

Movement in EU thinking on Brexit and “populism”

There are signs that more governments on the continent are beginning to realise that the UK is not seeking continued membership of the single market or customs union, and accepts it will have a relationship based on friendship, collaboration, joint working and trade in a wide range of areas and activities.

Germany now grasps that they need continuing access to the large London financial markets which do so much to help finance continental business as well as to our lucrative car market. French, Dutch, Danish and other farming businesses on the continent do not want to see the quite high tariffs allowed under the otherwise low tariff WTO regime placed against their voluminous exports to us. The more realistic continental politicians see they cannot undertake the type of negotiation they expected. They thought the UK would be begging to stay in the single market, so they could impose requirements over financial contributions and freedom of movement. It is not going to be like that.

A good negotiation for the UK needs to be friendly, straight forward, and with limited requests of the others. Indeed, it is difficult to see that the UK wants anything from the negotiation that the rest of the EU does not want and need more. They need tariff free more than us. They need good access to financial services and banking. They want their many citizens resident in the UK to be able to stay here. They want the UK to continue to make the largest contribution to the European part of the NATO defence activity and budget. The great news is they can have all that if they simply reassure our UK citizens resident on the continent about their status – which they will – and opt for tariff free trade which they would be wise to do in their own interests.

Many are breathing a sigh of relief in the Chancellories of Europe that the Dutch did not give a larger vote to Mr Wilders, and made Mr Rutte the leader of the largest party. However, they would be wise not to be complacent. Mr Rutte lost 8 seats and Mr Wilders gained 5 seats. Mr Rutte had to disrupt the EU's relationship with Turkey to sound more like Mr Wilders in a bid which did swing some voters back according to the polls. In line with the progressive collapse of the Conservative and Labour look alike parties in Euroland owing to their inability to influence main economic policies, the Dutch Labour party had a disastrous election.

The EU without the UK does have to find more tax revenue from the remaining members or cut back its spending. It is curious to see how all those pro EU forces who told us our net contribution was tiny before the referendum are now saying it will leave a nasty hole in EU finances when we are gone. Fortunately they need to agree a new longer term budget around the time we leave, so they can decide as a more homogenous group of countries, mainly in the Euro, how much collective spending and taxing they need for the new

circumstances. As they build their more integrated Europe they would probably be wise to ensure it is properly funded, with sufficient cash to send to the poorer regions and countries. Other single currency areas send much more money around their unions as grants than the Euro area does. That, however, is a matter for them, not for us. They will benefit from not having the UK in the room trying to stop any budget increase when they turn to these important matters for their future.