

EU Negotiators Have Turned to Childish Threats

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The election of Saudi Arabia to the United Nations Commission on the Status of Women was a surprise. Probably even a coup given the daily reality for many Saudi women. The French election wasn't very surprising though.

Neither of the two French establishment parties made it into the final. But one of the "centrist" candidates did. The losers will rally behind him. Which makes Marine Le Pen's right-wing victory very unlikely. The euro surged.

Markets often overreact to news as traders reverse their bets. If you took a punt on the euro crashing in case the two anti-euro candidates made it into the final, then cancelling this trade involves buying euro. This creates what's known as a short squeeze. Prices are bid up by people wanting to get neutral again, not by optimism about the euro.

The French vote in round two is now a stark choice: a rebirth of the EU, with its own finance minister and border force; or a turn back to the nation state, with the EU seen as a foreign pushing a currency trap.

The problem is, associating yourself with the anti-EU crowd is shameful, nationalist and therefore embarrassing. At least for now. But the question is whether people will vote for something just so they can prevent Le Pen from winning. Pollsters think so.

And so the world's eyes turn back to the EU's biggest thorn – Brexit.

The EU without Britain

As the EU prepares itself for Brexit, the consolidation is turning out to be rather hollow. The EU has realised Britain is one of its economic powerhouses. Companies have been using a base in Britain to get access to the EU market. But if Britain leaves, what happens to those companies?

In the delusional world of an EU politician, companies will have to abandon Britain and move to Europe. The EU lobbyists have been busy telling CEOs they better make the shift. But there's a reason those companies chose Britain in the first place. And there's a reason the UK is leaving. The EU is a mess.

And so the EU has turned to threats. Companies that do not move into the EU can no longer do business there, they tell the newspapers. It's a straightforward dystopian threat that, once again, exposes the EU for what it is – a protectionist bloc, not a free-trade zone.

The EU can't get companies to move into the EU, so it has to threaten and harangue them into it. Do you want to be part of that sort of a union? Does it sound like any other union you can think of? What does it tell you about the future of business in Europe?

Then there are the EU agencies based in London. EU medical and banking agencies have their main offices here, for example. David Davis, the UK Brexit negotiator, wants to keep them! This is most likely a negotiation strategy ploy. It will be one of the concessions he can make.

My favourite example of the EU's withdrawal threats is on police cooperation. It seems to think the UK benefits from EU police. Experts see it the other way around.

When the UK leaves, it supposedly won't be part of EU policing agencies. And cooperation will have to be agreed upon anew. Policing will be set back to the days of the bumbling Inspector Clouseau, whose French accent wreaks havoc at Scotland Yard in the third *The Pink Panther* film. Just when terrorists are making regular lines across Europe? I doubt it.

The EU's attempt to write British policy

The EU's positions are deeply flawed. When you sell goods in another country, you have to comply with that country's rules. German cars have to meet US emissions standards if sold in the US, or there'll be hell to pay. The recent scandal on the topic exposed that nicely.

But do German cars sold in Germany have to comply with US emissions standards? No, of course not. Do Germans have to comply with US laws in Germany? Of course not. But this is what the EU is arguing should be the case for Britain.

As part of the negotiations, the EU is requiring the UK to maintain EU rules and regulations on key issues. Not just for the goods it sells to the EU, but internally and for EU citizens. That's outrageous. But the Europeans think it's plausible because of the size of the EU. With just less than half of British trade going to the continent, it thinks we have to comply.

This is typical political thinking. Britain wants to leave to be different. It wants to innovate, trade with the rest of the world and provide a higher standard of life for its citizens and the EU citizens who move here.

The EU can't have this, so it demands "policy harmonisation" as part of a deal. Otherwise, the UK's opportunity to do better will be an unfair advantage. We shouldn't burden ourselves with the same nonsense. Otherwise, the best EU workers and companies will leave for Britain.

It's just this sort of thinking that led Europe into its banking mess. Harmonisation of policies, including monetary policies, is dangerous because it guarantees the wrong outcome for all by enforcing a single compromise on fundamentally different places.

In the end, there's a crisis. Like the [banking crisis bearing down on Europe](#).

Until next time,

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