

The EU's Game of Chicken

Edward Spalton of CIB * writes: "Having known this website for 16 years and having done translations for it, I know it works to very high journalistic standards. The editor Horst Teubert has addressed CIB meetings in Derbyshire, Wiltshire and in the House of Commons. A high level of trust may be placed on their reports."

The Editor writes: "Concordanceout.eu thanks the CIB and German Foreign Policy for this vital insight into the car crash for the EU and Germany in particular arising from the total non-engagement by the EU in any constructive dialogue whatsoever. It is also apparent that the British Government is so saved from its complete betrayal at CHEQUERS of BREXIT by this unwise EU total failure to engage in a realistic flexible Brexit negotiation".

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LONDON/BRUSSELS/BERLIN(Own report) - The EU's heads of states and governments were again unable to make progress in the Brexit negotiations last Wednesday, provoking strong criticism from the German business community. Their only proposal was to prolong the transitional period another year, which is out of the question for London, because this would cost the UK additional billions of pounds.

The EU is "too inflexible" in the Brexit negotiations, **criticized the head economist of Commerzbank**. It is a "stickler for principles," even though it has itself "stretched the rules to the point of becoming unrecognizable" - such as those of the currency union. Commentaries assume that Brussels seeks to set a deterrent example.

The EU sees itself as "too unattractive," to be able to prevent other countries from leaving by other means.

At the same time, Brussels is running the risk of the Brexit negotiations collapsing, which would cause serious losses, particularly to German industry. Experts do not rule out German export losses in the double-digit billions.

"A Disaster"

Over the past few weeks, German business representatives have greatly reinforced their pressure on the EU to reach a mutually agreed solution with Great Britain, fearing that a lack of

an agreement could mean billions in losses. "A hard Brexit would be a disaster, that would bring great difficulties to tens of thousands of enterprises and hundreds of thousands of employees in Europe" - not just in Great Britain, but "on both sides of the Channel," warned Joachim Lang, **Director General of the Federation of German Industries (BDI)**.

"A massive crisis would result." Therefore, "a greater amount of flexibility" is also demanded of the EU, even though Prime Minister Theresa May's "Chequers Plan" is also "a headache for German business," says the BDI. Now, however, "the political deadlock in negotiations must be overcome." "To do this, policy should not be concentrating on what is not possible," but rather "start from the points of agreement," insists Lang.[1]

Yesterday, the President of the **Federal Association of Wholesale, Foreign Trade, Services (BGA)**, Holger Bingmann, again reemphasized this demand. Great Britain's disorderly exit would have "serious consequences" - both "for the British and the Europeans," declared Bingmann. This is why the "the entire EU and its institutions' main task" is to "finally come to an agreement." [2]

More than €40 Billion loss to Germany

A few days ago, the **Cologne-based German Economic Institute (IW)** concretely quantified the damage the German economy, in particular, could suffer under a "hard" Brexit. According to the IW analysis, on the continent, Britain's exit from the EU would most significantly affect German industrial regions with a direct or indirect dependency of up to 5 per cent of the GDP on trade with Great Britain.

According to the analysis, the tariffs alone - at an average 4.3 per cent customs rate, which according to WTO rules would have to be paid after a "hard" Brexit - would amount to €3.3 billion for German companies. With above average customs rates, the automobile sector would be particularly hard hit, and would have to come up with Euro 2 b of the €3.3 billion.

German car manufacturers - **BMW** in particular, with its very close business ties to Great Britain, (german-foreign-policy.com reported [3]) - are confronted with major problems. There are also the supplementary costs of non-tariff trade barriers, which could come to around €25.8 billion for EU exporters.

All of this will cause the EU-UK trade to plummet dramatically. **The IW analysis predicts a negative scenario of a reduction of German exports to the United Kingdom to only 43 per cent of their current level.**[4] This would mean a loss of more than €40 billion.

"Punishment as a Deterrent"

In light of these looming losses, German business circles have recently been strongly criticizing the EU's negotiating tactics. For example, Jörg Krämer, head economist of the Commerzbank, complained that Brussels is "too inflexible in the Brexit." They "are sticklers for principles in the negotiations with Great Britain," even though they themselves "have stretched the rules of the monetary union, to the point of being unrecognizable," wherein, there is ample "leeway for finding common ground with Great Britain," Krämer wrote in a commentary.

For example, they "reject the proposal of a broadly defined free trade zone" insisting on "the other three common market freedoms," that London seeks to avoid, even though they have entered similar agreements "with other countries - such as Canada." **The insistence on a customs border between Northern Ireland and the British mainland is incomprehensible. "No nation in the world would accept a customs border on its own territory."** **

The EU seeks "evidently to punish" the United Kingdom, for wanting to leave, "to deter others." That is very risky. "The EU should be more flexible in its negotiations with Great Britain - also in the interests of its companies, which, with a hard Brexit, would have much to lose."[5]

"A Damning Indictment "of EU non-genuine negotiations

Early in the week, a leading German daily published a similar commentary. The commentator noted that the Brexit negotiations "from the very beginning had not been genuine negotiations." The EU had **"set out its red lines,"** however **"the red lines of the British" were "never taken into account."** "The British have shown flexibility, the EU, not at all," summarized the journal.

Brussels is refusing the British side (which among other things "has accepted to pay a hefty divorce bill for the Brexit") access "to sectors of the common market" - calling it "cherry picking." That has been "different in the past," the commentary continues. For example, **the EU has allowed Switzerland to "engage in cherry-picking in grand style"** with bilateral agreements.

The author supposes the reason behind the EU's "irrational" harshness today, is a "sense of deep insecurity." Brussels is "afraid," other nations could follow the United Kingdom. "Following the euro and refugee crises and the Brexit, the EU sees itself too unattractive to inspire anyone." That is "a damning indictment."

In fact, Brussels' mediators, did not seek to "convince the other side of the EU's positions," but rather to "insure that the damages caused by a disorderly Brexit will be greater for Great Britain than for the EU," according to the commentator. "From Brussels' perspective, the negotiations are a "game of chicken," wherein two cars are driving at high speed toward one another, with the European Union sitting in a Mercedes SUV and the Brits, in a mini."^[6] However, the "risk of collision" remains - and "the damage to the EU will also be enormous."

No Concessions by EU and their game of chicken

At yesterday's meeting of the EU's heads of states and governments concessions to Great Britain were rejected once again. **An alleged concession - the offer to prolong the transitional period another year after leaving the EU - is a non-starter.**

As British, but not German media reported, even a brief prolongation of the transitional period would carry supplementary costs. The usually EU-friendly "Independent" calculated the costs at £5 billion, to be added to the £39 billion, that the United Kingdom already has to pay in divorce payments.^[7] Otherwise, the EU insists on its positions. It is continuing its "game of chicken" up to the very last moment.

<https://campaignforanindependentbritain.org.uk/> *

Ed "The UK do not seek any Irish Border controls. It is not a UK problem as only the EU has the problem, as the EU alone seeks to avoid the free trade that the UK seeks. The Border hot air is irrelevant to the UK in the event of no agreement arising.

For more on this theme: [No New London](#).

[1] Pressemitteilung des Bundesverbandes der Deutschen Industrie. Berlin, 09.10.2018.

[2] Wirtschaft reißt langsam der Geduldsfaden. n-tv.de 17.10.2018.

[3] See also [The Brexit Losers](#).

[4] Michael Hüther, Matthias Diermeier, Markos Jung, Andrew Bassilakis: If Nothing is Achieved: Who Pays for the Brexit? Intereconomics 5/2018, 274-280.

[5] Jörg Krämer: EU beim Brexit zu stur. Frankfurter Allgemeine Zeitung 01.10.2018.

[6] Hendrik Kafsack: Irrationale EU. Frankfurter Allgemeine Zeitung 15.10.2018.

[7] Rob Merrick: Brexit: Theresa May rejected EU offer to break deadlock because it would add billions to divorce bill. independent.co.uk 17.10.2018.