



# The CIBUK Clear Water Partnership

## News Bulletin

**Welcome!**



**From: Ben Philips** Communications Director  
and Editor of the CIBUK Clear Water News Bulletin

**8 July 2022**

**Editor's Note:** *For reasons of immediacy and topicality, we have amended the style and content of our weekly circular from Newsletter to News Bulletin, re-focusing our agenda to one particular theme or subject.*

## EU-UK RELATIONS

### ***'Brexit, Banks & Brussels': Battleground Latest***



## INTRODUCTION

Notwithstanding the fate of Boris, whose future hangs in the balance at the time of writing, pressing concerns abound elsewhere which will require his urgent attention or whoever succeeds him.

On the Home Front, Keir Starmer says he now wishes 'to make Brexit work' but the lack of detail raises as many questions as it answers.

On the economy we share heartening news from the City of London as British Banks outperform their European rivals even as EU officials attempt to lure them away.

And casting our eyes across the Channel, we look at the parlous state of the Eurozone in an exclusive report from the Telegraph's Economics Editor.

## SUMMARY

- The gulf between Keir Starmer's wish to re-set relations with the EU and the reality of being able to do so could not be clearer as we illustrate in our first report.
- Whether on vaccines, immigration or Northern Ireland, the EU's agenda is quite clear: to punish the UK for leaving and to extricate as much leverage on the back of it as possible.
- The UK's financial services sector however continues to defy the EU's attempts to hobble it. Latest figures reveal that British Banks managed to outperform their French rivals in profitability for the first time since 2015, the year before the UK left the EU.
- And in an in-depth article for the Telegraph, Ambrose Evans Pritchard exposes the parlous state of the eurozone economies caught as they are in a half-way house between full monetary union on the one hand and fiscal autonomy on the other.

## ***Starmer: “Under Labour, Britain will not go back into the EU” - Really?***

***“So let me be very clear. Under Labour, Britain will not go back into the EU. We will not be joining the Single Market. We will not be joining a customs union.”***

So says the leader of Her Majesty's Loyal Opposition. His wish now is to 'make Brexit work,' though actions speak louder than words and on that he has been all over the place:

- He campaigned passionately for Remain in the 2016 Referendum.
- He failed to acknowledge the result over the following year and in 2018 said *‘Nobody is ruling out Remain as an option.’*
- In 2019 he openly discussed the possibility of a second referendum: *“There are many in the Labour party who feel we need to be very clear about a second referendum and about making the case for Remain. **That's certainly what I'm advocating.**”* (Webinar, 12 June 2019)
- All told, he voted **48 times** against Brexit.

### ***‘It is a proper plan to Make Brexit Work’***

But how? The speech itself is devoid of detail and in the areas he covers, his proposals stand no chance of being agreed.

## Northern Ireland Protocol

***“As well as building trust, Labour would eliminate most border checks created by the Tory Brexit deal with a new veterinary agreement for agri-products between the UK and EU.”***

- This would involve the permanent alignment of the UK’s food and agricultural laws with the EU.
- The UK would have no say in their implementation.
- This would hinder UK deals overseas where flexibility is the key.

***“And we will work with business to put in place a better scheme to allow low-risk goods to enter Northern Ireland without unnecessary checks.”***

- This would require a renegotiation of the Treaty, which the EU has refused.

## Security & Intelligence

***“...Labour will seek new security arrangements to defend our borders. It’s why we will share data, intelligence, and best practice and it’s why we will set up joint intelligence working here and in Europe.”***

- The EU would grab this in an instant.
- These ‘new security arrangements’ might also compromise the UK’s relationship with its ‘Five Eyes’ intelligence partners around the world.

The full article can be read here: <https://cibuk.org/2022-jul-kier-starmer-eu/>

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## ***City banks defy Brussels to out-earn French rivals*** – by Lucy Burton for the Telegraph

According to the paper’s Employment Editor, Britain’s financial sector took Brexit in its stride as figures showed Britain’s biggest banks made more profits last year than their French counterparts for the first time since 2015. Furthermore:

***“British lenders managed to narrowly beat their counterparts in France on profits for the first***

*time since before the EU referendum, according to The Banker's Top 1000 World Banks ranking. UK banks collectively made more profits than any other European country."*

**Vigilance is key however if the City is to retain its pre-eminent position:**

*"France has made a particular effort to win over foreign business since the Brexit vote, setting out plans to offer language lessons to London-based bankers and their families in 2018. Emmanuel Macron has also tried to win over bankers at his annual "Choose France" events at the Palace of Versailles.*

*JP Morgan, Goldman Sachs, Morgan Stanley and Bank of America have all ramped up their presence in Paris in recent years, while the European Banking Authority moved from London to Paris in 2019."*

**Nonetheless, predictions that Brexit would lead to the demise of the City have proved wide of the mark. The preference still is to remain in London:**

*"Not everyone has proved willing to move. Sources told Bloomberg last year that when JP Morgan tried to move 15 London traders to Paris, about half resigned. Consultants at EY estimate that only around 7,000 roles have moved out of Britain since 2016, much smaller than the 200,000 job losses predicted before the referendum."*

The full article can be read [here](https://www.telegraph.co.uk/business/2022/07/04/city-banks-defy-brussels-out-earn-french-rivals/) with a link to the original below:

<https://www.telegraph.co.uk/business/2022/07/04/city-banks-defy-brussels-out-earn-french-rivals/>

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## ***Europe's banks are priced for economic Armageddon*** – by Ambrose Evans Pritchard

**Stresses within the UK economy are nothing as compared to the Eurozone if the latest research is to be believed. According to the Telegraph's Economics Editor**

*"European bank stocks are priced for an economic depression. Either they are a screaming buy or Europe faces an extreme political and economic stress test.*

*Analysts at Credit Suisse say equities are discounting a 40pc fall in earnings at current values. This implies a 40pc collapse in house prices, a 9pc-10pc fall in GDP, and a rise in average unemployment to 12pc over the next three years, ceteris paribus.*

*Such an outcome would be the worst European slump in peacetime since modern records began, exceeding the damage of the global financial crisis and the Great Depression (for Europe) in the 1930s.”*

**Failing to follow through on full monetary and fiscal union has been the EU's besetting problem.**

*“EU leaders never delivered on plans agreed in 2012 for a full banking union. They never tackled the “doom loop”, that lethal and particular Economic and Monetary Union pathology in which sovereign states and commercial banks pull each other down in a self-feeding spiral.*

*[It is an undoubted feature of successful currency management that the relevant Government should have control of both fiscal and monetary policy; an obvious Achilles Heel of the Eurozone is that while the ECB clearly has monetary responsibility, fiscal policy is delegated to member states. This half-baked arrangement exposes the ECB to the threat of fiscal dominance, and it therefore reacts by shifting its fiscal stance towards conservatism and unconventional monetary policy.*

*This, in turn, outweighs the positive effects of unconventional measures and results in a level of GDP and inflation that is lower than it would have been had the fiscal stance been constant, otherwise known as the ‘doom loop’].*

*“They kicked the issue into touch once the European Central Bank started monetising everything, which masked the problem and sent the doom loop into remission. But the threat remains. That is suddenly front and centre again as **inflation forces the ECB to halt purchases of Club Med bonds**, and therefore to halt its covert bail-out of Italy and Spain.”*

**Sensing further trouble, hedge funds are ‘shorting’ a wide range of European stocks:**

*“Ray Dalio’s Bridgewater has doubled bets against European banks and other equities over recent days, disclosing short positions worth \$10.5bn on 28 companies. These include*

*Spain's Banco Santander and Banco Bilbao Vizcaya Argentaria, Italy's Intesa Sanpaolo, and France's BNP Paribas.*

*It is also shorting insurers AXA and Allianz, the energy-intensive chemical group BASF, as well as TotalEnergies and the Dutch semiconductor company ASML Holding."*

**Europe's over-reliance on Russian gas is also playing itself out:**

*"Germany's vice-chancellor Robert Habeck is justified in warning that the EU's energy market is "in danger of collapsing" with the risk of a Lehmanesque chain reaction. He is right too to warn of serious rationing to come. Pre-emptive demand destruction is the responsible policy."*

**Nowhere is the danger greater than in relation to Italy.**

*"We had the first taste of deteriorating debt dynamics two weeks ago **when Italy's 10-year bond yields rocketed to 4pc**, a quadrupling of the country's benchmark borrowing rate since January.*

Such a move is enough to intrude on assumptions of long-term solvency. *"The rise in yields is dramatic and is very clearly a return of the euro crisis,"* said Clemens Fuest, president of Germany's IFO Institute.

The risk spread over German Bunds briefly touched 250 points, higher than when Mario Draghi was drafted by the Italian elites to save the country. Such levels recall the revolutionary ferment of the Lega and Beppe Grillo's Five Star Movement in 2017 – that wild Rome spring later snuffed out quietly the Italian way."

**The closer one inspects the situation the worse it appears:**

*"Market rates have already reached a level that, if sustained, could test the sustainability of Italian debt under bearish growth assumptions,"* said Silvia Ardagna from Barclays. Debt dynamics *"turn dangerous"* if trend growth falls below 0.8pc.

Good luck with that. Even 0.8pc is well above the average of the last 20 years.

She said the only way for Italy to avoid a solvency crisis in the long run is through radical reform of the Italian economy. Good luck on that too if the ultra-Right Fratelli d'Italia – leading the polls – take power next year at the head of an anti-system coalition."

**And Club Med debt is now even higher than it was during the last euro-crisis of 2011-12:**

*“The ratios have jumped from 120pc to 151pc in Italy, 69pc to 118pc in Spain, and 109pc to 127pc in Portugal. In France, a borderline case, it is up from 87pc to 113pc.”*

**Finally, when all is said and done**

*“The EU has not resolved the fundamental incompatibility between two halves of the eurozone that should not be trying to share a currency. The contours have changed over the last cycle but the gap remains as wide as ever.”*

**Whatever its present problems, the UK is mercifully spared the implications of euro membership.**

**The full article can be found [here](https://www.telegraph.co.uk/business/2022/06/28/europes-banks-priced-economic-armageddon/) with a link to the original below.**

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**About CIBUK:** The Campaign for an Independent Britain (**CIBUK**) is a non-party political campaigning organisation of people from all walks of life. It is the UK's longest-running membership organisation for freedom, democracy and independence.

Founded in 1969, for over 50 years the CIBUK has made a significant contribution in campaigning on issues important to the majority of our population and in securing our exit from the European Union. Now it's time for the next chapter.