



London Calling

Photo Credit: Hayes Davidson

Russell Harris says that, after Brexit, closer economic ties with London are essential for Wales

Wales on the edge of Europe

Europe's western seaboard was once one of its most wealthy regions. The perils of inland travel meant that being on the Atlantic fringe and having access to its seaways for trade gave its peoples a significant comparative advantage. The communities of Bronze Age Atlantic Europe traded healthily and wealthily with each other. The links between Wales, Cornwall, Ireland, Brittany and Iberia were economic, cultural and linguistic. The closely related forms of Celtic languages still spoken across these western fringes are a reminder of this economic and cultural success.

The study of these heady and fascinating times is now the preserve of the linguist and the archaeologist. See, for example, Barry Cunliffe's *Facing the Ocean* (OUP). Today, the economic centre of gravity of Europe has shifted far to the east, to the Rhine/Ruhr and the Thames valleys. The regions still 'facing the ocean' are now among the poorest and most economically isolated in the European Union.

Large parts of Wales (and Cornwall, Portugal and Atlantic Spain) are designated by the EU as 'less developed': the status reserved for the EU's poorest and most needy regions. They are all, until Brexit at least, entitled to Objective 1 assistance from the EU Regional Development Fund. Its aim is to secure the economic convergence of Europe's regions by ensuring that the most disadvantaged regions are not 'left behind' by the more prosperous.

The most recent annual Chief Economist's Report for the Welsh Government (WG) (October 2017) helps explain why, even pre-Brexit, large parts of Wales are placed by the EU in the same lowly economic category as Bulgaria, Sicily and Estonia.

The Report identifies that Wales (as a whole, including its more affluent south east) has the lowest GDP and productivity per head of all of the countries or other regions of the UK. It has amongst the lowest employment levels and the highest dependency rates too. It makes bleak reading.

Brexit will make this existing situation significantly worse for Wales. In its wake, the Chief Economist forecasts a general slowdown in growth and potentially a recession as a result of uncertainty and devaluation. The loss, post-Brexit of both Objective 1 status and cash and the linked EU political support for the integration of the 'fringe' regions will also make things worse. Wales will be poorer and potentially more politically isolated.

The reasons for this sorry position are manifold. But one structural, pre-Brexit reason for the weakening state of the Welsh economy is clear and is now fully understood by the WG. Wales lacks a sufficiently large city or City Region. In the relevant economic academic jargon, it lacks 'access to economic mass'.

It is now a recognised economic fact that higher rates of GDP per capita, productivity and employment are, in post-industrial societies, linked to the existence of large cities or integrated City Regions.

Large cities can now be demonstrated to create virtuous circles of enhanced productivity and innovation, increased employment, reduced dependency and higher rates of economic and infrastructure growth. The larger the city or integrated City Region, the more profound the economic benefits. Critical mass is all important.

Research reported by central government in England (Department of Transport 2014) has established that a city of 5 million people is likely to have a productivity level up to 26% higher than one of half a million and that the impacts of such an uplift are transformational.

In European terms, put simply, Wales has no large cities or integrated City Regions. Neither in the short to medium term is there a realistic prospect of it creating one. Cardiff has about 370,00 inhabitants and doesn't even feature in the list of the largest 150 European cities.

So how should this structural absence of 'access to economic mass' be addressed, post-Brexit? How does Wales, sitting on the edge of Europe, outside the EU improve the lot of its people?

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Contrasting Economies:

London	Wales
GVA for 2016	
£408bn (23% of UK GDP)	£60bn (3.4% of UK GDP)
Fiscal balance	
£32.5 bn (surplus)	£13.2 bn (deficit)
Tax revenues per capita	
£16,545	£8,371

In the longer term, the creation of a significant integrated City Region centred on Cardiff will be part of the solution. The Cardiff Capital Region Board has begun this work. But given the existing absence of economic mass and the limited and lessening availability of European, state and local authority funding, realism is needed. Structural change generated through Cardiff's growth is a very long way off. In the short to medium term, there is realistically only one means of accessing significant economic mass.

London, England
London is one of Europe's economic powerhouses. It has at present almost 9m inhabitants and productivity rates about 40% higher than those achieved in Wales. In economic terms, its sheer economic scale and power compared to the UK's other regions, is difficult to comprehend. London really is a different country. The new London Plan (2018) explains that even post Brexit, 'London's population is set to grow from 8.9 million today to around 10.8 million by 2041. As it does so, employment is expected to increase on average by 49,000 jobs each year. This rapid growth will bring many opportunities, but it will also lead to increasing and competing pressures on the use of space.' This is economic mass and growth of the type about which other regions can only dream. And not all of the economic activity generated by this economic mass can ever viably find a home within London itself. Those investing in the UK's capital city also require significant office, research and development, logistics, tech,

and ancillary employment space outside London. These are not second order opportunities. They represent the potential for investment and growth of exactly the type needed by Wales.

Cardiff, Wales
Cardiff and its region is potentially well placed to meet some of these needs.

It is, itself, a capital city with the economic and social cache that brings for inward investors. Land is comparatively inexpensive. Wales has the benefit of having no meaningful class system, a system that many international investors find puzzling and alienating. Despite the parlous state of the economy, Wales and Cardiff punch well above their weight in sport and culture, language and landscape. Wales has an improving and well respected university, research and technology sector. It is a good place to be.

But there is much to do if this potential to 'access' London's economic mass is to be realised.

What needs to be done?
Wales needs a much more flexible, transparent, ambitious and responsive spatial strategy. The planning system in Wales is underfunded, unresponsive and slow compared to London. Cardiff lacks the strong political hand of a powerful Mayor with wide spatial powers. Large areas of brownfield land in and around Cardiff should be the subject of the lightest and most responsive of policies to encourage inward investment. The planning system should protect what demonstrably needs protecting in terms of landscape and built and natural environment but otherwise make it clear to inward investors that the barriers are limited.

Planners should be bolder and seek in Cardiff city centre to create iconic buildings of high quality, befitting a brave, confident city.

The Welsh Government needs significantly to enhance its presence in London yet further. Wales and its Government does need to have a more global presence post-Brexit. But let us be very clear: a rapidly growing London is the best and most likely source of inward investment into Wales. WG should seek to monitor potential new investment in London and to forge relationships early with those who would also need space outside of the capital. A firmer relationship with the

Mayor and Greater London Authority must be created so that on issues of mutual interest (such as transport into and out of the capital) there can be joint working.

And, the very ability to gain 'access to economic mass' must be improved. The train journey from London to Cardiff on average still takes significantly more than two hours which is unacceptably slow for a 212km journey. A fast, clean, non stop train to and from London is essential if Wales is to profit from the remarkable economic growth of Western Europe's largest city. Investors often speak of 90 minutes as the highest sustainable journey time between their London and out of London workforce. By that test Cardiff is too far away. But it needn't be.

Finally, care must be taken to ensure that the political drive for further devolution from England (which by and large is well aimed) does not create differences or a culture which act as barriers to entry for the new investment, new jobs or the new people which Wales needs and which London can provide. Unshackling the country politically from Westminster must not come at the price of cutting or stifling its links with the economic powerhouse of London. That would be an empty and tokenistic victory for politics over well-being and growth.

Conclusion
After Brexit, Wales will still sit on the western fringes of the continent: no politician can change that geographical fact. It won't be able, any longer, to look to the EU to bring its 'fringe' economy into line with the rest of Europe via the convergence programmes. Neither in today's world can it look to its Atlantic edge Celtic cousins for help. Rather, for now, Wales needs without shame or fear to look east to Europe's biggest and fastest growing economic mass. It needs to look to London. ▽

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