Caliginosity v Clarity – Post-Brexit Certainty remains hard to come by

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After three years of uncertainty which has held back investment and growth, businesses are now being told – things will be different and to '*get with the programme'*.

Speaking in Davos last week (having gained dispensation from the PM to attend) the Chancellor, Sajid Javid, proclaimed, 'Uncertainty is over…Britain's long track record of political stability has been re-established. Britain is back.'

We may be leaving the EU in 6 days time, but a trade deal is yet to be agreed and for businesses clarity remains elusive.

Worse still for those like myself who have worked towards a model based on close and meaningful collaboration across Europe that would benefit millions of consumers, we are now being told openly that low tax *Singapore on Thames* is a great idea, and to expect non-alignment where it suits the UK.

EU stodginess, or according to Brexit Party MEP, John Longworth, 'an EU system, designed to promote and protect French agriculture and German manufacturing, has benefited those two countries in particular, providing protected home markets …through the eurozone'.

Not so, says economist, Thomas Philippon, Professor of Finance at New York University, who claims the free market is functioning more efficiently in Europe today than in the US.

Internet service, cellphone plans, and plane tickets are now much cheaper in Europe than in the United States, and the price differences are staggering, he claims.

“In Europe, greater integration among national economies turned out to be a force for greater competition within individual economies. Why? Because everyone understood that the single market required independent regulators as well as a commitment that individual countries would not subsidize their domestic champions.”

In contrast the US economy has become complacent to the impact of overarching corporates which have ‘grown so dominant that they can get away with offering bad service, charging high prices, and collecting, exploiting, and inadequately guarding their customers’ private data’ he claims.

Things are indeed very uncertain. One day the Chancellor says we are not going to align, the next day we won’t not align for the sake of it.

Sajid Javid, in a starter for ten, sent shivers down many business spines, on claiming, “There will not be alignment, we will not be a ruletaker, we will not be in the single market and we will not be in the customs union – and we will do this by the end of the year.”

In response, Food and Drink Federation, COO, Tim Rycroft was straight out of the blocks stating food and drink manufacturers would be greatly concerned by the Chancellor’s suggestion with this representing, ‘the death knell for frictionless trade’ with businesses having to adjust to ‘costly new checks, processes and procedures’ acting as a barrier to frictionless trade with the EU that ‘might well result in price rises’.

The CBI has continued to plead for existing trading terms to be rolled over for tariffs to be avoided and for continued market access. They’ve urgently called on government “to secure continuity in any event …(to avoid) disruption. If preferential agreements aren’t rolled over, UK companies become uncompetitive overnight, lose profits and risk being wiped out entirely.”

The IoD’s DG Jonathan Geldart, has stated, “For directors, *‘get Brexit done’* will only have meaning once the details of our long-term future relationship with the EU are clear. They need a framework to plan for the future from.”

Stephen Phipson, CEO, manufacturers' organisation of Make UK, has added that the first job is the urgent need to begin negotiations on our future trading relationship with Europe. "Cementing frictionless trade, access to key skills, regulatory alignment and space for business to prepare for new arrangements" all remained essential if manufacturing exports were to continue to grow and our economy to flourish.

In the West Midlands, as one of the UK's manufacturing powerhouses, home to 30% of UK automotive and 3% world aerospace, it may be correct to claim that trade with the EU has become less important, but in terms of these two sectors along with agriculture, food, life science and higher education supply chains, frictionless access remains essential. And some UK regions – the North East, Scotland and Wales continue to enjoy a trade surplus with the EU.

For the last three years the government has not listened to business and they now say that they will take sectoral interests into account and ensure that those sectors most closely entwined with Europe are not negatively affected.

Equally in a rather ominous turn Sajid Javid has noted, "There will be an impact on business one way or the other, some will benefit, some won't." The Treasury would not lend support to firms 'favouring EU rules' as they had 'already had three years to prepare for transition'. Most businesses I speak to would find this risible. The only certainty they have had in terms of planning is to prepare for the worst outcome, no-deal. Otherwise it has remained entirely caliginous.

Economist, Vicky Pryce, notes government seems, 'a) to change their minds on a day to day basis and b) if they start talking about aligning the majority of sectors then their supposed negotiating card, that they have with the EU to get the concessions that they want will just be weakened, so expect therefore quite a lot of ambiguity in this area which is not going to be positive for business.'

Yes, claims Pryce, business has reacted positively to the removal of the political uncertainty and particularly to the disappearance of the threat of a Corbyn government, so 'we will see a 'Boris bounce' for a bit', but while this uncertainty remains it will be hard to see how investment in those sectors most vulnerable to trade disruption from the EU can actually resume at any levels and pace we would like.

With PWC's global CEO survey indicating that European CEOs regard Britain as a key market for growth and investment with the UK's 'attractiveness' back to levels last recorded in 2015, Pryce's thoughts are, nonetheless, echoed by Frank Appel of Deutsche Post DHL in noting the continuing risk of no-deal as a key reason why he is not optimistic his customers would invest a lot over the coming year.

So the damage done to productivity and growth over the past few years will be hard to offset in the short or medium term and we are now becoming an even lower productivity uncompetitive economy in a much tougher trading environment which means the best we can hope for is a renewed weakness of sterling to sustain our exports.

And frankly the option of Singapore on Thames is fading by the minute as undercutting our trading partners is hardly the basis for any serious and comprehensive trade deal to be ever concluded with either the US or the EU.