

As Europe feels the pain, Britain can move forward

By vetoing the EU treaty, Mr Cameron has a great chance to reposition the UK in the global economy

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market in Europe. This was a big deal, and it is worth bearing this in mind as people ask what the use of last week's veto means for the City.

Some fear the City of London may lose out to the euro's rising status. I doubt it. Thirteen years ago, I was in the No Campaign for the UK not to join the euro. At that time the mood in the City was downbeat, fearing that if the UK did not join the euro the financial centre would move to Frankfurt, Paris or even Amsterdam. Of course it did not. London remained competitive and played to its strengths outside the euro. And that is what the City must continue to do.

The City is host to many global firms for whom access to Europe's single market is key. None of that has changed since last week.

The next two years will see a host of financial services legislation passing through Brussels. Regardless of last week's veto, this shift in EU regulation

would have continued anyway. Also we need to remember that the regulations affecting the financial services industry will continue to be decided by Qualified Majority Voting. Regardless of the veto, the UK will need to work hard to build its position on future legislation. There is still much to play for, particularly as there is great uncertainty about what the new arrangements agreed last week will mean and about whether the other 26 European countries will actually implement them.

Also, as we have seen with the Vickers Report, the UK still has the ability to take any unilateral action that it sees fit. The UK will argue that existing treaties are not being replaced. One thing that comes out is that euro derivatives trades will be conducted in the euro area, and another is that the UK will not be forced into implementing a Tobin or financial transactions tax – but then it probably never would have been anyway.

At a time when countries in the euro zone seem to talk regionally but act nationally, it is vital for the City of London to think and act globally. If it does that, the City should continue to prosper. After all, London is Europe's global city.

Europe is not in a good place. Good economics is good politics. The euro project has been driven by politics, and the result has been poor economics



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