

EU is Now Deaf to Their Coming Defeat

By Thomas Luongo, Gold Goats 'n Guns, 16 February 2020

Yanis Varoufakis once described negotiating with the European Union like you're singing the Swedish National Anthem. No matter what proposal you put in front of them, they acted like they didn't understand and simply reiterated terms.

But, at least then they heard something. It may have been gibberish to them, but at least sound waves made it to their ears.

Today, these people are like overwhelmed autistic kids needing noise canceling headphones to blot out the unwanted stimuli. It may be therapeutic but it doesn't solve the situation.

Now that Brexit is complete the EU has gone one step further, blocking out the very real strategic and tactical disadvantage they are in dealing with the United Kingdom in trade deal talks.

The arrogance and intractability of the EU when it comes to negotiations is supposed to be their biggest weapon. They project a strange combination of strength and indifference that can only come from people thoroughly insulated from personal accountability for their mistakes.

Lead negotiator, the revealed to be inept, Michel Barnier has laid out his negotiating stance using the same language that was thoroughly rejected by British Prime Minister Boris Johnson in October, the so-called "level playing field" of "regulatory alignment" as the basis for any kind of trade deal.

Has Barnier learned nothing from his last failure? Does he really think he can cover his ears, curl up in the corner and hope this all goes away?

Because if he does then he's catastrophically misread the state of the game board.

Moreover, he's convinced the European Council and Parliament that the way to ultimately win is to keep doing the same things that just failed.

Since they just overwhelmingly approved Barnier's strict negotiating demands to the U.K. further signaling that they have no idea of the hornet's nest they've just whacked with a baseball bat, oblivious to the buzzing and warnings coming from the U.K.

Mr Barnier said: "Any future agreement will need approval from MEPs. The deadline for the transitional period can be extended but the UK is still insisting on a deal being done by December 31st."

{Tom's response: because it's now U.K. Law Mike, or did you miss that too?}

He again warned that if there's no agreement by then, the UK will leave the customs union and single market and go back to WTO terms, meaning quotas and tariffs on British products.

{Tom's response: and so what? Y'all run a trade surplus with the U.K. Or are you economically ignorant as well as stupid?}

Michel Barnier said: "I would like to take this opportunity to make it clear to certain people in the United Kingdom bearing authority that they should not kid themselves about this – there will not be general, open-ended, ongoing equivalence in financial services."

The EU would “retain a free hand to take our own decisions”.

{Tom’s response: Free to ignore reality at your own peril}

Barnier threatening the financial sector is an empty threat to get City of London bankers and traders to pressure Johnson into standing down. They were the loudest complainers during the fight over Brexit.

But Johnson understands something Barnier refuses to admit, because, as always, he doesn’t listen he just demands. Brexit was won in spite of London. Its political power is waning.

Without the support of the Midlands and the hollowed-out industrial north, Johnson isn’t Prime Minister. Barnier tried for three years to leverage City of London and failed.

Ladies and gentlemen I give you Mike Barnier, walking Einstein quote machine.

This is an empty technocratic threat issued by a career bureaucrat with an over-inflated sense of his own relevance.

The U.K. holds all the negotiating levers here and they’ve accelerated the time table while Barnier is oblivious.

Barnier has until the end of June to take off his headphones and let information into his brain that comports with reality. The collapse of the Remain coup in October was a strong message to the EU that they are vulnerable and that Barnier’s schtick is tired.

And because of this Boris Johnson has not only hardened his tone but also gone further than he did on the campaign trail, saying that even a Canada-style free trade deal may not be enough.

Now he’s invoking Australia as a proxy for a WTO-style ‘hard Brexit.’ And all Barnier can do is threaten tariffs and trade war. This is exactly the kind of idiocy that the British just fought three and a half years to divorce themselves from.

And this is coming from a political body with no hope of passing a budget this fall when a politically paralyzed Germany takes over the Presidency of the European Commission. A budget, I might add, that is staring at a €10+ billion hole thanks to the loss of the U.K.

The possibility of German political upheaval is causing the euro to crash uncontrollably. After a massive move up on the final day of January to avoid a technical breakdown the euro is not flirting with a crash to the 2017 low of \$1.034

The fear here is a quick steepening of the German yield curve which is now flat to inverted out to 7 years. No wonder Mario Draghi restarted QE before he blew town to leave this mess to Christine Lagarde, without that in place there would be real trouble in European sovereign debt markets. Left of Bang: How the ... Patrick Van Horne, Jas... Best Price: \$12.13 Buy
But a political disunion that is deaf not only to what its external critics are telling it but its internal ones as well has a limited self-life of invest-ability. Once momentum traders stop front-running the ECB and the euro’s weakness forces the unwinding of carry trades at that point someone will have to tap Barnier on the shoulder and tell him to listen to something approximating reason.

By this point, to be honest, it will likely be too late.

The Irish elections were a huge rebuke of the EU and how it handled Brexit negotiations. It was an outright embarrassment to have Sinn Fein coalesce the Irish Euroskeptic vote. And yet, the EU hasn't learned a thing because they refuse to listen.

So what happens when we wake up one morning and Angela Merkel is no longer Chancellor of Germany, the Yellow Vests overthrow Emmanuel Macron in France or Matteo Salvini wins an Italian snap election from a jail cell in Rome?

Will they hear the populist barbarians at the gates then or will they continue to console themselves with dreams of Sweden?