

Javid's planning economic mayhem

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Sajid Javid's interview with the FT this morning is worth noting because for many it is behind a paywall, and that means people cannot access vital information on the future direction of this country. [The report notes](#):

Sajid Javid, the UK chancellor, has delivered a tough message to business leaders to end their campaign for Britain to stay in lock-step with Brussels rules after Brexit, telling them they have already had three years to prepare for a new trading relationship.

In an interview with the Financial Times, Mr Javid quashed any prospect of the Treasury lending its support to big manufacturing sectors – which include cars, aerospace, pharmaceuticals, and food and drink – that favour alignment with EU regulations.

“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,” Mr Javid said, urging companies to “adjust” to the new reality.

There is, then, to be a hard Brexit. Any pretence to the contrary has gone.

It is exceptionally difficult to understand Javid. What he is saying is that although the world is now very obviously dominated by just three markets, with the standards of at least one of which business has no choice but comply if it is to compete on an international stage, the UK is to go it alone with its own standards which will not comply with those of any of these markets.

I am aware that we are facing a climate-induced economic revolution.

And I am aware that this will, by itself, massively change the terms of world trade, and potentially reduce its significance.

That means I am equally aware of the enormous, global, demands that this will impose on all business as it seeks to adapt to a real change in our economic situation.

To then impose a wholly unnecessary further demand on business as Javid is planning is

reckless beyond any rational comprehension.

Let me put my concern as simply as possible. It is that what Javid is doing is deliberately disruptive, costly and profoundly harmful. Simply by saying UK standards will not be the same as EU standards he imposes massive costs on all importers and exporters, even if they do actually (entirely rationally) still make their product to EU standards because there would be absolutely no rational reason to do otherwise.

That's bad enough, because it imposes a competitive disadvantage on whole rafts of business. But it also imposes delay. And delay completely undermines the whole rationale of a great deal of modern manufacturing (and even services) to which right now we have no alternative.

What delay means is that a business using the UK as part of its supply chain (and as a country we are critically dependent on those who do) will have to hold more stock or work in progress. And stock is costly for four reasons. First, it ties up capital and that has to be both raised and financed. Second, locating stock imposes a direct cost. And third, there is a loss of flexibility matched, fourthly, by a likely increase in obsolescence costs. And nothing Javid says can avoid any of these. And no amount of preparation by UK business can change these facts either. They will simply be worse off.

And people - call them those who source product from the UK - will notice. They cannot avoid doing so. And they will note that this is a deliberate, and hostile act. And they will respond quite rationally to that. They will not leave overnight. But leave they will go. That is simply inevitable.

It's quite fair to say that never in the field of UK economic management has anyone done so much with so few words to impose so much long term harm on the economy of the UK. Nothing Corbyn said or did, in what some might think his more extreme moments, would ever have come close to this. Wanton vandalism is too kind a description of what is being planned.

And there is still no one - not least Javid - who can provide the slightest explanation for why he is doing this. Not a single logical reason for doing so can be, or is ever, offered. He says his goals are productivity and growth. I can guarantee a competitive disadvantage does not help growth (even if it is desirable). And I am as certain that imposing vast additional and unnecessary administrative burdens has never boosted productivity.

So what will the outcome be? Let me offer this. In the last week we have seen the government panic over Flybe. And it bailed it out, without obvious economic rationale for doing so. Yet Javid is now saying he will have no sympathy with businesses who have not used the last three years and the coming months to get used to his brave new world - of the details of which they are still wholly unaware.

But the truth is that precisely because they have no chance of making preparations for a situation of which they have no awareness, which will in effect be sprung upon them at the very end of this year, the consequence will be any number of Flybes.

And every time a business says 2,000 jobs will go Javid will react as he did on Flybe. He will relax regulation. He will give a bailout. And he will fleece the Exchequer to support private sector demands to be compensated for the mayhem he has chosen to impose, knowing that to do anything else will destroy the Tory's new popularity in the so-called Red Wall, and elsewhere. Business has already seen this has worked on Flybe. They'll be practicing their lines. And the result will be the biggest hand out to corporate Britain we will have ever seen.

And all because we have a Chancellor who has not the slightest idea what he is doing, and has not the slightest ability to understand the inevitable consequences of his actions.

This is going to be torrid.