

Committees:	Dates:
Public Relations and Economic Development Sub Committee Policy and Resources Committee	4 th July 2016 7 th July 2016
Subject: Engagement with EU Policymakers	Public
Report of: Director of Economic Development	For Information
Report Author: Jeremy Browne, Jonathan Pallant and Michael O'Shea, EDO	

Summary

The report provides Members with an update on the City of London Corporation's engagement with EU policymakers (at both Member State and EU level) since the last meeting of the Public Relations and Economic Development Sub-Committee. Jeremy Browne has visited 21 EU countries this year on behalf of the City Corporation. Detailed below is an overview of the themes emerging from the visits:

Brexit

1. The universally expressed desire in the capital cities of Europe is for Britain to remain in the EU. European opinion formers are also very interested in this topic: they raise it and have a big appetite for detailed analysis of the political and economic debate taking place in Britain. What differs, more interestingly, are the reasons given for this position.
2. The like-minded countries want Britain to stay, in part, for ideological reasons. They value Britain's default assumption in favour of open markets, free trade and flexible labour laws. They worry that the balance of debate within the EU leans too heavily towards protectionism and statist solutions – and that this imbalance will be significantly worse if Britain is not present to lead the charge for economic liberalism. These audiences are, predictably, well disposed towards the City. An overlapping group of audiences worry that a British exit would diminish the EU, in economic terms, but also more widely. Small eastern European countries see their interests as being served by membership of a strong EU and other western-orientated institutions.
3. There are then countries which are less ideologically sympathetic to Britain's Anglo-Saxon economic positions but still wish the UK to remain. For them, often, the concern is not about disturbing the ideological equilibrium of the EU but about disturbing the power equilibrium of the EU. Another major country at the top table is regarded as useful for opening up the debate enough for others to get a decent look-in.
4. And finally, and most apocalyptically, is the view that Britain leaving the EU will unleash unpredictable nationalist forces which will imperil the whole continent. Those who see the EU not, as we often do, in transactional terms, but instead see it as a great act of post-war reconciliation, and the best guarantor against dangerous future divisions on our continent, believe Britain is playing with fire by even holding a referendum.

Financial Transaction Tax

5. This is an important subject on two levels: most crucially the impact it would have on the City, but also what it says about the ideological direction of the EU. My judgement is that the debate is moving slowly in our favour. There seems to be little momentum behind the FTT. It is widely accepted that it sits very uneasily with the concept of CMU. It is often accepted too that it would harm European global competitiveness. People in finance ministries and central banks are willing to pour cold water on the idea.

Transatlantic Trade and Investment Partnership (TTIP)

6. TTIP rarely causes excitement throughout the EU. It is raised by the City but it is rarely raised by the Member State. Audiences register our desire for TTIP to include financial services but they do not run with this theme with any energy. TTIP is in the background of many conversations, not the foreground.

Capital Markets Union (CMU)

7. CMU is generally a popular concept, although sometimes it is possible to detect a slight paying of lip-service to the idea. In poorer parts of Europe the claim is frequently made that the problem is the absence of thriving medium-sized businesses, not access to capital, which exists in greater supply than the demand for it. But generally there is recognition that better access to non-bank sources of finance would benefit the European economy, and at the very least would provide additional options for businesses. So the issue, as it appears, is not opposition to the concept, but the level of desire to turbocharge it forward.

Regulation/Eurozone

8. A new EU is emerging on economic policy which formalises the divide between Eurozone and non-Eurozone countries. The central bankers meeting fortnightly are forming a deeper club identity – they visit London a couple of times a year; they visit Frankfurt together over 20 times a year. There are serious divisions within the Eurozone, most obviously with German reluctance to pick up the bills of others, but the direction of travel is clear: more integration of banking, regulatory and even fiscal policy. This, of course, has implications for Britain and the City, most clearly that we keep single market issues at the EU28 level rather than the Eurozone¹⁹ level.

FinTech

9. There does not appear to be a significant city anywhere in Europe that does not consider itself to be a vibrant hub for FinTech. That provides opportunities for cooperation with London (which really is a vibrant hub for FinTech). More generally, there is considerable appetite for bilateral engagement with the City, on green finance, savings, pensions, and many other issues.

Recommendation

Members are asked to note the report.

Appendices

- **Non Public Appendix 1** – List of key people engaged with since March 2016
- **Non Public Appendix 2** – Broad overview of meetings undertaken in the Member States visits