

## How the UK election could reshape Brexit

The UK election makes a crucial transitional period much easier for Theresa May to agree



Source: iStock

Having previously promised not to call an early election, huge opinion poll leads proved to be too tempting for Prime Minister Theresa May to ignore. Britain goes to the polling booths again on June 8, the third national vote in three years, with the Conservatives looking to potentially win the largest parliamentary majority since Tony Blair's landslide victory in 1997.

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The Conservative party mantra is that "strong and stable leadership" is required for what could be a tumultuous period for the UK and this is resonating with the electorate. However, the Conservatives are also helped by a lack of a strong opposition. Support for the Labour party is languishing, attributed to a lurch to the left, an unclear plan for Brexit and voter antipathy towards its leader, Jeremy Corbyn.

Other parties are also performing badly. The fact that the UK has triggered Article 50 and Brexit has become a reality has seen UKIP's relevance questioned and its support collapse. Meanwhile, the Liberal Democrats' tactic of putting a second referendum on Brexit as its core policy has failed to generate the support imagined. Surveys suggest that those who voted for the UK to remain an EU member are increasingly reconciled to the view that the will of the people must be respected and Britain will leave the EU (so called Re-Leavers). The Scottish nationalists (SNP) will remain a very strong regional force, but they too could lose seats to the Conservatives.

Theresa May has suggested a larger parliamentary majority will boost Britain's chances of winning a good deal in Brexit negotiations. This looks like wishful thinking. We consider it more likely to be electoral spin to help convince wavering voters to opt for her party. The size of the Conservative's majority in parliament will make little if any difference to the EU's demands of a substantial divorce payment, nor its stance of making sure that they win the best deal possible for their own constituents.

Nonetheless, it will make passing what could be very contentious Westminster legislation easier. The current majority of just 17 MPs ran the risk of government defeats on key votes in coming years. A majority, potentially well in excess of 100, would give Theresa May much more breathing room with new Conservative MPs keen to show their loyalty and back the Prime Minister in parliament.

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It also allows Prime Minister May to pursue her own policies rather than be beholden to the 2015 election manifesto that carried David Cameron to victory – although there appears to be few major difference between the two prospectuses. She also has more freedom to select a cabinet of ministers of her own choosing – she followed convention last year by giving key jobs to the defeated candidates who stood against her in the leadership election that followed David Cameron's resignation.

Where calling the election provides Brexit benefits is that Theresa May has more scope to agree a transitional period that could help smooth Britain's exit from the EU. Facing the electorate in 2022 rather than 2020 gives more time and flexibility to make sure it is the best possible "new arrangement" before she faces the voters once again. This reduces the chances of a "cliff edge" in 2019 which could be potentially very damaging. We remain optimistic on the potential for a mutually beneficial deal, but getting a transitional arrangement is of critical importance.

We can't discount the possibility that the opinion polls have got it completely wrong and the Conservatives fail to win a majority, but it looks very remote at this stage. The most likely scenario would be a multi-party coalition including Labour, Lib Dems and the Scottish, Welsh and Irish nationalists.

Labour would likely acquiesce to demands for a second Brexit referendum on the final deal from the smaller parties. But starting from scratch on a new strategy for Brexit would be challenging given that nearly two of the 24 months set aside for negotiations have already passed. Moreover, any thoughts that this outcome would yield a "softer" Brexit could be quickly dispelled if the parties start disagreeing on what they want to achieve. This could make failure in Brexit

negotiations more likely.

Alternatively, what would happen if Labour reverts to being an enthusiastic supporter of ongoing EU membership? They are unlikely to stop Brexit given their election manifesto (plus it would require EU approval). However, there may be little incentive to negotiate Brexit properly. This pro-EU government could simply say that they failed to get a deal that satisfies the UK interests. The electorate would be left with a second referendum choice of severe economic dislocation (but “freedom” from European rules) versus staying in the EU. Given 52% of the population had voted for Brexit first time round, this would be a high risk game that could see wild swings in market sentiment and economic expectations.

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