



May gives the United Kingdom three options

On Tuesday night, the 13th of November, rumours were circulating that Prime Minister May had finally reached an agreement with the European Union on Brexit and that she would present her draft deal to her Cabinet before going through Parliament's scrutiny.

The day later, such rumours were confirmed as the Cabinet gathered for a long day of discussions, which ended with Prime Minister May proposing the UK with three options: accept her deal which is now backed by her Cabinet or go back to square one, which either means the Union leaving the EU without a deal, or a second referendum being called after an eventual change of government.

Warning that "hard days" were ahead, the Prime Minister knows fully well that her abrupt proposition is going to face strong opposition during her statement in Parliament today. In fact, upon hearing that a withdrawal draft was finally reached with the EU, both Brexiters and Remainers expressed their discontent toward the draft deal. Oddly, it seems that they now agree on one point: May's deal does virtually turn the UK into a "vassal state", still having to abide by many laws devised by Brussels but unable to have any say in the making of such laws because its exiting the EU.

Indeed, while May has managed to satisfy her EU counterparts and her Cabinet, it seems that her desire to both apply Brexit and yet maintain the closest links possible with the EU leave her in a frail position domestically. The Democratic Unionist Party that brought her to power is nearly set on abandoning her over her acceptance of the Irish backstop, her Conservative colleagues, including Boris Johnson and Jacob Rees-Mogg, have depicted her latest move as a surrender, and Jeremy Corbyn, the leader of the opposition, has called her draft a "botched deal" that makes the UK worse off. Considering this animosity, it is hard to grasp how the Prime Minister hopes to get her deal through Parliament.

Business leaders should therefore assume from the start that this deal does not presage the end of negotiations with Brussels and within the power centres of the UK. Rather, it would be sound to presume that we could very well see the deal derailed and political uncertainty rising over the next few weeks. Therefore, the two other options reluctantly offered by May seem to be more likely: the UK could very well end up leaving the EU with no deal because the DUP and pro-Brexit Tories force May to scrap her deal to maintain her position at Downing Street, or elections are called, thus ultimately bringing a Labour Party more open to the idea of a second referendum.

May has until March 2019 to convince Parliament to accept her deal, which according to her fulfils the



May gives the United Kingdom three options

conditions of the July 2016 referendum, including control of finances, borders and laws as well as the end of the freedom of movement. Yet, current understandings are that her deal keeps substantive parts of the EU's single market rules applicable and maintain the customs union for longer than expected. This leaves some of May's co-party members in the delicate position of not supporting the Prime Minister's solution but not wanting to confront her too strongly for fear of losing power or even cancelling Brexit. They could well decide to push the Prime Minister to opt for no deal, which according to the IMF would cost the UK nearly 6% of its GDP over the coming years.

Sources:

BBC, 14 November 2018, "Brexit: Cabinet backs draft agreement."

FT, 15 November 2018, "Brexit deal in crisis."

The Guardian, 15 November 2018, "Theresa May's Brexit deal: everything you need to know".

Photos Photo Copyright © UK Parliament, Commons Library 2018.