

# UK's new prime minister meets with Merkel and Hollande on Brexit

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Britain's new prime minister, Theresa May, held a working dinner with German Chancellor Angela Merkel yesterday. She meets French President François Hollande today.

Her visit is designed to placate the two countries that form the political and economic axis of the European Union (EU) over the implications of Britain's exit following the June 23 referendum vote.

She wants them to calm down demands for May to invoke Article 50 of the Lisbon Treaty, beginning a two-year period leading to the UK leaving the trade and political block. May wants a period of grace—at least until next year—to make the necessary plans, including negotiations with Scotland, Wales and Northern Ireland, that have already begun, and to sound out what sort of trade treaty revisions are available for keeping the Single European Market to British trade and investment.

Amid talk of free trade deals with Australia and working alongside the US in turning more forcefully to Asian markets, this goal is shared by both the pro-EU "Remain" faction of the Tories, led by May, and the party's Brexit wing, which has majority support in the wider membership.

Merkel too wants to maintain friendly relations with the UK, even if this means clashing with those within the EU demanding speedy action in order to avoid the "contagion" and to minimise economic fallout, such as German Foreign Minister Frank-Walter Steinmeier, as well as to avoid strengthening other forces in Europe demanding a break with the EU. Hollande is particularly sensitive to this pressure, given the support enjoyed by the far-right, pro-"Frexit" National Front of Marine Le Pen in France.

At a joint press conference in Berlin, Merkel signalled her readiness to come to May's aid on the

timetable for Brexit. "No one wants things to be up in the air," she said. "I don't think the British citizens want that, nor do the European member states want that. But we all have an interest in this matter being carefully prepared, in positions being clearly defined and delineated. And I think it is absolutely necessary to have a certain period of time to prepare for it."

May faced difficult and at times hostile questions over her appointing of Boris Johnson as foreign secretary, who is widely seen as the author of the Brexit vote and of Europe's difficulties, and whether ending free movement of labour for EU citizens in order to curb immigration was worth the sacrifice of European trade. She was forced to be evasive because she must at all times straddle the split in her own party, a careful balancing act as is proved by the formation of her cabinet.

May was obliged to place "Brexiters" in several key posts, including most importantly Johnson, but also David Davis in the specially created post of secretary of state for exiting the European Union and Liam Fox as secretary of state for international trade (i.e., economically orienting away from the EU), another May-created department.

However, May's top posts are filled with those loyal to her, such as Chancellor Philip Hammond who also supported Remain and who recently said that Brexit could take as much as five years.

In addition, the appointment of three Brexit figures to areas that would normally fall under the control of the foreign secretary alone lends the appearance rather than the reality of influence. Johnson is policed by May loyalists Tobias Ellwood and Alan Duncan, Fox by Greg Hands and Mark Garnier—all Remainers.

May herself has announced that she will chair a new cabinet committee on Brexit, and will decide all major

policy decisions.

There is, in any event, continued and sizable opposition to Brexit within the ruling class, which has necessitated her delayed announcement until 2017. May's timetable was in fact confirmed as a result of a High Court challenge to Brexit, on Tuesday, which is only one of seven private legal actions that must be heard that argue only parliament and not the prime minister has the authority to invoke Article 50.

"Notification [triggering] article 50 will not occur before the end of 2016," Jason Coppel QC told the court. A full trial is now scheduled for October.

On Monday, the International Monetary Fund (IMF) cut its forecast for next year's UK growth, in a report on the global economy that spoke of the Brexit vote having "thrown a spanner in the works" and forcing the IMF to revise earlier estimates of a global world recovery.

The figures, however accurate they prove to be given the IMF's poor record, show that it expects the UK economy to grow by 1.3 percent in 2017—a downward revision on 0.9 percent since April. The IMF predicted global growth of 3.1 percent in 2016 and 3.4 percent in 2017—0.1 points lower than forecast in April.

The reception given to the IMF report is a measure of the political polarisation within UK ruling circles.

The *Guardian*, which was pro-Remain and supports the overturn of the referendum result, cites the report as a cause for grave concern—quoting the passage stating:

"The vote in the UK in favour of leaving the EU adds significant uncertainty to an already fragile global recovery. The vote has caused significant political change in the UK, generated uncertainty about the nature of its future economic relations with the EU, and could heighten political risks in the union itself. Continuing uncertainty is likely to weigh on consumption and especially investment."

The newspaper goes on to state that the impact of the UK's decision to leave "could in fact prove worse than expected"—citing a forecast from the European Commission stating that there was a risk that the UK economy could in fact contract by 0.3 percent next year.

Matt Whittaker, chief economist at the Resolution Foundation, translates this into a fall of £21 billion in the overall value of the UK economy.

In the pro-Leave *Daily Telegraph*, the focus is placed

on the fact that Britain is still expected to be the second fastest growing economy in the G7 this year, after the US, and third next year after the US and Canada, and that it will "still outstrip Germany, France and Italy."

Nevertheless it was obliged to warn that the IMF's growth projections were based on there being "no major trade barriers erected between the EU and the UK after Britain leaves the bloc" and assumes that "there will be no serious financial disruption, with, at most, limited political fallout."

It noted that the rating agency Moody's has warned that the UK's growth prospects "could be materially weaker" if the Government fails to agree a strong trade arrangement with the EU and had cut the UK's credit rating outlook to "negative" in the aftermath of last month's referendum.

The *Daily Mail* and the *Daily Express* both reported the description of Douglas Carswell, the anti-EU and anti-migrant UK Independence Party's sole MP, of the IMF as a bunch of "clowns."



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