

## **Normal Disservice is Resumed**

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Following the turmoil of the last few months, there's undoubtedly a sense among all MPs that some degree of normality has returned to Westminster.

British politics continue to be dominated by what's good for the economy following the calamitous mini budget implemented by former chancellor Kwasi Kwarteng, but which had his boss Truss's fingerprints all over it.

Kwarteng's sacking as a consequence of the financial fallout which resulted almost immediately on its contact with markets led to Jeremy Hunt becoming his replacement.

Truss, in making Hunt the Chancellor of the Exchequer (Hunt been soundly beaten by Johnson in the summer of 2019 and knocked out in the first round of voting by his fellow MPs this summer), provided a sure sign that her tenure was coming to an end. That MPs replaced Truss with Sunak, a man she'd beaten only a couple of months ago to become leader, will have added to the pain she must have suffered when forced to resign.

However, though Sunak will be remembered as being the MP his party turned to when faced with the financial chaos caused by his predecessor's ill-fated – some would suggest wrongheaded – passionate support for 'trickle-down' economics, he'll have to deal with the structural problems caused by the nature of the deal struck with the EU to depart from this organisation.

As is becoming increasingly obvious to everyone apart from a majority of Conservative MPs, as well as a fair number of members of the Labour shadow cabinet, the Brexit withdrawal deal achieved to fulfil the will of the people who narrowly voted to support leave almost six and a half years ago, is having a profoundly negative impact on the British economy.

The UK's withdrawal from the EU, the largest economic bloc in the world (European Commission, 2022), proposed by advocates as a way to end membership which they contended had led to subservience to Brussels and, they it was argued, its overweening requirement to follow rules.

Departure, it was claimed, would allow the UK to enjoy greater entrepreneurial freedom and competitiveness.

Unchained from EU bureaucracy, backers of leave stated arrogant confidence, would create the spark lighting a beacon to the world of what an independent UK could achieve.

Following the referendum outcome, we recall, Cameron resigned to be replaced by Theresa May who, because she couldn't achieve support for her withdrawal deal, was effectively forced to resign and replaced by Boris Johnson.

With a degree of curious irony, Johnson who claimed to be a passionate supporter of leave, but who many believe merely supported this position as a way to achieve the leadership of his party, having been forced to resign in early July was replaced by someone who supported remain and beat Sunak, an avowed leaver, to become PM.

That Truss's vision of the possibilities of what's now infamously referred to as 'Trussonomics' appeared to neatly align with that of passionate leavers, is a mere footnote now. The absurdity of 'trickle down' consigned to the 'not to be repeated' category for at least a generation, if ever.

Sunak, whose desire to be honest about the need for financial rectitude holed his campaign to be leader this summer, finds himself in the position of now leading a country which, as a result of a toxic confluence of factors, including a once-in-a-century pandemic and the most serious conflict in Europe since the second world war, is suffering economically.

Internationally renowned Paris-based OECD (Organisation for Economic Co-operation and Development) announced in its latest economic forecast released on Tuesday, that the UK economy is likely to be the worst performer in the G20 apart Russia in the next two years (Strauss, 2022).

The OECD believe that the UK's GDP will fall by 0.4% next year followed by an anaemic recovery of 0.2% in 2024 in 0.2%.

Significantly, it's suggested by the OECD, whilst all major economies have experienced the impact of high energy prices caused by Russia' invasion of Ukraine in March, the UK will suffer an even deeper and longer recession than even Germany which, because its economy is far more reliant on manufacturing, and therefore especially affected by rising fuel prices.

As many analysts contend, the reason for the UK's poor position when compared to other major western economies is the environment – trading conditions – created as a direct result of withdrawal from the EU.

Boris Johnson's infamous 'oven-ready' deal by which he won the December 2019 'Get Brexit Done' general election, and which the current PM enthusiastically supported, is, now, as problems caused by the pandemic dissipate, creating considerable challenges for business.

Increased checks on goods have raised costs which are passed onto consumers meaning inflation has risen alarmingly.

Shortages of labour in pretty much all sectors caused by a combination of workers who decided not to return after the pandemic combined with EU citizens who went home during the crisis and, feeling the climate of inclusiveness had altered after Brexit, means that business are facing shortages, resulting in more than half a million vacancies in the UK economy, is causing acute problems in many sectors (Forsyth, 2022).

Though perhaps such workers are able to secure higher wages, something Brexiters would point to as success, overall competitiveness is undermined.

As Álvaro Santos Pereira, acting chief economist for the OECD claimed on Tuesday, the impact of Brexit is to merely compound longstanding structural issues with the UK economy.

Coupled with a lack of capital investment by footloose overseas investors, as Pereira, like every other economist points out, the UK economy continues to experience low productivity, especially when compared to its former partners in the EU.

Add in the fact that the government's financial watchdog, the Office for Budget Responsibility, stressed after last Thursday's Autumn statement, that households are likely to experience the steepest decline in living standards ever recorded in the next couple of years.

This is not what the Brexiters promised when they were campaigning for leave.

Pointedly, following reports of the Sunak's government seeking a 'Swiss' arrangement for trade there has been furious denial that this is the case (Allegretti and O'Carroll, 2022). Given the toxicity which the question of the country's relationship with the EU raises in the Conservative Party, this is hardly surprising.

A Swiss-type arrangement for trade between the UK and EU was eschewed when the final deal was being worked out. Johnson even countenanced 'no-deal'. As the Swiss government acknowledges, trade between it and the EU is "regulated by over 100 bilateral agreements. Switzerland is a reliable and committed partner for the EU, its member states and for the EEA and EFTA states" (Federal Council, 2022).

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This is hardly what Brexiters within Sunak's party, and whose support he must seek to maintain, would welcome.

Even worse, as the Swiss explicitly recognise, there is agreement on free movement between Switzerland and the EU that's been in force "since 1 June 2002 as an important part of the Bilateral Agreements I" (*ibid*).

The rumour of a Swiss arrangement first surfaced in the *Sunday Times* when, as the by-line stated, the view from inside government was that a "thawing" of relations between the EU and UK would potentially lead to 'frictionless' trade (Wheeler, Yorke and Shipman, 2022).

There are already reports that Jeremy Hunt, who campaigned to remain in the referendum will, because he is believed to have been the source of the leak to the *Sunday Times*, be sacked by Sunak in order to assuage concerns of Brexiters within his party who smell what they would see as a grubby compromise (Peat, 2022).

It must be said that Rishi Sunak, an intelligent politician who actually understands economics and finance, is well aware of the challenges of keeping Brexiters, pacified on side.

Such dilemmas were bought into sharp focus by the fact whilst giving a speech to the Confederation of Business Industry (CBI) conference in Birmingham on Monday he went out of his way to state that there would be no compromise.

The CBI, which campaigned to stay during the 2016 referendum, are a hugely influential body. When it makes announcements, governments, usually respond positively.

So, when CBI Director-general, Tony Danker, stresses the need for growth to deal with the fact that the UK is in the current crisis of high inflation and negative economic growth (stagflation), the PM would be expected to provide some indication of what his remedy is.

Quoting former American President Franklin D Roosevelt in the need for "bold, persistent experimentation" and the need to inculcate a "culture of innovation to permeate every aspect of what we do" is undoubtedly correct.

Indeed, his exhortation that, through investment in AI (artificial intelligence), robotics and, significantly, to make the UK an attractive destination for investors and the "best and brightest" through a "truly world-class education system" based on research and coupled with a climate of dynamic entrepreneurship will be welcome.

However, trotting out well-worn cliches is the easy bit. Every politician in every country says pretty much the same thing. Achieving radical change at any time is fraught with pitfalls. During the teeth of a worldwide recession when the UK is being especially badly affected is even more difficult.

Perhaps, as Danker suggested, a good start for Sunak, who passionately supported the UK's departure from the EU during the referendum, would be taking "tough choices to bring growth."

This means finding a much better way to manage trade relationships between the UK and EU.

Brexit, based on the deal Johnson agreed to only a couple of years ago, has undermined growth and the attractiveness of the UK as a place to invest and do business.

Coincidentally, as Sunak was making his speech to the CBI, because of Brexit, the loss of 200 jobs in Grimsby, due to the potential closure of the former Five Star Fish processing facility by Icelandic Seafood International, was announced.

It comes to something when there is an alliance of businesses, legal organisations, workers' group/trade unions and environmental groups which are vigorously urging the current PM to desist from "controversial plans to automatically strip swaths of EU-derived law" from the British legislation by the end 2023 because it would "cause significant confusion and disruption" (Thomas, Foster and Parker, 2022; Makortoff, 2022)

Once again, it's worth stating that this was not what was promised by those who campaigned for leave.

It's time to recognise this illogicality.

Sunak, a grown-up politician, should have the confidence to be radical by seeking a much better arrangement with the EU.

*Guardian* commentator Raphael Behr neatly sums up the position the current PM finds himself in (2002):

"Nothing remains of the Brexit case that Sunak himself once made. He claims to believe still, although his tone sounds more pleading than passionate – an affirmation of faith by someone who cannot ignore evidence; a leader divorced from any good policy options, trying not to be a total stranger to reality while living apart from the facts."

Worryingly, Labour is strenuously avoiding any statements on the EU which might be considered to undermine support among 'traditional' supporters in 'red wall seats' who voted Conservative in 2019, offer no alternative.

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Labour leader Keir Starmer's relentless parroting of his belief that Brexit can be made to work more effectively increasingly, including at his speech at the CBI conference the day after Sunak, jars.

By ruling out of joining the Single European Market, or indeed any other potential arrangement, including the Swiss arrangement, highly likely to assist in improvement in trade and relationships between the UK and EU, makes Starmer appear disingenuous.

I strongly suspect many who voted remain and daily see the damage our departure has done to this country will not be convinced to support Labour.

Unwillingness by the two main political parties in admitting to the reality of the consequences of Brexit is dishonest and a disservice to the public who need to be better informed.

As reported on CNBC's website, polls increasingly show a heightened receptiveness among the general public to reconsidering whether leaving the EU was correct. As Lander (2022) in the *New York Times* writes, "in the midst of its gravest slump in a generation [...] many to wonder how much the split with the European Union is to blame" and Brexit is becoming 'Bregret' (Smith, 2022).

As the FT's Robert Shrimmsley concludes in his latest comment piece, the two main political parties are both fully aware that Brexit is making us poorer but choose to ignore this fact and instead focus on "damage limitation" as the best solution available (2022).

Collectively we deserve better from Sunak and Starmer.

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