

Exit talks begin between UK and European Union

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Britain's Brexit Secretary David Davis and Michel Barnier of the European Union (EU) launched negotiations yesterday on the terms of Britain's exit from the trade bloc.

Davis did so representing a government in the midst of an ever deepening crisis, with a question mark hanging over the survival of Prime Minister Theresa May, a party split down the middle on whether a "hard Brexit" involving leaving the Single European Market should be abandoned, and a majority of all the major trade and business organisations insisting that it must be.

Davis, who represents the pro-Brexit wing of the Conservatives, was on a back foot from the start. Talks will begin according to the timetable set by the EU, with the cost of Britain's "divorce settlement" and the status of Northern Ireland among the "separation issues" to be discussed before trade relations post-Brexit.

Earlier Davis had pledged "the fight of the summer" over this sequencing, but folded without a murmur yesterday. Everything the government does is now with one eye on surviving in office. May's disastrous performance in the UK's snap general election, the well of popular opposition expressed in Labour's much better than expected performance under Jeremy Corbyn, and the hatred aroused by the Grenfell Tower fire has fuelled speculation of imminent leadership challenges. These are held in abeyance only by the threat of hastening a second general election that the party could lose.

It was in the midst of this febrile atmosphere that five major UK business bodies jointly demanded in a letter to Business Secretary Greg Clark that the government "put the economy first" and secure continued access to the European Single Market.

The comments from the British Chambers of Commerce, Confederation of British Industry, Education Endowment Foundation, Federation of Small Businesses and Institute of Directors were scathing. Josh Hardie, the CBI's deputy director-general, said, "It is a time for reflecting on how businesses are feeling." Stuart Rose of online grocer Ocado described the snap election as a "proxy re-referendum" against hard Brexit. Karan Bilimoria of Cobra beer said May had "zero credibility" and Britain could now rethink leaving.

Within the Tory Party, Chancellor Philip Hammond went on TV Sunday to denounce May's electoral campaign and stake his claim to be the "soft Brexit" candidate in a future leadership contest. He described May's "no deal is better than a bad deal" stance as "a very, very bad outcome for Britain".

On the other side of the divide, newly appointed Environment Secretary Michael Gove said May was right to insist that the UK would not sign up to anything which "harmed" the UK.

The problem for the bourgeoisie is that May is more in thrall to the pro-Brexiters than ever. Along with pro-Remainers Hammond and Home Secretary Amber Rudd, those spoken of as most likely to replace May are Davis and Foreign Secretary Boris Johnson.

The internal fighting between them is toxic.

The *Sunday Times* wrote under the headline, "Tories tell May: You've got 10 days", that confidence in her was "in freefall" with constituency party bosses telling "ministers and MPs to force her from power."

"Up to a dozen MPs are ready to demand a vote of no confidence in May by submitting letters to the backbench 1922 committee... Cabinet ministers have also let it be known that they will oust the prime minister if it looks like she is in danger of losing the

vote on the Queen's speech on June 28."

A cabinet minister told friends he was "worried about her state of mind," while another said, "She had better stop feeling sorry for herself, pull up her socks and start to lead—and if she can't do that she should go. Shape up or ship out."

The *Sunday Telegraph* wrote of a "stalking horse" challenge if May "waters down Brexit." An influential former minister said, "If we had a strong signal that she were backsliding I think she would be in major difficulty," while another former minister said, "If she weakened on Brexit, the world would fall in... all hell would break loose."

May has fear of political disaster on her side—for the moment. Rupert Murdoch's *The Sun* insisted, "The Conservatives must put aside their differences, rally around Theresa May and make Brexit a success... Sniping from the sidelines won't force her into a 'soft Brexit'—it'll weaken the Government and hand Corbyn keys to No10." It insisted, "Mrs May needs to insist, as she has all along, that we must leave the single market and customs union."

Corbyn has long been the subject of a political witch-hunt by the ruling elite, but is determinedly wooing them with promises that he can bring stability for British capitalism—including by suppressing social discontent using his "left" reputation but also by prioritising access to the single market in what he terms a "jobs Brexit."

There will be an audience for such an approach in the EU, especially with reports already of backdoor discussions between Hammond and Berlin and Paris.

The EU's major powers cannot be seen to give an inch to Britain if it pursues a hard Brexit for fear of weakening the cohesion of the continent. But they cannot afford the luxury of *schadenfreude* either given the dangerous implications of political instability in the UK.

Berlin and Paris would welcome a retreat if this becomes a possibility given the economic and political impact of Brexit.

In April, investment bank ING sent a note to clients warning that a bad deal for the UK would likely backfire on the EU. Quoted in *Business Insider*, the note warned, "A severe downturn in the UK would be particularly felt in the Netherlands, Belgium and Ireland given the importance of trade with the UK," but

stressed above this political uncertainty.

It warned that "if there is electoral success for anti-EU parties, the prospect of EU break-up could return. Bad politics, combined with economic dislocation and financial contagion would likely lead to recession across Europe."

Italy "goes to the polls within the next twelve months. The concern is that the first and third place parties in opinion polls are both decidedly anti-EU. In a worst-case scenario, fears of EU break-up could see toxic politics combine with economic dislocation and financial contagion, which would spell disaster for the European economy—not just the UK economy."

Such concerns led French President Emmanuel Macron to stress this month in a meeting with May that "the door is also open as long as the Brexit negotiations aren't over" and German Finance Minister Wolfgang Schäuble to pledge that if the UK "wanted to change the decision, of course, they would find open doors."

However, from the standpoint of the working class in Britain and Europe, the factional struggles within the bourgeoisie promise only political and social reaction.

At stake is whether the UK cuts itself adrift from the other European powers in the hope that the Trump administration will find its services useful in rising trade conflicts with Germany and France, or whether the EU can exploit Britain's economic and political crisis to force a retreat and to insist on a greater degree of collusion—above all as the EU sets about securing a military capability independent of NATO, which London has up to now opposed.

In either case, the working class on both sides of the Channel will be urged to accept more austerity, greater sacrifices of jobs, wages and essential social services on the altar of "competitiveness" and "security."



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