

## 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.

*The indicative votes process will kick-off tomorrow afternoon, and the big question is whether any single option can command a majority among lawmakers*

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.

[Click here for the PDF friendly version of these graphics](#)

## 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:<br>2 Remain/revoke                  | X                  | X                            | X                      | ✓                       | ✓                          | X                       |
| 3 Single market<br>Like Norway                   | X                  | ✓*                           | X                      | X                       | ✓                          | ✓                       |
| 4 Customs union<br>Like Turkey                   | ✓                  | X                            | ✓                      | ✓                       | X                          | ✓                       |
| 5 Single market +<br>Customs union               | X                  | X                            | X                      | ✓**                     | ✓                          | ✓                       |
| 6 Free-trade deal<br>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)**

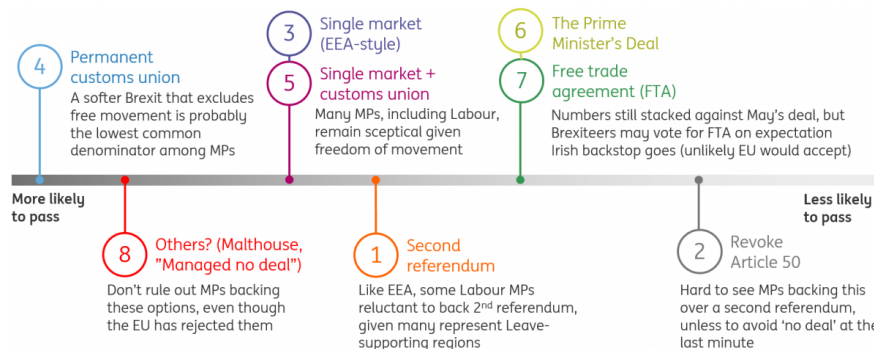
**What?** Agreement to reduce trade barriers (tariffs, non-tariff barriers, rules of origin etc) but not eliminate them entirely

**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

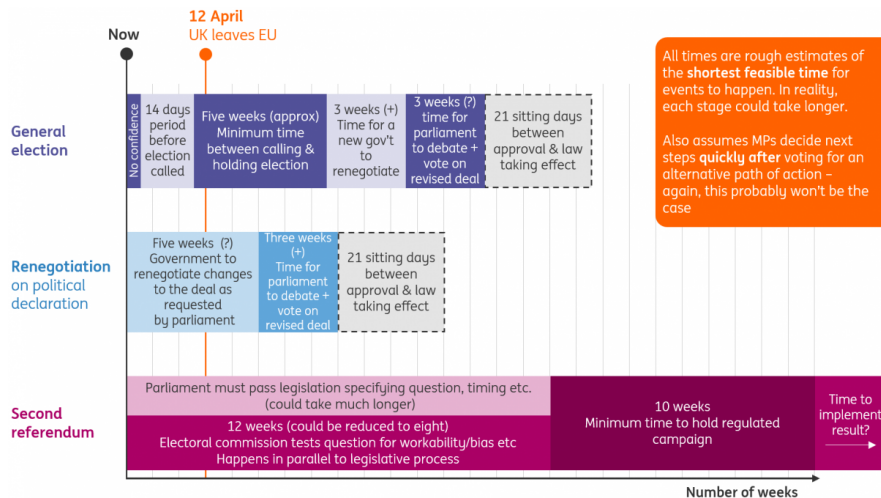
Source: ING

## Which option is most likely to succeed?



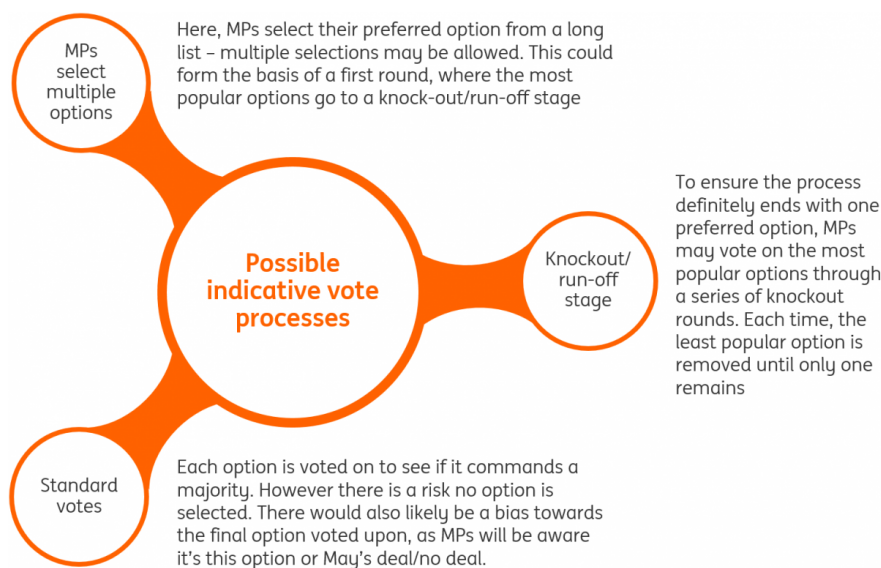
Source: ING

## 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

### Author

**James Smith**  
Developed Markets Economist, UK  
[james.smith@ing.com](mailto:james.smith@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information

purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.