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## PARLIAMENT TAKES SOME CONTROL – IMPLICATIONS

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**One step forward:** Last night, UK parliament partly wrested control of the Brexit process from the government. With a 329:302 majority, it gave itself the power to hold indicative votes on various Brexit options this Wednesday. While this does not resolve the current Brexit impasse, it is a step in the right direction. As a majority members of parliament (MPs) are in favour of a) retaining close ties with the EU and b) preventing a no-deal hard Brexit, more power for parliament contains the risk of a hard Brexit. The vote has three consequences:

- 1) It temporarily takes away the prerogative of Prime Minister Theresa May to push her deal in parliament and block MPs' efforts to debate and vote on alternatives to her deal;
- 2) It provides scope for parliament to hold so-called 'indicative votes' on alternative options including the customs union model, the Norway plus model, and a second referendum;
- 3) It highlights the risk that the UK will need to ask the EU for a long Brexit delay if parliament cannot build a consensus around one of the alternative Brexit options or May's deal by 12 April.

**Customs union , Norway plus or second referendum?** In our view, the customs union model has the highest chance of getting a majority in parliament (35%). Why? a) It is Labour's official policy, and b) it puts enough distance between the UK and the EU27 for moderate Conservatives to back it. We see a smaller chance that parliament backs the Norway plus option (15%). If parliament cannot muster a majority for either of these two soft Brexit options, May's deal or a second referendum would be the only alternatives to the default option of a hard Brexit. A second referendum could lead to a complete U-turn with the UK staying in the EU (25% probability). The result could also be a hard Brexit or possibly even May's deal if it ended up on the ballot paper. All in all, we see a 15% probability for a hard Brexit, with risks tilted to the upside.

**Is May's deal dead? Not quite.** May could well bring her deal back for a third and final vote later this week. Now that the parliamentary majority in favour of closer ties with the EU has greater influence over the Brexit process, Brexiteers in the Conservative Party – fearing a soft or even no Brexit outcome – might be more inclined than before to back May's deal. She might thus still get her deal over the line. However, the incentive for remainers in the Conservative Party to back May's deal – which foresees a semi-soft Brexit by way of a Canada-style free-trade-agreement - is lower than before. We thus see only a slim 10% chance that parliament will back May's deal in the end.

**Could May soon resign?** Her authority seems to be in tatters. In a further blow, three junior ministers resigned last night. May reportedly promised her cabinet that she would resign if the government passed her deal, it is hard to see how she can stay on for much longer in any scenario. If her deal is adopted, she probably goes soon afterwards. If her deal fails again, having staked so much of her credibility on it, how can she stay for much longer? While May's days as prime min-



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ister are numbered, because many MPs and voters seem destined to dislike whatever outcome Brexit yields, her own party might well conclude that if someone has to be the scapegoat, it might as well be May - and keep her in power until just after the key Brexit decisions have been taken.

**Exactly what follows is not clear.** May did not promise to run with whatever parliament comes up with as its preferred outcome for Brexit. Meanwhile, May yesterday said that a 'no-deal' outcome would not occur without MPs' consent. While this marks a positive change of tone for May who had previously argued that backing her deal was the only way to avoid a no deal it gives rise to a potential problem. What if the government is unwilling to enforce what parliament has backed and parliament continues to refuse a hard Brexit? This highlights the risk that the UK could be heading potentially towards a long-delay and snap election or second referendum to resolve future impasse.

### **Further reading**

[Brexit update: the UK's fate is in its own hands](#)

[UK: wage outlook warrants rate hikes, even in a long Brexit delay](#)

[Brexit mess: what can the EU do?](#)

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