

MAY PLUS MANDATE: A BID FOR EUROPE

Theresa May, bolstered by opinion polls that seemed almost too good to be true, has thrown caution to the wind and decided she wishes to lead Europe. The erstwhile careful campaigner to keep Britain in the European Union, who has - since becoming prime minister last July - fully espoused the "UK out" cause, has now undergone a further metamorphosis. For weeks, Ms May ruled out an election; now, she has changed her mind. Her surprise decision to call a snap election, to be held on 8 June, should endear herself to President Donald Trump – a risk-taker who is not averse to altering his opinion when circumstances change.

May's ambition is to become a substantial election victor, crush the opposition Labour Party and gain a strong mandate to shepherd the UK to a reasonable economic and political exit deal with the remaining EU states. The Conservative Party is an unusual 20 percentage points ahead in the polls over luckless and semi-leaderless Labour. Unless something catastrophic happens, May in June will swap her present unelected status for the prize mantle of being the sole top European leader with sizeable popular backing for her policies.

With France facing instability, whoever finishes first in the French presidential elections, and Chancellor Angela Merkel fighting an uphill battle in Germany's September elections, May will be able to bask in unusual popular acclaim. Her stratagem is to translate this into negotiating leverage that will give the UK advantages in a relatively smooth and 'soft' withdrawal agreement, taking effect in 2019.

May has every chance of establishing Britain, from 9 June onwards, as an island of relative stability in an otherwise uncertain continent. The Franco-German relationship seems headed for the most problematic passage since 1945. In June France will be in the throes of parliamentary elections designed to give legitimacy to whoever becomes French president after 7 May. A messy

'cohabitation' of political bickering and skulduggery is likely to ensue. Financial markets will have to get used to "spread" between German and French bonds continuing semi-permanently above the 60 basis points margin of the last few weeks.

May and her advisers argued strongly in recent weeks against holding an early election. They have pointed to her ability to govern effectively with a working majority in the House of Commons inherited from David Cameron, her predecessor. In addition, the government had argued that an early poll would represent a distraction from Brexit talks.

Against this, the prime minister has now clearly been swayed by a series of counter arguments. Apart from the potential European benefits, she has a chance to upstage Brexiteer hardliners in her party. She can erase the continued irritant of the UK Independence Party, now seen to have outlived its usefulness, and score some useful wins against the Scottish nationalists north of the border.

This is not the first surprise in the Brexit saga. Cameron didn't expect to lose the June EU referendum and said he would stay on if he did. The Leave side did not expect to win and had no prepared leadership plan. Financial markets and economists of all persuasions expected to UK economy to dip after the result – it still hasn't happened. May now has the chance to show, that she can turn successive surprises to her advantage. For the time being, at least, it looks like a successful strategy.

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