

18 October 2019
Article

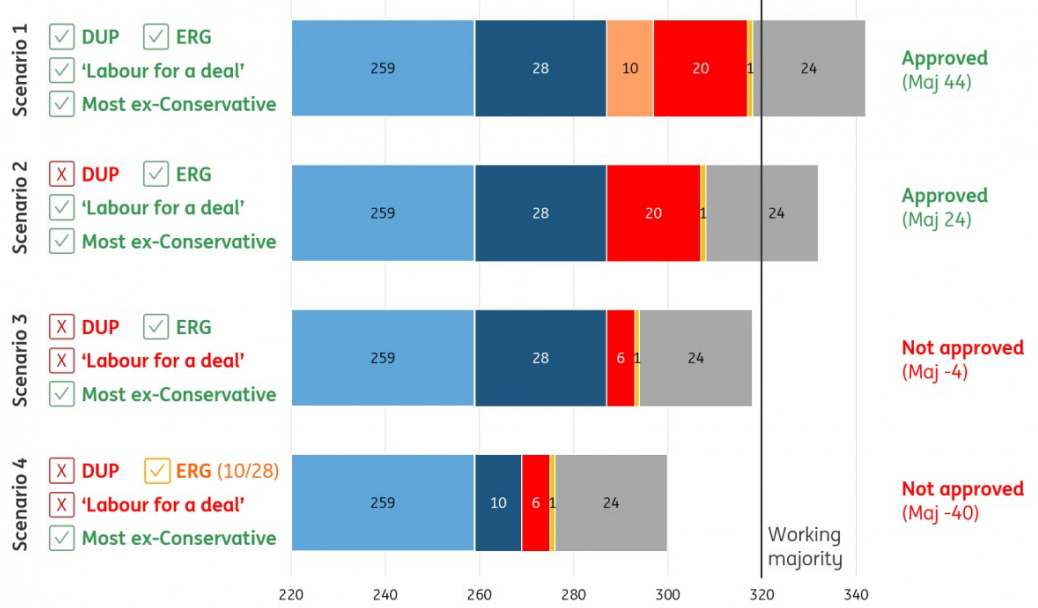
Four key Brexit answers ahead of ‘Super Saturday’

Saturday's vote on the Brexit deal in the UK parliament looks set to be extremely close. Whichever way it goes, an Article 50 extension still looks necessary. But after that, things get more complicated and it's not completely unimaginable that opposition MPs now try to block a 2019 general election

Content

- Will MPs approve Johnson's Brexit deal?
- Will there be an extension if a deal is approved?
- Will there be an extension if a deal isn't approved?
- Will there definitely be an election?

Possible scenarios for Saturday's Brexit vote - depending on which way different factions vote



Party (totals)

- Conservative ex ERG (259*) Conservative Brexiteers - ERG (28)
- DUP (10) Lib Dems (19) Labour (242* - 20ish may vote 'for')
- Independents - including ousted Conservatives (36)

10 ERG have said "yes" at time of writing (source BuzzFeed)
 Assumes no abstentions, which may be unrealistic
 Labour for a deal = MPs that wrote to EU signalling they'd vote for a deal.
 *Excludes (deputy) speakers



Source: ING

1 Will MPs approve Johnson's Brexit deal?

Saturday's parliamentary vote on prime minister Johnson's Brexit deal is on a knife-edge.

We currently reckon that the British government may be just two votes short of winning – although there are of course several moving parts.

We know the Democratic Unionist Party (DUP) will not vote for the deal, at least as things stand. And conventional wisdom suggests that without the DUP, many pro-Brexit Conservative MPs (from the European Research Group, or ERG) won't back the deal either.

But that no longer appears to be the case. *Buzzfeed* reckons 10 out of 28 ERG MPs would not vote for the deal, although many others are keeping their cards close to their chest – former Conservative leader Ian Duncan-Smith has signalled concerns.

But there is a chance that when push comes to shove, all of these 28 MPs back Johnson's revised agreement. After all, there is a lot to like for them in this agreement – the UK (with the exception of Northern Ireland) is no longer tied into the single market and customs union.

It also looks like the anti-'no deal' MPs who were ousted from the Conservative Party a few weeks ago – with the exception of those that didn't vote for Mrs May's deal – will also back the agreement.

We currently reckon that the government may be just two votes short of winning

That probably means everything will hinge on Labour. Five of their MPs voted for Mrs May's deal back in March, and it looks like they will be joined by a sixth. But that would still leave the government a few votes short – and more opposition lawmakers will be needed to get the deal over the line.

That could be challenging. Johnson's deal is economically-harsher than the previous agreement, mainly by virtue of the fact that the UK (excl NI to an extent) is outside of the EU's customs union. But the clincher might be the so-called level playing field commitments.

These cover things like alignment of workers' rights, social and environmental standards – and the PM had originally signalled he was less committed to maintaining the level playing field as part of the future relationship.

That's a worry for Labour MPs, not just in terms of the direct impact of watering down these rules, but it could also make Brussels less inclined to negotiate a wide-ranging EU free trade deal in future.

In the end though, the revised deal is a fudge. The level playing field commitments have been removed from the legally-binding withdrawal agreement, but there is still an aspiration to keeping them, contained within the non-binding political declaration.

Many Labour MPs will still be wary – and if nothing else, voting for the deal could theoretically help hand Johnson a better election victory.

2 Will there be an extension if a deal is approved?

If MPs approve a deal on Saturday, then the prime minister will not be obliged to ask for an Article 50 extension. The requirements of the so-called Benn bill would fall away.

This could make for a nervous couple of weeks. That's because approval of a deal is not the same as ratification – and there are several ways this latter process could go awry. There will need to be a raft of legislation published, scrutinised, passed, and maybe even amended.

Don't forget that if the deal does go through this weekend, it will be done on a narrow majority. PM Johnson will need to carry this majority with him through this potentially turbulent parliamentary process.

Two weeks will not be long enough and more time will be needed for ratification

In all likelihood then, two weeks will not be long enough and more time will be needed for ratification. But will PM Johnson ask for an extension? Perhaps – and he'd probably be ok with it if the UK had formally left by the time voters head to the polls in an election.

But 'perhaps' does not mean 'definitely', and that means that there is still a latent risk (albeit pretty small) of 'no deal' on October 31 if a deal is approved.

Backbench lawmakers, therefore, look set to try to insulate against this risk on Saturday. [Oliver Letwin has reportedly](#) put forward an amendment that would postpone approval of the deal until all of the associated legislation had passed. In plain English, this would mean that the Benn bill will still kick-in even if PM Johnson gets the deal approved, meaning he'd still be legally-obliged to ask for an extension tomorrow.

However, it's not yet clear whether this tactic has the backing of parliament.

3 Will there be an extension if a deal isn't approved?

In short, yes. If PM Johnson loses the vote on Saturday, he'd be legally-obliged to ask the EU for a three-month extension. And while there may be a challenge in the courts, most legal experts think the law is watertight. Despite comments from European Commission President [Juncker](#) yesterday, the EU would most likely grant a delay.

But three months is probably too short, given that we are likely heading for an election, and once Christmas is accounted for, there wouldn't be long left to get a deal over the line.

We therefore wonder whether we could get a repeat scenario of last time. Back in April, the UK was offered a six-month delay – with a clause that allowed earlier exit if a deal were ratified.

This is just a guess – ultimately we won't know for sure until EU leaders sit down to discuss a request, which according to *The Times* could happen at an emergency summit in the next ten days.

4 Will there definitely be an election?

This is a question that is probably not being asked enough at the moment.

For a while now, a UK election has seemed almost inevitable. And with a deal under his belt, PM Johnson's election prospects look pretty good – regardless of whether it passes on Saturday.

If it is approved, he can claim to have “got Brexit done” as promised – although as we said earlier, technically the exit date is likely to be pushed back for the legislation.

If a deal isn't approved, then he will likely frame the election campaign as “parliament against the people”, and campaign on the basis that other parties are trying to block Brexit from happening.

Both tactics could feasibly play out quite well for the government. As things stand, the Conservative Party is riding high in the polls – 37% according to the most recent YouGov tracker. With the opposition much more divided, in theory the UK's first-past-the-post election system could deliver PM Johnson a decent majority.

Things are rarely that simple of course, as Theresa May discovered in 2017. But it does pose a conundrum for Labour.

Opposition leader Jeremy Corbyn said a few weeks ago that he was “champing at the bit” for an election and signalled the party would vote for one once the ‘no deal’ risk was eliminated. But Labour MPs appear much warier.

There is a small chance that we get a "zombie parliament" scenario

As a reminder., there are two ways to bring about an election. Either PM Johnson can hold a vote under the Fixed-Term Parliament Act, which would require 2/3 of MPs to back it. Alternatively, the opposition could table a motion of no confidence, where only a simple majority would be needed.

In either scenario, it's not unthinkable to imagine that many Labour MPs decide to abstain.

That could mean that an election does not happen this side of Christmas, and these opposition lawmakers may calculate that during that time, the Conservative momentum in the polls could ebb away.

To gain power at the next election, Labour will need to successfully navigate the national debate away from Brexit and back to domestic policies – and the extra delay could feasibly help them do that.

Put simply then, there is a small chance that we get a "zombie parliament" scenario, whereby:

1. MPs reject the deal on Saturday
2. An Article 50 extension is requested and granted by the EU
3. MPs then reject an election – in turn meaning the uncertainty continues into 2020

This looks much more like a tail-risk than anything else at the moment. But then again, how many times has that been said so far in the Brexit process.

James Smith

Developed Markets Economist

+44 20 7767 1038

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 NV 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. The producing legal entity 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 subject to limited regulation by the Financial Conduct Authority (FCA). 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.