

# BREXIT

May 10

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REUTERS/Hannah McKay

# Bad omen or opening bid? Brexit sparring begins with tales of delusion and disaster

By Guy Faulconbridge, Reuters

In the month since Prime Minister Theresa May submitted formal divorce papers, Brexit has been overshadowed by a public display of brinkmanship as Britain and the rest of the European Union set out their stalls for the tortuous exit negotiations.

After an encounter with May dubbed the "disastrous dinner", European Commission President Jean-Claude Juncker apparently left her Downing Street office last Wednesday shocked and deeply worried that a disorderly Brexit could be looming.

May said Britain's negotiating position had been deliberately misrepresented and accused European politicians and officials of seeking to affect the outcome of national elections on June 8 by issuing threats over Brexit.

Brexit spice was added by cautions from German Chancellor Angela Merkel about the "illusions" of the British and public bickering over the exact numbers on a yet-to-be-calculated divorce bill that Britain must one day pay to the EU. EU diplomats have long held that British politicians are living in a 'bubble' with little grasp of the complexity of Brexit, a charge denied by British ministers who say some in the EU are manoeuvring for an opening advantage in the talks. Martin Selmayr, who is Juncker's head of cabinet, said in Brussels on Wednesday that "Brexit will never become a success" and described it as "a sad and sorry event" although he wanted it to be managed in a professional manner. "Nothing that has happened in the last two or three days has changed my view of the odds of this thing breaking down," said Anand Menon, professor of European politics and foreign affairs at King's College London. Menon's view is that the Brexit talks have a 30 to 40 percent chance of ending in failure.

"This sort of shadow boxing and posturing doesn't change that in the least because that is what happens when negotiations start: people lay out positions, often exaggerated positions, and that is just the way it goes," he said.



Britain's Prime Minister Theresa May welcomes European Commission President Jean-Claude Juncker to Downing Street in London, Britain April 26. REUTERS/Hannah McKay

A disorderly Brexit with no deal would spook financial markets, tarnish London's reputation as one of the world's top two financial centres and sow chaos through the economies of Britain and the EU by dislocating trading relationships. Besides money, the cohesion of the West and the fate of an estimated 3 million EU nationals living in Britain and some 1.2 million Britons residing in other EU countries is at stake.

## "BLOODY DIFFICULT WOMAN"

May, an initial opponent of Brexit who became prime minister in the turmoil that followed the June 23 referendum vote, has two years to negotiate the terms of the divorce before Britain exits the EU in late March 2019.

EU leaders endorsed stiff divorce terms on Saturday and Juncker said Britain's decision to withhold consent to some 6 billion euros (\$6.5 billion) in EU spending on approved programmes, notably to handle the Mediterranean migrant crisis, could affect the start of Brexit talks.

"During the Conservative Party leadership campaign I was described by one of my colleagues as a 'bloody difficult woman'. And I said at the time the next person to find that out will be Jean-Claude Juncker," May said.

Juncker said his best real-time description of May was that she was a "tough lady", adding he respected May and liked her as a person. EU diplomats have expressed concern both over May's ambition to personally dominate detailed Brexit talks and her attempts to strike deals with EU leaders before outlining the detail. Britain says it will decide how to conduct its side of the talks. British finance minister Philip Hammond said the leak to a German newspaper of the Downing Street dinner and reports of large divorce bills indicated how tough Brexit talks would be.

"We are on the brink of a very tough, complex, lengthy negotiation and I am not remotely surprised that people are manoeuvring for opening advantage in that negotiation," he said.

## MONEY AND MIGRANTS

As Britain and the EU embark on one of the most complex negotiations in recent European history, many EU diplomats fear British leaders have failed to appreciate the enormity and stakes of the divorce.

Besides rhetoric, the public Brexit dialogue between the EU and Britain has focused largely on money and migrants.



European Chief Negotiator for Brexit Michel Barnier (R) talks with European Commission President Jean-Claude Juncker (C) and French President Francois Hollande as he arrives at the EU summit in Brussels, Belgium, April 29. REUTERS/Virginia Mayo

EU negotiators have hiked possible payment demands for Brexit over recent weeks, officials say, widening the divide between Brussels and London, which questions whether it owes anything at all before talks start next month.

Hours before EU chief negotiator Michel Barnier was due to give details on the EU's standpoint, a Financial Times headline saying the EU might seek an upfront payment in 2019 of up to 100 billion euros (\$110 billion) drew an immediate rejection from Britain's Brexit Secretary David Davis. "We'll not be paying 100 billion," Davis said.

The European Commission has previously given a ballpark estimate of the bill of about 60 billion euros. The FT said the calculations it referred to would result in a net payment from Britain of roughly that level, after subsequent reimbursements.

Barnier, who said he found the dinner with May very cordial, told reporters the EU hoped to make sufficient progress by November on citizens' rights and a financial settlement to be able to start discussions on a future relationship with London. Davis said he wanted a generous settlement that would mean EU migrants enjoy "pretty much exactly what they enjoy now".

But the EU insists that such broad assurances are worthless without deep legal discussion and wants to agree a cut-off date until which EU citizens arriving in Britain would enjoy the same rights as now.

"Will Brexit talks fail or succeed? I don't know and no-one does," said a diplomat from an EU country. "The guess is a deal of some kind can be reached but the risk remains that it falls apart."

## IMPACT ON BUSINESS



### Banks planning to move 9,000 jobs from Britain because of Brexit

The largest global banks in London plan to move about 9,000 jobs to the continent in the next two years, public statements and information from sources shows, as the exodus of finance jobs starts to take shape. ►

### Paris to redouble efforts to attract Brexit banks after Macron win

Emmanuel Macron's victory in the French presidential election and his plans to swiftly implement structural reforms is a boon for Paris in its efforts to attract banks and other financial service companies seeking to move operations out of Britain, the head of lobbying group Paris Europlace said on Monday. ►

### British exporters see few long-term gains from sterling windfall

With 85 percent of its customers outside Britain, Sheffield-based Gripple should be cheering the plunge in sterling since last year's vote to leave the European Union, which means every overseas sale brings in more pounds than before. ►

### Frankfurt lays claim to Wall Street banks after Brexit

The five largest U.S. investment banks are set to move hundreds of key staff within two years from London to Frankfurt, the city's chief lobbyist told Reuters, in a move that could bolster Germany's role in global finance. ►

### European banks warn of London exodus if told to convert branches to subsidiaries

European banks are privately warning they will have to shift thousands of people out of Britain if Brexit negotiations push the Bank of England to demand that they reinforce London operations with fresh capital, executives said. ►

## REUTERS GRAPHICS

### Tracking the Brexit effect

Reaction by sector [Click here](#)

British industry lobbying [Click here](#)

London finance job moves [Click here](#)

Poll on issues facing Britain [Click here](#)

# PM May says EU seeking to affect result of British election

By Kylie MacLellan and William James, Reuters

British Prime Minister Theresa May (*pictured*) accused European politicians and officials on Wednesday of seeking to affect the outcome of the June 8 national election by issuing threats over Brexit.

May, whose Conservative Party has a double-digit lead over the main opposition Labour Party in the polls, has framed the early election as an opportunity to strengthen her hand in upcoming negotiations on Britain's exit from the European Union.

Speaking in front of her Downing Street office after visiting Queen Elizabeth to mark the dissolution of parliament, the formal start of the election campaign, May said there were some in Brussels who did not want to see Brexit talks succeed.

Over the weekend a German newspaper gave a damning account of a dinner last week between May and European Commission President Jean-Claude Juncker, reporting that he had told May that Brexit could not be a success. "Britain's negotiating position in Europe has been misrepresented in the continental press, the European Commission's



REUTERS/Anthony Devlin

negotiating stance has hardened, threats against Britain have been issued by European politicians and officials," May said. "All of these acts have been deliberately timed to affect the result of the general election." There was no immediate EU comment on her accusations. [Read more](#)

## VIEW FROM EUROPE



REUTERS/Hannah McKay

### Tusk says Brexit talks will be "impossible" if emotions unchecked

Britain's looming negotiations with the European Union on exiting the bloc are already very tough and will become "impossible" if emotions are allowed to run unchecked, the chairman of EU summits Donald Tusk (*pictured above*) said on Thursday. ▶

### Influence of English is fading, says EU chief Juncker

European Commission President Jean-Claude Juncker took a swipe at Britain on Friday, saying he would not give a speech in English because the language was becoming less significant following Brexit. ▶

### EU wants formula for Brexit bill but no "blank cheque" from UK

The European Union does not want a blank cheque from Britain for leaving the EU, but hopes to agree by November on a formula to calculate what London owes when it leaves the bloc, chief EU negotiator Michel Barnier said on Wednesday. ▶

## ANALYSIS & COMMENTARY

### Sterling's election-led bounce breaks developing spiral

The lift to sterling given by the prospect of a snap British election next month has, at least temporarily, broken a vicious circle of rapidly rising inflation that threatened to further undermine the economy and paint the central bank into a corner. [Read more](#)

### BREAKINGVIEWS-Britain's Brexit bill is worth the money

Britain's Brexit bill is worth paying. EU negotiators may ask the UK to hand over as much as 100 billion euros (84 billion pounds) as part of its orderly departure from the trading bloc. While eurosceptic politicians will complain about paying anything at all, a chaotic exit would risk imposing much greater costs on the UK's 1.9 trillion pound economy. [Read more](#)

### BREAKINGVIEWS-Make Britain's Brexit bill performance-related

Michel Barnier must like a challenge. The European Union's chief Brexit negotiator is hoping to settle Britain's tab for leaving the bloc by October. Brussels may put the cost of leaving at around 100 billion euros; many Britons want to pay nothing. A common corporate finance technique could offer a way out of the impasse. [Read more](#)

## ECONOMIC FALLOUT

### British exporters see few long-term gains from sterling windfall

With 85 percent of its customers outside Britain, Sheffield-based Gripple should be cheering the plunge in sterling since last year's vote to leave the European Union, which means every overseas sale brings in more pounds than before. ▶

### UK services firms surprise with bounce, homebuyers cautious

Britain's economy picked up some steam in April after slowing in early 2017, a closely-watched survey suggested on Thursday, welcome news for Prime Minister Theresa May ahead of a national election in just over a month's time. ▶

# Street artist Banksy tackles Brexit in Dover mural

By Paul Sandle, Reuters

**B**ritish street artist Banksy has taken on Brexit with a mural of a workman chipping away one of the 12 gold stars on the flag of the European Union (*cover page*) on a wall in Dover, the ferry port that connects England with Calais in France.

Banksy, whose identity is a closely guarded secret, posted pictures of the work, which appeared overnight, on his official Instagram feed on Sunday, the day of the French presidential election.

His representative also confirmed it was by Banksy.

Dover and its white cliffs, which are seen by many people arriving in and departing from Britain every year, have loomed large in media coverage of Brexit. The Sun newspaper, which campaigned for "leave", projected the message "Dover & out" on the cliffs on March 24, the day that British Prime Minister Theresa May triggered the start of Britain's exit from the EU. In 2015, Banksy created four artworks at the Jungle migrant camp in Calais,



A Banksy signature is seen by a mural, attributed to graffiti artist Banksy, painted on the outside of a class room at the Bridge Farm Primary School in Bristol, Britain June 6, 2016.

including one featuring Apple founder Steve Jobs, in a reference to his background as the son of a Syrian migrant. In March he created the

Walled Off Hotel in Bethlehem, a quirky guesthouse that stands close to Israel's towering security barrier in the occupied West Bank.

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