

How Will the EU Deal With Brexit?

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If neighbourhood cats keep fighting, then putting them in a bag seems like a bad idea. Unless you're an EU politician. They want to keep pulling the strings even tighter.

Europe's various countries all have a history of wars. They don't really have a consistent history of countries in the first place, but Europe was definitely a violent place. Probably since the dawn of man, which recent discoveries place in Europe instead of Africa thanks to some very old jaws found in Bulgaria.

Anyway, the EU's much touted cause is to put a stop to conflicts in Europe. We much prefer them elsewhere, like in the Middle East. But binding countries together in a union is surely more likely to have the opposite effect from promoting peace, just as it would with cats in a bag. [Brexit](#) has created vehemence that Europe hasn't seen since the last Euro football cup of 2016.

Will Britain even be invited in 2020? Will a Commonwealth football cup have the same feel? Perhaps we could win!

Back to serious issues. These days countries still have different visions for Europe. Some want to unify it. Like Napoleon and Hitler did. Some want trade and harmony but independence of various nation states. And some want to leave altogether.

The problem is you can't have all three at the same time. The EU has forced integration at each step of the way. Brexit is the first time a country has rejected this in the only way you can – leave the union altogether. Some refused to join. They seem better off.

The union's supposed aims of cooperation and openness will now be tested. What's more important, the EU's integrity or its values? Will the EU allow Britain to leave in a way that continues cooperation and openness, or [will it punish us and turn its back](#) on what it supposedly stands for?

We have to answer different questions first.

What's the EU's nature? Does ever closer union follow inherently from the EU's existence? Or is the nation state still a compatible concept? What is the EU's equilibrium? Does it include shared debts, a unified defence force, international taxes and an EU finance minister?

If ever closer union will inherently happen, will that be with the consent of all EU countries, or just some? What proportion of voters across the EU and within each nation must agree?

[The problem with the EU](#) is that none of these questions have a stable answer. They evolve in whatever way is needed to expand EU powers. You vote "no" to a proposed constitution, you have to vote again. You vote to leave, you will be punished. Unlike free markets, the evolution of politics is not a steady improvement.

The situations of Brexit, Greece, Turkey, refugees and the many other problems that the EU face remind me of a scene from the first *Star Wars* movie: "The more you tighten your grip, the more star systems will slip through your fingers."

Let's take a look at the state of the conflict on the ground...

The powers that be are tied together but disagree

Strangely enough, Europe's dominant power Germany is the one pushing for a weaker union. At least its current governing party is. Chancellor Angela Merkel's biggest reason is rather typical – eurobonds. She doesn't want to share Germany's credit rating with nations who haven't earned it.

To be clear, as a half German myself this seems self-evident. Greece is struggling for a reason. If you don't address the reason, you only paper over the consequences.

That's what's causing the rift with Greece. The German influence in debt relief and bailout talks is trying to push Greece into economic policies before debt relief is approved. The International Monetary Fund wants debt relief as part of the agreement.

Germans see this as accepting an already broken promise.

The recent talks with Greece failed and are beginning anew soon.

Back to eurobonds. Merkel's key ally in Europe is unfortunately not actually an ally on EU matters. The German newspaper Der Spiegel called the new French president Emmanuel Macron a "frenemy". He is pushing for the eurozone to integrate at a far higher level.

Jointly issued eurobonds, a shared finance minister and many more expansions of EU powers are on the French agenda. [They aren't on the German one](#). Unless there is a change of government in coming elections, which is looking very unlikely. Merkel's challenger is a former EU parliament president, but he isn't making much way. My birthplace voted against his party for the second time in more than 50 years.

You'd think that Macron would keep quiet about the EU's ambitions given his rival was the anti-EU Marine Le Pen and Macron still faces a parliamentary battle. But in a surprising twist, Le Pen reversed her manifesto promise to challenge French membership in the EU and the euro. She doesn't want her party's fate to be that of Ukip shortly.

So what is Macron playing at? He wants France to have access to Germany's credit rating too.

One of the wild cards in all this is Merkel's supposed successor Wolfgang Schaeuble. The German finance minister is notoriously hard-hearted if you ask a Greek. If Schaeuble remains successor and if Merkel bows out at some stage, Germany's EU policy could become even more anti-EU integration.

Suddenly the Germans will find themselves wishing they had Britain alongside them inside the EU.

What does Brexit mean for Europe?

Europe's divergent understandings of reality explain why Brexit is such an odd issue. Many Europeans can't understand why the British want to leave. It's not in their capacity to value what the EU has encroached because they never had it in the first place.

Europe sees Brexit as a vindictive hissy fit. It thinks it's a political protest movement like foreigners see Donald Trump's election.

Eurosceptics see Brexit as a vindication of their philosophical positions. That puts the two negotiating sides on a completely different plane.

The British want a deal. They don't realise the animosity they've created. The Europeans want to counter what they see as a political stunt, not realising that there are serious matters at hand. When two sides meet with completely different understandings of what's going on, it always begins badly.

[The British are in an outrageously strong negotiating position](#). Europe cannot punish Britain without going against its own principles. And Britain can easily be patient, as well as walk away. The two-year deadline is a ruse. It can be extended. And if Britain is already threatening to quit talks, time is obviously in our favour. Britain's negotiator simply needs to stake a reasonable position and wait for EU politicians to become reasonable.

What effect is Brexit having inside Europe?

In an academic paper from the London School of Economics, academics Aleks Szczerbiak and Paul Taggart analysed a recent survey on the effects of Brexit on Europe's politics. There aren't any big ones. At least not compared to the debt crisis of 2012 and the migration crisis.

In fact, that's the best way to think about the EU. It is a union of crises. The idea that unsustainable Greek government debt would cause such a hullabaloo across Europe must have seemed laughable just a few decades ago. Spanish unemployment above 20% making international lines is strange too – it's a return to pre-EU levels.

Eventually Europe's voters will realise they have been flung into a bag with people they don't agree with on the things that make politics happen. The three freedoms of Europe were fine. Trying to create political unity where there isn't any is doomed to failure.

Yesterday [we took a look at how you can use bitcoin](#) to trade geopolitical tension. Imagine if a new crisis took hold in Europe now. It would make bitcoin soar.

This is one of the key reasons my colleague Sam Volkering calls bitcoin and other cryptocurrencies “the smartest speculation in the world today”. The flight into cryptocurrencies on the back of global political unrest has been a huge catalyst. And if you’ve been paying attention, you’ll already know that the whole cryptocurrency market is on an absolute tear at the minute. Sam has been analysing this market almost since its birth. He invested in bitcoin as early as 2011 – when one coin cost about US\$12. Today one coin would set you back more than \$2,000. This is the fastest-rising market in the world, bar none.

Sam believes he has uncovered one digital currency capable of turning a small stake of £200 into **almost £70k**. You read that right. That is 34,000% growth potential. This market is unbound. Incredibly, Sam would like to offer you a £200 stake for you to dip your toe in the market. He can only offering this “grub stake” to 500 people. If you fancy taking him up on it – [everything you need to know is here](#).

Until next time,

Nick Hubble
Editor, *Capital %26 Conflict*