

EU summit agrees talks will move forward, but Brexit crisis continues

Chris Marsden
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The agreement by the European Union (EU) that Britain has made “sufficient progress” to continue to phase two of talks on future relations following Brexit is little more than a stay of execution for Prime Minister Theresa May.

The EU’s written statement and comments from its leaders confirm that the applause May received after a formal dinner Thursday evening was a political gesture to strengthen her hand in dealing with the hard-line pro-Brexit wing of her party. But as far as substantive issues are concerned, the EU is playing hardball.

The two-day EU summit concluded yesterday with two press conferences—one involving German Chancellor Angela Merkel and French President Emmanuel Macron and the other European Commission President Jean-Claude Juncker and European Council President Donald Tusk.

All stressed that the second round of talks would be difficult. Phase two was “an even tougher piece of negotiation than we have had up to now,” said Merkel.” The EU required “more clarity on their vision” from the UK, said Tusk.

On arriving for the second day of the summit, Juncker had said, “I have extraordinary faith in the British Prime Minister,” but added, “The second phase will be significantly harder than the first and the first was very difficult.” So nervous are the markets that his comments led to a fall in the pound against the dollar and the euro.

The negotiating strategy agreed by the 27 EU member states is a recipe for further conflict within the deeply divided Conservative Party and leaves undecided sharply contested issues between the UK and EU states.

It commits the UK to uphold “all existing Union regulatory, budgetary, supervisory, judiciary and

enforcement instruments and structures,” including the European Court of Justice. Given that the UK “will continue to participate in the Customs Union and the Single Market” throughout the two-year transition to exiting the EU in 2021, it will also be expected to uphold its “four freedoms,” including free movement of EU citizens, and to “comply with EU trade policy, to apply EU customs tariff and collect EU customs duties, and to ensure all EU checks are being performed on the border vis-à-vis other third countries.”

The guidelines also stipulate that the UK must adopt all new EU laws created during the transition period, while being excluded from any decision-making role. Even the guidelines for trade talks will only be issued in March 2018, making an agreement by March 2019 problematic to say the least.

As was made clear by Irish Premier Leo Varadkar’s earlier threat to veto a deal, the character of the border between the Republic and the North of Ireland remains a potential source of crisis for May given her reliance on the vote of ten Democratic Unionist Party MPs for a majority. Varadkar said he wanted a “bullet proof” guarantee allowing unfettered access to the north based on “full alignment” in regulation. However, he added, in a masterpiece of understatement, “There does seem to be quite diverse opinions as to what that should look like.”

In addition, five business groups—the British Chambers of Commerce (BCC), Confederation of British Industry (CBI), EEF (manufacturers’ organisation), Federation of Small Businesses (FSB) and Institute of Directors (IOD)—have issued a statement warning, “Further delays to discussions on an EU-UK trade deal could have damaging consequences for business investment and trade, as firms in 2018 review their investment plans and strategies.”

Collectively this means that the UK will continue to be a member of the Single European Market and Customs Union and accept EU immigration and legal jurisdiction while not even having discussions on a post-Brexit trade deal for months to come. It leaves the self-congratulatory statements made by May regarding “an important step on the road to delivering a smooth and orderly Brexit and forging our deep and special future partnership” and Davis, who declared Friday as “a good day for Brexit”, sounding hollow. With May already agreeing to pay a divorce settlement of around €40 billion, every one of the “red lines” once cited by the “hard” Brexiteers have been crossed--making continued conflict inevitable.

The document issued, and statements made repeatedly by Juncker, will act as a spur to the pro-Remain wing of the Tories. On Wednesday, 11 Tory MPs voted with the opposition parties to demand a legally binding vote by parliament on whether the final deal with the EU is accepted or rejected and sent back. This was May’s first defeat as prime minister, occurring on the eve of the EU summit. Next Wednesday, December 20, there is consideration of a second rebellion rejecting May’s declared March 19 deadline.

The EU deal makes clear that negotiations at the end of the Brexit process will not take place--a position stated openly by Xavier Bettel, the prime minister of Luxembourg. The "take it or leave it" vote promised by Davis is all that is on offer. The prospect of Britain leaving the EU without a deal if MPs reject May’s agreement puts a gun to the head of any rebels. But how they respond—by retreating or stepping up to the plate—is still to be decided given that fundamental interests of big business and the City of London are at stake. Juncker--who said, "I'm still sad our British friends are leaving the European Union"--has repeatedly indicated that repudiating the Brexit referendum decision could reopen the door to the EU.

The most determined opponents of Brexit are the Blairites in the Labour Party, whose house organ is the *Guardian*. The newspaper commissioned Jonathan Portes, a senior fellow of UK in a Changing Europe, to warn that a vote on the Brexit deal at the conclusion of talks would be “too late... If parliament actually wants a meaningful voice on this--perhaps the most important single choice about the future of the UK economy since

the mid-1970s--it needs to act now.”

Whereas the party right-wing’s offensive against Labour’s nominal left leader, Jeremy Corbyn, once focused on his lack of commitment to the EU, there is now a growing confluence of views on Brexit between the Blairites and the “Corbynistas.”

This week Corbyn’s main ally, Shadow Chancellor John McDonnell, was asked by the *Daily Mirror* whether he still believed that keeping single market membership would be "not respecting" the EU referendum result, or whether he supported the view of Shadow Brexit Secretary Sir Keir Starmer that Britain could stay in "a variant of the single market.”

Claiming that he was not engaging in “semantics”, McDonnell replied, "What we’ve been using is the phraseology 'a single market' not 'the single market', and 'a customs union' not 'the customs union'. So, therefore, a reformed single market, or a new negotiated relationship with the single market.”

Labour’s “soft Brexit”, pro-business message is being heard loud and clear. McDonnell has accepted an invitation for talks with Wall Street bank Goldman Sachs. Labour’s envoy for financial services, Jonathan Reynolds, is also due to meet Morgan Stanley, who earlier this month had warned that a Labour government could be more damaging than a “hard Brexit.” Reynolds told Reuters, “What people soon realise is how serious we are about tackling some of the long-term economic problems the UK faces and that we really do welcome their input into our policy development.”



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