

Nine days until Brexit: Will PM May's decision be a game changer?

After three failed attempts to persuade lawmakers to back her Brexit deal, UK prime minister Theresa May has opted instead to reach across party boundaries to craft a compromise solution. On paper this makes a softer Brexit more likely, although don't rule out PM May bringing her deal back again too. A long extension to the Article 50 period looks likely



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PM May's big announcement

With less than 10 days to go until the 12 April deadline, UK prime minister Theresa May has announced that she will reach out to Labour leader Jeremy Corbyn to try and find a Brexit solution that can win his party's votes. If this fails, she will give parliament a say in an official version of 'indicative votes' - and all of this could reportedly happen in the next 72 hours!

The PM also committed to asking the EU for another short deadline to the Article 50 negotiating period. So buckle up for another bumpy few days, and here's a quick look at what both these points mean in practice.

Will PM May succeed in extending the Brexit deadline further?

By announcing that she will push for a further short extension to the Article 50 negotiating period, the prime minister may be trying to revive Brussels' previous offer to grant a delay to 22 May if a deal can be approved.

In reality though, unless the PM can get her deal passed before the European Council meeting next Wednesday, only then the EU may be open to a longer extension - on two conditions.

The bigger question is whether May's offer to reach across party boundaries or stage official 'indicative votes' will represent a sufficient reason for the EU to grant a delay

Firstly, the EU will need to see a UK commitment to hold European parliamentary elections at the end of May. Brussels is concerned if a delay is granted until 22 May without such a commitment, it will be very hard to grant a further extension beyond then, given that 12 April represents the last day the UK can give the required notice to participate in the European elections.

We don't think this will prove to be a massive hurdle for the UK though. The government may take the necessary steps to get the ball rolling on European elections as soon as this week, and we aren't convinced parliament will try to block them.

The bigger question is whether May's offer to reach across party boundaries or stage official 'indicative votes' will represent a sufficient reason for the EU to grant a delay. For those member states more relaxed about another extension, it might. But equally a number of EU officials have made it clear that a much more concrete argument will be needed to unlock another delay. Can PM May provide one in time?

Will Jeremy Corbyn take up PM May's offer?

The prime minister's announcement has put the ball into the Labour leader's court, but will Jeremy Corbyn be willing to strike a deal? The stakes are certainly high.

There is undoubtedly potential upside to striking a deal with PM May. In theory, it could offer Corbyn an opportunity to put Labour's stamp on Brexit, as well as being viewed by some voters as 'the statesman' in the current crisis. It also gives him the opportunity to move the country on, and return the debate back to his domestic agenda.

We suspect Jeremy Corbyn would be minded to agree on a permanent customs union with the EU, perhaps retaining single market access too, but he risks alienating large parts of his party if he does (or equally doesn't) commit to a second referendum too

But there are also some downsides – and there are various quotes out there this morning suggesting many within Labour view the situation as a Conservative 'trap'. If Brexit doesn't pan out so well, in theory, the Labour party could end up taking some of the blame among voters.

It would also force the Labour leader into deciding on a specific Brexit path. While we suspect he would be minded to agree on a permanent customs union with the EU, perhaps retaining single market access too, he risks alienating large parts of his party if he does (or equally doesn't) commit to a second referendum too. It might be more appealing to allow the process to go to 'indicative votes', where Labour will still play a key role, but parliament is more responsible for the final verdict.

Corbyn will also be acutely aware that there is very little PM May can offer in return. Her offer to resign a week-or-so ago means there could be a new Conservative leader in place fairly soon, who may be able to walk back on any promises Theresa May makes.

It's fair to say there is no consensus on exactly how the Labour leader will react when he meets the prime minister later this afternoon.

Where does this leave Brexit?

In principle, all of this lifts the chances of a softer Brexit. If a deal can be reached between May and Corbyn, it's more likely to resemble a permanent customs union – which don't forget, is not ever-so-different to the current deal on the table. Likewise, if the government gives the decision to MPs in another round of 'indicative votes', it seems likely that either a customs union or perhaps the 'common market 2.0' proposal, could prevail.

That said, we also wouldn't rule out PM May's deal making a repeat appearance as part of these 'indicative votes' – and it's possible that this is PM May's goal all along here.

If her deal is pitted directly against a softer Brexit alternative – or perhaps a combination of different options – it's not clear which would win. However, the Democratic Unionist party, as well as the 20-30 MPs who might once have been prepared to vote for May's deal, seem unlikely to swing behind it now. We therefore still think we are more likely to be headed for a softer Brexit stance.

What about 'no deal'?

At face value, the risk of 'no deal' has fallen after PM May's announcement, as it's clear she would prefer a softer Brexit deal over a chaotic exit on WTO terms.

In reality, it will depend heavily on how the EU reacts to the UK's request to extend Article 50 further. The view in Brussels' has reportedly hardened over recent weeks, with some officials viewing a 'no deal' as less costly than allowing the UK to stay for longer with no clear plan. This risks disrupting the process of filling the top jobs in EU institutions, as well as crafting the new seven-year budget.

That said, this doesn't appear to be the majority-view among EU leaders just yet. Don't forget too that if push-comes-to-shove, the UK parliament will do all it can to avert 'no deal'.

Our base case, therefore, remains that a long extension to the Article 50 period, perhaps

lasting 9-12 months, is most likely. This would most likely contain an option to shorten the delay if the UK can approve a deal sooner.

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