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UK: WOULD THERESA MAY SURVIVE A LEADERSHIP CHALLENGE?

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What if? After the hard-line Brexiteers lost the battle within the British cabinet, they may not retreat quietly to the backbenches. While we think that they would not be able to topple UK Prime Minister Theresa May, three factors suggest that they may be pondering a no confidence vote against May within the Conservative Party nonetheless.

- 1) UK Foreign Secretary Boris Johnson resigned this afternoon in protest of the soft'ish' Brexit deal PM May agreed with her cabinet last Friday. This follows on from the resignation of UK Brexit Secretary David Davis last night, see [Davis resigns – more thunder than lightning](#).
- 2) The “1922 Committee” - that is the parliamentary group of the Conservative Party in the House of Commons - which plays an important role in deciding the leader of the Conservative Party, is meeting this evening. 48 Conservative MPs would need to write to the Chairman of the 1922 Committee to trigger a no confidence vote in the party leader.
- 3) PM May said this afternoon that she would fight if there was a challenge to her leadership – suggesting she could be bracing for such an eventuality.

What is the process of electing a leader in the Conservative Party?

1. 15% of Conservative MPs (48 out of the 316 Conservative MPs in the House of Commons) are needed to trigger a no-confidence vote in the party leader.
2. If the party leader does not muster support from at least half of Conservative MPs (that is from 159 out of 316 MPs), she or he would be out. The leader cannot stand for reelection in the following leadership contest once ousted.
3. New candidates for leadership must be nominated by at least two Conservative MPs.
4. If only one candidate is nominated, she or he becomes leader. If several candidates are nominated, the list is whittled down in a series of votes by Conservative MPs. When just two candidates remain, the contest goes to postal ballot of all party members (c125,000).
5. The leader of the party would become prime minister by approval of the Queen – no vote needed in parliament.
6. In 2016, Theresa May became leader without a final vote after her only remaining rival Andrea Leadsom pulled out of the leadership contest.

Two things to look out for: 1) The 1922 Committee may or may not announce a confidence vote in Conservative Party leader PM May in the coming hours/days; 2) Further resignations by key Brexiteers may follow soon. If the Brexiteers within the Conservative Party seriously want to stage a rebellion, they could set about a series of resignations to either trigger a leadership contest or to force PM May to step back from her new softer Brexit plans.

Chances are that May would win: In our view, May would have a good chance of surviving a confidence vote. First, after finally showing a preference for a semi-soft version of Brexit, May will probably get strong support from the EU-moderates and remainers that make up more than half of her parliamentary party. Such MPs would likely rally behind her in a confidence vote. Second, there is no obvious leader among the Conservative Brexiteers whom a majority of MPs could support. Davis has tried and failed to negotiate a Brexit deal with the EU that could have convinced his fellow MPs to back him. Johnson has eroded his credibility with cavalier antics as Foreign Secretary. Meanwhile, May has appointed key Brexiteer Dominic Raab



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as Brexit Secretary – presumably on the basis that he backed her new plans for a soft’ish’ Brexit. Environment Secretary Michael Gove – who is well respected by the hardline eurosceptics in his party – strongly supported May’s Brexit proposals at the weekend.

Has the outlook for Brexit changed? Probably not. If, as we expect, May stays on as Prime Minister and manages to put a key Brexiteer in the Foreign Office, our case that the UK is heading for a soft Brexit would be strengthened at the margin. The resignations of Davis and Johnson remove two major obstacles on the way towards negotiating a semi-soft Brexit outcome.

We continue to see a 60% chance of a semi-soft Brexit. As long as Irish PM Leo Varadkar gives the nod, the rest of EU27 can probably agree to an augmented version of PM May’s proposed free trade area in goods, in our view. If the UK insists on constraining the free movement of people, we do not see any realistic prospect of the EU extending such a free trade deal into services. In our base case of such a semi-soft Brexit, UK potential growth would fall to 1.5-1.7% from +2.0% inside the EU.

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