UK: Brexit divisions threaten government defeat

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A parliamentary debate Thursday saw MPs pass a motion saying the UK should stay in the European Union's customs union after Brexit.

The motion was non-binding and passed by affirmation without a vote, as pro-hard Brexit Conservative MPs absented themselves. Prime Minister Theresa May had applied a "soft-whip" that did not require attendance.

However, even with this effort to minimise the motion's impact the number of pro-Remain and "soft Brexit" Tories appears to be enough to defeat the government over substantive votes on the trade bill and customs (taxation [cross-border trade]) bill next month.

If that happens, there are threats of a leadership challenge against May by the hard Brexit-right and of a withdrawal of support by the 10 Democratic Unionist Party MPs if she retreats from her disavowal of customs union membership. In addition, there are suggestions from Remainers that an option of a second referendum should be opened up.

The fiercely pro-Remain *Guardian* newspaper made the most ambitious estimate of the likely size of a rebellion—citing ten Tory MPs having signed one pro-customs union amendment to the trade bill. These included Anna Soubry, Nicky Morgan and Ken Clarke, as well as Dominic Grieve from another amendment, four Tories whose speeches had "suggested they were very sympathetic to the case for remaining in the customs union" and two others who voted against the government on the EU withdrawal bill in December last year.

This tally of 17 "potential rebels" is more than the 12 who inflicted a defeat against the government last December.

May has long been entirely beholden to her "hard Brexit" wing—including leading cabinet figures Foreign Secretary Boris Johnson, Brexit Secretary David Davis, Environment Secretary Michael Gove as well as Jacob Rees-Mogg, who commands the backbench Brexit camp.

The prime minister is under pressure from both sides of her party to clarify her position on the customs union, the mechanism allowing goods to be transported tariff-free between EU member states.

Her stated position is for a "comprehensive system of mutual recognition" whereby the UK and EU keep their regulations equivalent to one another to facilitate trade. This is vital in preventing the reintroduction of a "hard border" between Northern Ireland and the Republic of Ireland, an EU member state. But it is meant to extend to all aspects of trade, including financial services. Around 80 percent of the British economy comes from providing services—with the EU accounting for 43 percent of British exports.

Having ruled out a customs union, May proposes two means for implementing "mutual recognition"—a "customs partnership" involving the UK collecting the EU's tariffs on goods coming from other countries on its behalf or minimising checks using technology and a "trusted trader scheme" rather than getting rid of them.

None of this satisfies her internal or external critics, resulting in a defeat last week in the House of Lords that prompted May to publicly reaffirm "[W]e are leaving the customs union and not joining a customs union," while planning a cabinet debate next week seeking a common position.

Expressing most graphically the position that any form of customs union would prevent the UK from striking trade deals with countries around the world, Rees-Mogg mocked a "customs partnership" as "completely cretinous." He proposed that the UK instead "ratchet up the pressure" on the EU by threatening to collapse the Irish Republic's economy, warning that the House of Lords "are playing with fire" through revolts over Brexit and threatening that "it would be a shame to burn down a historic house."

Thursday's debate saw Remain Tories line up with the

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Labour Party, Scottish National Party and Liberal Democrats behind a motion, drawn up by the backbench liaison committee of select committee chairs, calling on the government to include "the establishment of an effective customs union between the two territories" in its negotiations with the EU.

Even as the vote was taking place, Home Secretary Amber Rudd told journalists that she would not be drawn on the issue of customs union membership and that discussions were ongoing within the cabinet "to arrive at a final position."

Amid furious denunciations of Rudd having called into question "a key plank of Brexit," Number 10 declared, "It's the position of the prime minister, the cabinet and the entire government that we will be leaving the customs union and be free to sign our own trade deals around the world."

In the debate Labour's Shadow Brexit Secretary Sir Keir Starmer cited Rudd and urged May to "listen to the growing chorus of voices in Parliament and in the businesses community that believe she has got it wrong on a customs union…. what Number 10 is saying in public is not an accurate guide to what May is planning in private…"

The position of Blairite Labour MPs such as Yvette Cooper, that the government was endangering more than £230 billion of goods and services exported to the EU every year, was indistinguishable from those of Dominic Grieve and Ken Clarke.

"You will damage the economy of this country... if you suddenly decide to erect new barriers at the border between the UK and our major trading partners," Clarke said. Brexiteers argue that the UK can trade on World Trade Organisation terms, but Trump's White House no longer supports the WTO regime, is turning to protectionism and will not offer a good trade deal to the UK.

Grieve combined similar statements with a warning that silencing pro-Remain Tories—"people of a moderate and sensible disposition"—would end with Jeremy Corbyn becoming prime minister.

He was attempting to counter warnings that Tories questioning Brexit are in danger of handing power to Corbyn. There are predictions that Labour will register its best council result in London for 40 years in next week's local elections with a 22-point lead on the Tories.

The Blairites are reaching out to the Tories as potential allies against both Brexit and Corbyn, focusing attention on a possible second referendum as opposed to any attempt to destabilise the government. A March for a People's Vote is planned for June 23.

Such reassurances are reinforced by the EU powers offering none of the concessions sought by May.

Brussels is making clear that Britain will get a beggars' Brexit, on terms dictated by Germany and France that no proposals must be made that threaten to further undermine the integrity of the EU.

In Sofia, Bulgaria, Thursday, EU chief Brexit negotiator Michel Barnier referred in scathing terms to May "pleading" with the EU to maintain British financial firms' access to sell services into the single market.

"I can perfectly see the UK's logic and interest in pleading for a system of 'mutual recognition' and 'reciprocal regulatory equivalence'," because, "This is, indeed, what the single market achieves... Outside of the customs union and the single market, there can be no frictionless trade. Businesses will be faced with non-tariff barriers and border checks that do not exist today."

Barnier specifically targeted UK financial services, rejecting UK claims that European business "desperately needs the City of London" as "not what we hear from market participants, and is not the analysis that we have made ourselves."

The City would be treated in the same manner as Wall Street.

On the issue of the Irish border, the European Parliament's Brexit Coordinator, Guy Verhofstadt, said Wednesday that a solution was needed by the end of June—challenging UK Brexit Secretary David Davis' proposed October deadline. Negotiators "still have no proposal made by the UK side that could be a satisfactory solution for the problem," he said.

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