Brexit options facing UK lawmakers in six graphics

As parliament backs 'indicative votes' on different Brexit options, we take a look at the process, as well as the choices British MPs face, and what they would mean in practice

Source: iStock

Our guide to 'indicative votes' on the different Brexit options

On Monday evening, British MPs voted to take control of the Brexit process and allow time for indicative votes on alternative paths. This decision follows another bumpy few days in Westminster, where PM Theresa May has struggled to get the support she needs to get her Brexit deal through parliament.

The indicative votes process will kick-off tomorrow afternoon, and the big question is whether any single option can command a majority among lawmakers. There is no preset list of options, and instead, lawmakers will be able to put forward their preferred choices, and the speaker of the House of Commons will select the most popular. Out of all the alternative paths, we suspect a permanent customs union is still most likely to emerge as the preferred option.

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The process for these votes is still being decided. But one idea that seems to be gaining traction is to allow MPs to select all their favoured options on a piece of paper. The most popular ones would then go on to a second-round knockout stage (reportedly next Monday). The key advantage of this process is that it guarantees at least one option is selected at the end of it - although we would note that there is a risk that lawmakers put forward and settle on an option which isn't acceptable to the EU.

Whatever happens, none of these votes are binding, but if the government chooses not to action parliament's instructions, it's possible, lawmakers will attempt to pass new laws to force the prime minister to return to Brussels and change course.

The bigger question is whether PM May has the political capital to change course. Theresa May has been highly reluctant to seek cross-party consensus on Brexit, amid fears that this could split the Conservative party. If parliament opts to take Brexit in a 'softer' direction, then many Conservative Eurosceptic ministers and backbench MPs may be prepared to vote against the government in another no-confidence vote. Some commentators have also suggested that PM May herself may view an election as preferable if MPs back a second referendum or another unpalatable alternative.

One way or another, the next two weeks are going to be a 'tug of war' between the government and parliament. However, we think some form of 'softer Brexit' is still the most likely scenario to prevail, and this is likely to precipitate a further extension to the Article 50 extension period, assuming the UK accepts it must hold EU elections.

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The eight options on the table (there may be more)

1. Second referendum
2. Revoke Article 50
3. Single market (No customs union)
4. Permanent customs union
5. Single market + customs union
6. The prime minister's deal
7. Free trade agreement (FTA)
8. Others? (Malthouse, 'Managed no deal')

Source: ING

At a glance: The difference between the options

	UK red lines			Business priorities		EU red line
	Ends Free Movement	Negotiate global trade deals	End EU budget payments	No new customs barriers	No new regulatory barriers	Irish backstop required
1 **EU member:** 2 Remain/revoke	X	X	X	✓	✓	X
3 **Single market** Like Norway	X	✓*	X	X	✓	✓
4 **Customs union** Like Turkey	✓	X	✓	✓	X	✓
5 **Single market + Customs union**	X	X	X	✓**	✓	✓
6 **Free-trade deal** 7 Essentially PM May's deal	✓	✓	✓	X	X	✓

* Trade deals possible, although more restricted in what can be offered by UK
** Assuming UK can negotiate, so that it doesn't need to participate in Efta free trade agreements and instead remains in an EU customs union

Source: ING

What the Brexit options would mean for the economy

1 Second referendum

What? A second vote on EU membership, most likely Remain vs. PM May's deal

Economic impact: 'Remain' would be an economic positive, although lengthy process would prolong uncertainty in the short-term – particularly if 'no deal' is put on the ballot paper

2 Revoke Article 50

What? Unilaterally revoke the Article 50 notification and remain within the EU

Economic impact: Economically positive if designed to remain permanently. But if done to allow time to reconsider Brexit plan, this would prolong uncertainty – albeit it would remove the 'no deal' risk

3 EEA*/Single market

What? Allows free movement of goods, capital, services and people

Economic impact: Removes need for border checks to ensure EU rule compliance, and allows continued access for services. Doesn't quite equate to frictionless trade, as some customs declarations would still have to be performed. UK also essentially a rule-taker in this set-up

4 Permanent customs union

What? Free trade area with common external tariffs. Removes need for tariff and rules of origin documentation. Limits ability to agree global trade deals (a key Brexiteer demand)

Economic impact: Eases some of the burden, but outside of the single market there would be non-tariff barriers, potential frictions at ports. No provisions for services, which makes up bulk of UK economy

5 Single market + customs union

What? Combines options three and four

Economic impact: This would more-or-less equate to frictionless trade, so probably the least economically damaging option

6 The prime minister's deal

What? While the part of the deal that looks at future trade is vague, it more-or-less aims for a free trade agreement type of relationship

Economic impact: Same as option seven

7 Free trade agreement (FTA)

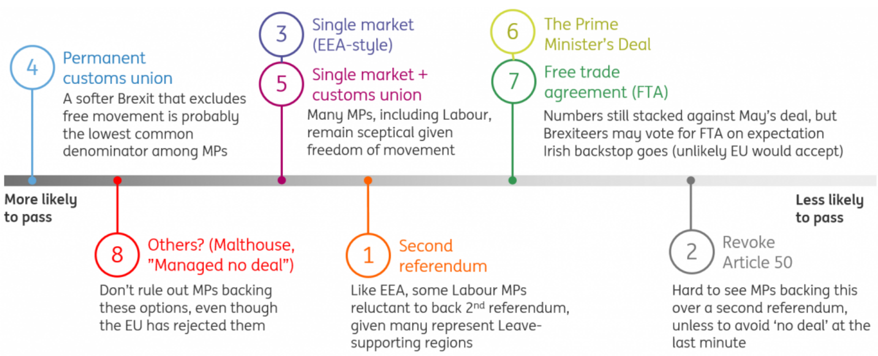
What? Agreement to reduce trade barriers (tariffs, non-tariff barriers, rules of origin etc) but not eliminate them entirely

Economic impact: UK would be outside of the single market and customs union (if no Irish backstop), creating trade frictions for goods. Typically very limited services access within existing FTAs

*EEA = European Economic Area

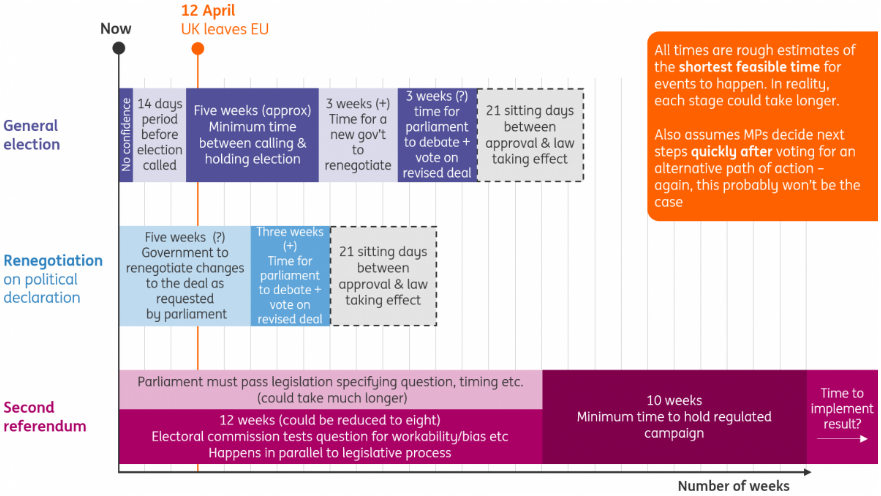
Source: ING

Which option is most likely to succeed?



Source: ING

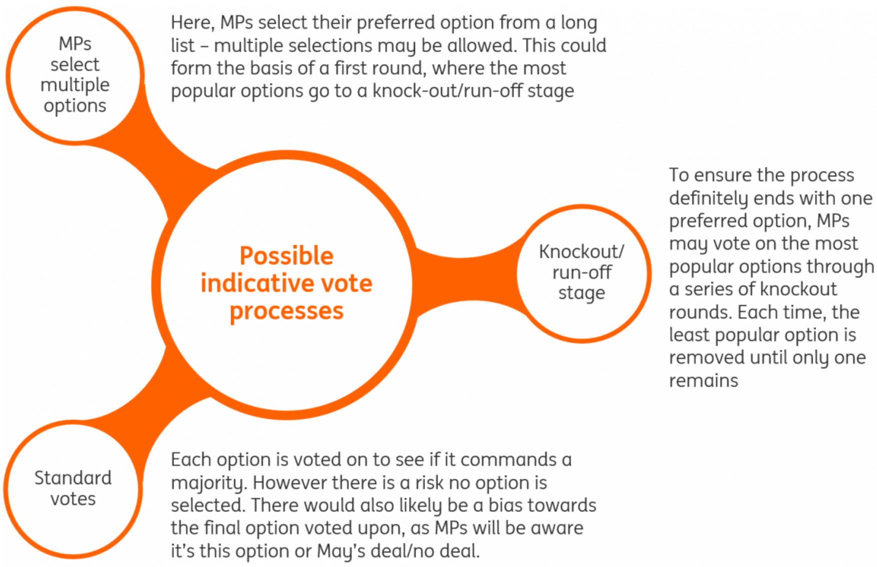
How long would Article 50 need to be extended to facilitate an alternative path?



Source: ING, Institute for Government

All times are very rough estimates

The process for indicative votes is still to be confirmed



Source: ING

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