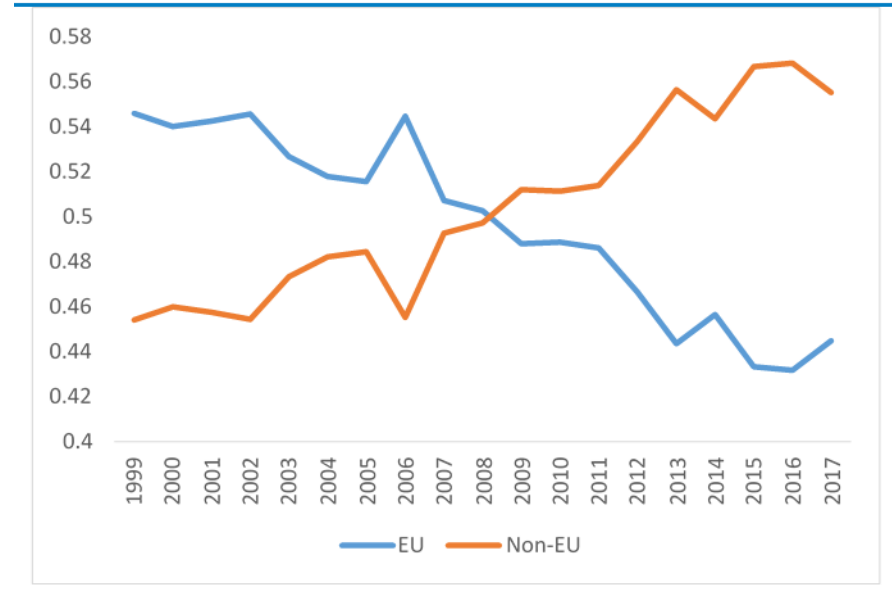


Source Trading Economics

- The EU has a problem. Its bureaucratic, mercantilist approach is leading to structural decline, huge imbalances and migration away.
- The Remain establishment conveniently forget this and seem happy to *manage decline*.

Business votes with its feet

UK goods exports to the EU and non-EU areas, percentage of total UK goods exports 1999 to 2017

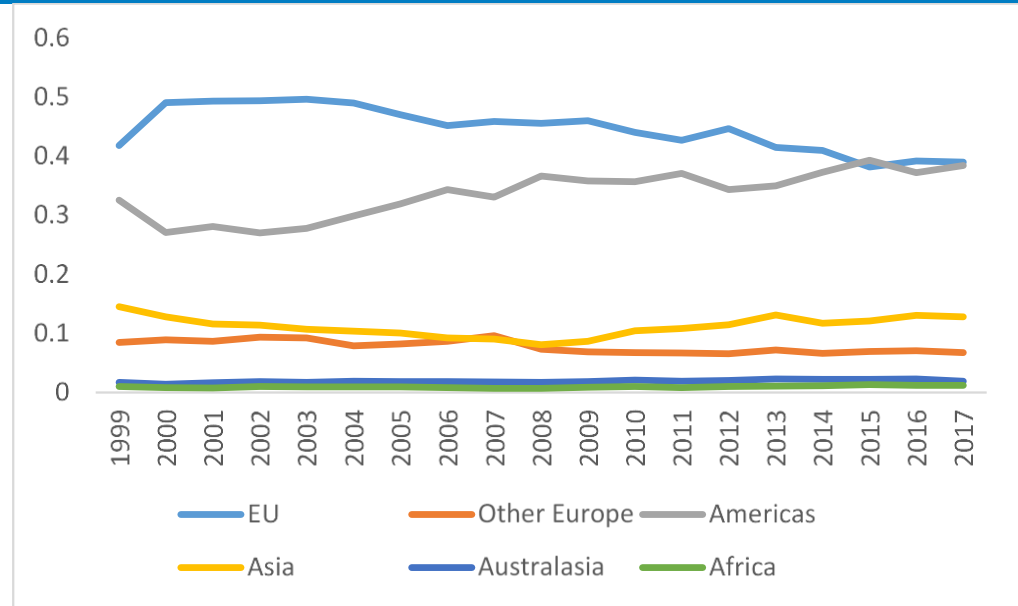


Source Pink book 2018

- Westminster and Whitehall are in a bubble.
- In the real world the UK economy continues to grow, jobs are at an all time high and business votes with its feet increasingly trading with the world and not the EU.

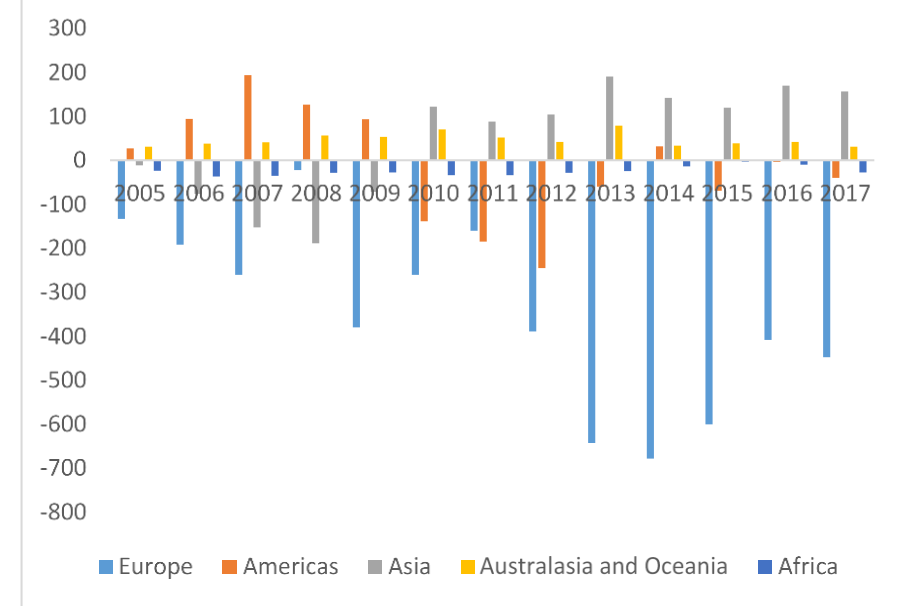
EU remains important but UK business is divesting from the EU

UK foreign assets by continent, £ billion, 2005 to 2017



Source Pink book 2018

Net international investment position by continent, £ billion, 2005 to 2017



Source Pink book 2018

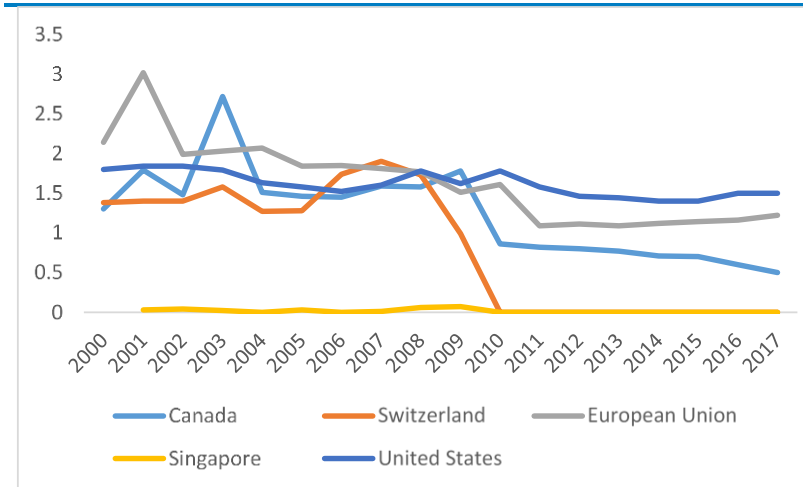
Towards free trade- a much better idea than Chequers

Annual change in world export growth, weighted world GDP growth and UK export growth, chained volume measure as percentage, 1995 to 2017



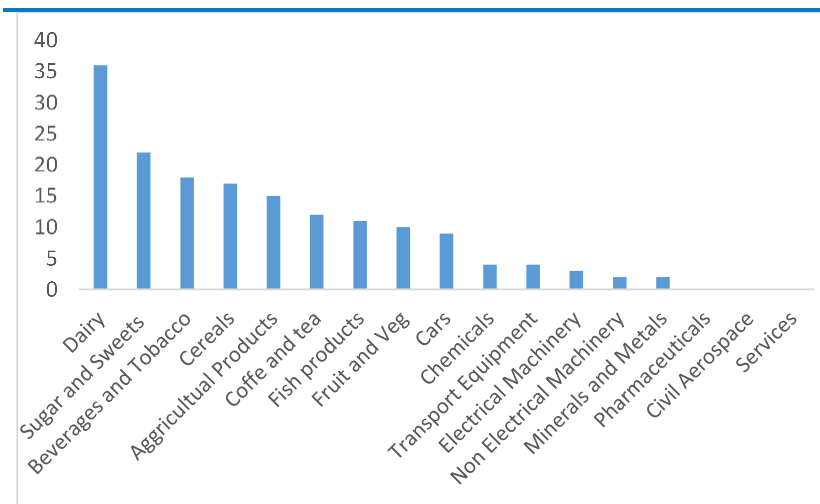
Source Pink book 2018

Average Global tariffs



Source WTO

EU external tariff structure



Source Eurostat

Why Chequers should be chucked.

- The Government made it clear that a vote for leave would cause *a massive recession and unemployment*. They also public said a vote to leave would mean Britain left all the structures of the EU *including the Single Market and ECJ*.
- The people said Yes please.
- This was further backed by solemn manifesto pledges by Conservative and Labour to leave the Single Market and customs union. Chequers is sophistry and everyone knows it.
- We have clearly shown that the Single Market is not central to British prosperity. The EU is unstable and in structural decline.
- To remain under the bureaucratic, stifling *common rule book* locks in decline. The Single Market, plays to mercantilist instinct, and does little for the UK's strategic advantage in services.
- UK trade, since 1997, has grown at twice the rate with the rest of the world, where it has no deal, compared with the EU where it is full regulatory compliance. A bit counter-intuitive perhaps?
- Global tariffs are low and falling. Trade is about willing buyer/ seller. It is not about bureaucratic rule book.
- The UK has a unique opportunity to lead the world with global free trade. A new Great Reform Act for our generation not sophistry, disguise and feeble lack of confidence.

Conclusions

“ We few, we happy few,
we band of brothers...”
—FROM SHAKESPEARE’S
'HENRY V'



OR



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