



Brexit: The political trajectory

Long shadow of June 2017



**Working
majority: 13***



Divided
Cabinet



'Mutineers'
– 12 + (up
to 50?)



European
Research Group
– 62 MPs



DUP – 10 MPs
– propping-up
Government



Sinn Fein – 7
MPs – could
they take seats?

* That means rebellion of just 7 required for Government to lose.

Who governs?

- A gradual ebbing of power away from Theresa May, first to Cabinet and now to Parliament
- Probably no Parliamentary majority to deliver form of Brexit agreed by Cabinet
- Either Government must compromise, or risk losing key votes
- Can Theresa May keep absorbing the hits?



Future relationship: Chequers 'agreement'

- No membership of formal customs union with EU – UK **must** have independent trade policy
- Possible 'New Customs Partnership?'
- 'European Traded Goods Area'
- Bespoke relationship based on 'three buckets approach'



Corbyn moves to exploit weakness

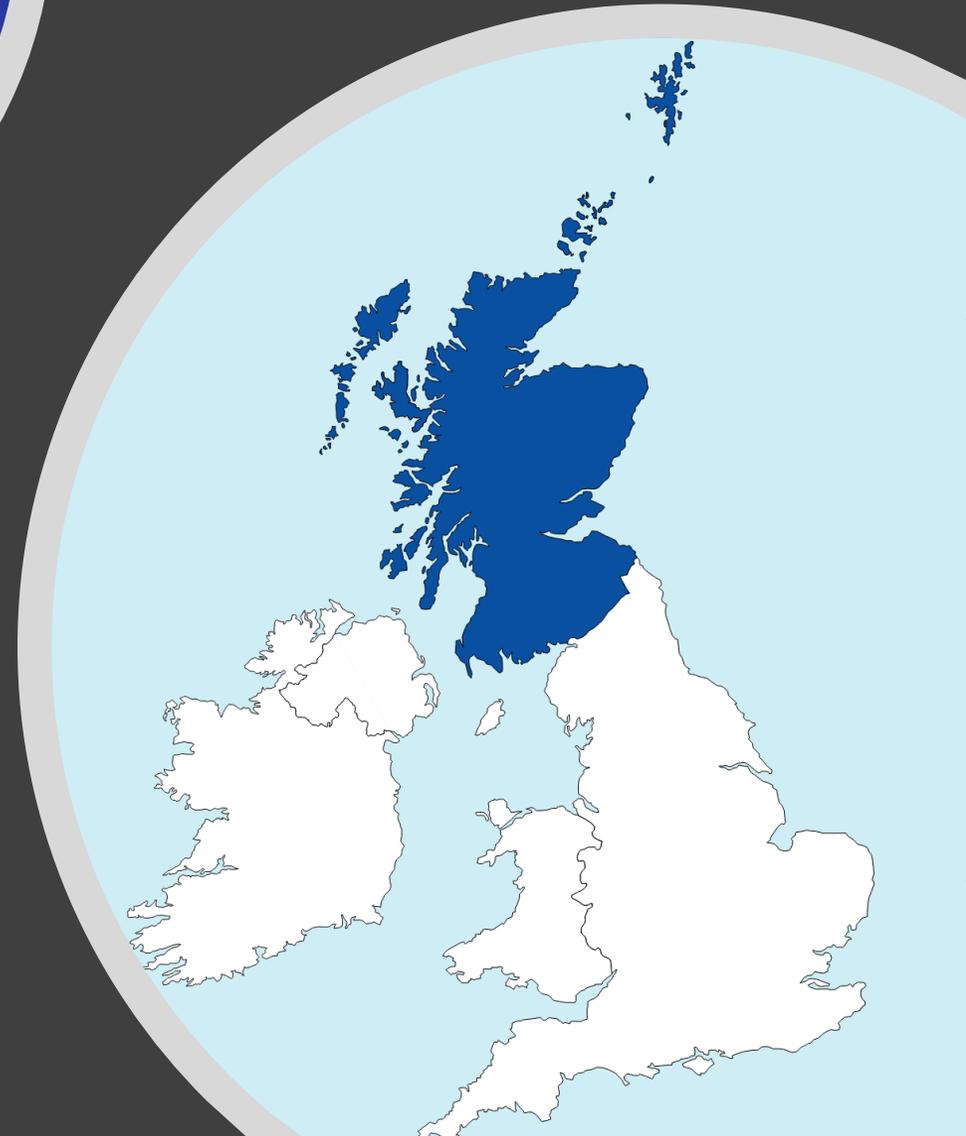
- Corbyn backs 'a customs union' – a dividing line with Government. Labour will back Tory rebels
- **BUT remember he is still offering a hard Brexit - NO EFTA or EEA membership**
- Believes the Government will fall and he will enter Number 10. Misunderstands Tory mindset – divisions over Europe unlikely to force General Election





Scotland: devolved powers and Independence

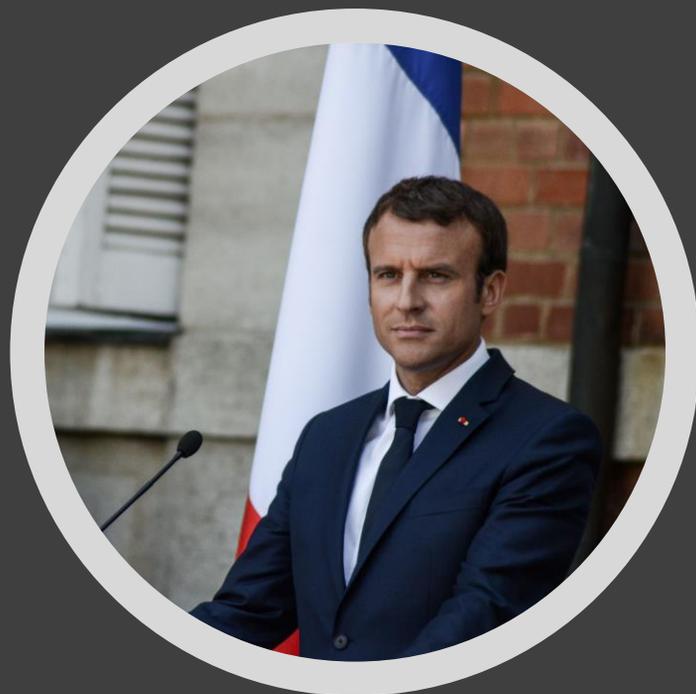
- Legislative Consent Motion from Scottish Parliament is required on Withdrawal Bill
- Serious negotiation about powers of Scottish Government post-Brexit (including place at trade negotiations for Scotland)
- Indy Ref 2.0?





Withdrawal Agreement and Transition **still** not settled

- **'Nothing is agreed until everything is agreed'**
- EU draft treaty text is full of 'grenades' to provoke UK response – e.g. ongoing role for ECJ in dispute resolution
- Irish border issue is unsolved – EU fallback proposal is NI inside SM and EUCU – unacceptable to UK
- Length of transition not settled
- **Business might not get certainty on transition until well after March**



Member States hold the line (so far)



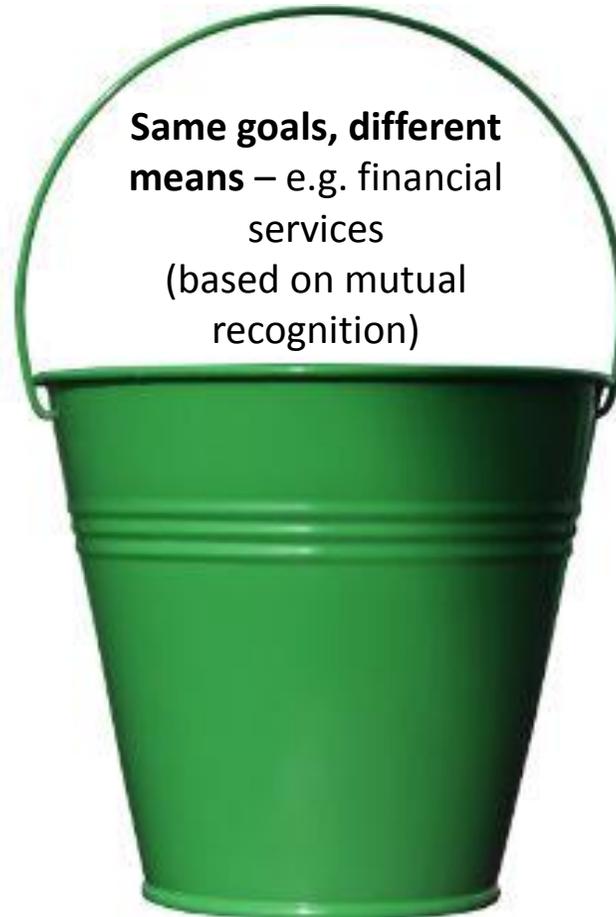
The EU's deal
'would turn us from
a vassal state into a
convict state,
sentenced to hard
labour for our love
of democracy



We cannot
negotiate with the
world with one arm
tied behind our
back

Pressure for May to walk away if March Council Summit does not reach agreement?

Future relationship - HM Government '3 buckets'





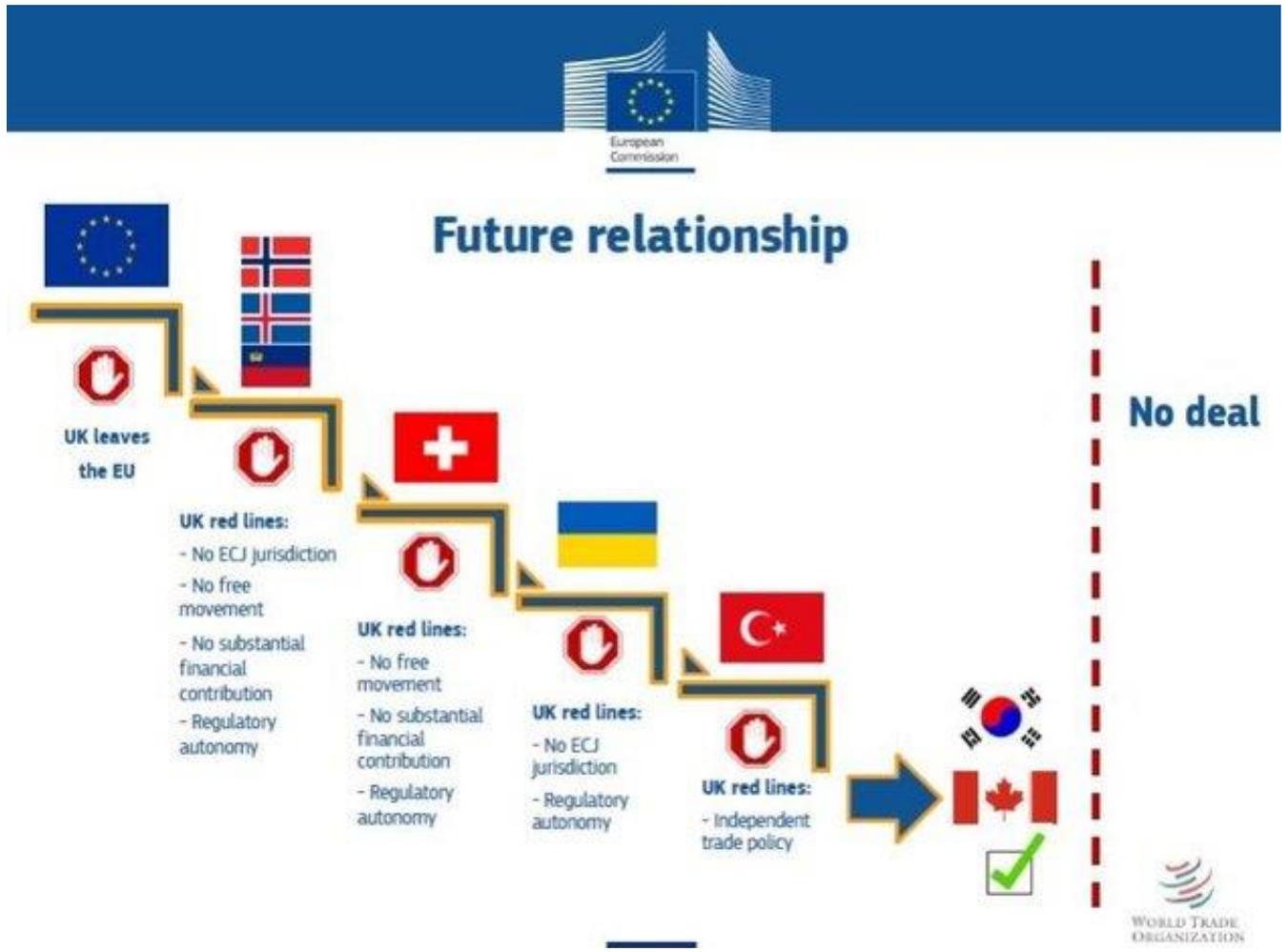
If the media reports are correct, I am afraid that the UK position on the debate is based on pure illusion

EU maintains that there can be no cherry-picking

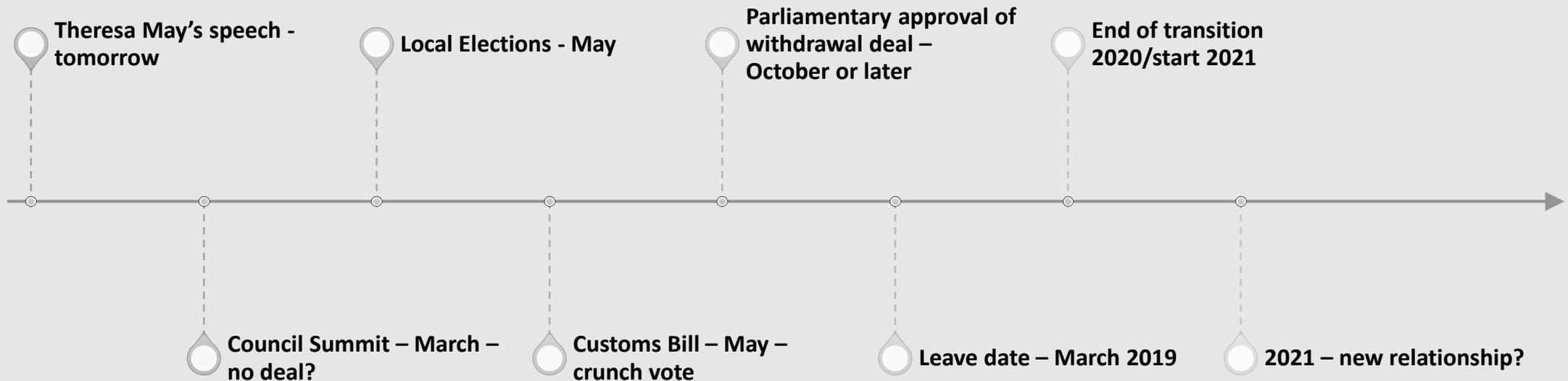


Commission says
choice for UK is
Canada or WTO

(but does Canada
include +++?)



Moments to watch out for (potential market volatility?)



Brex-o-meter: UK Position on future relationship

Progressive Alliance

Water down May red lines to remain more closely aligned with EU. Jeremy Corbyn has committed to formal customs deal with EU.

Tory Compromise: Chequers

Seek bespoke future relationship: Three Buckets Approach anticipates UK following EU rules voluntarily in some areas and seeking mutual recognition in others (e.g. FS). UK **must** be able to have an independent trade policy.

Single Market Membership

Leave EU, remain in EEA. Requires UK u-turn on FoM (or change to EEA FoM rules). No FTA required.

Bo-rexit

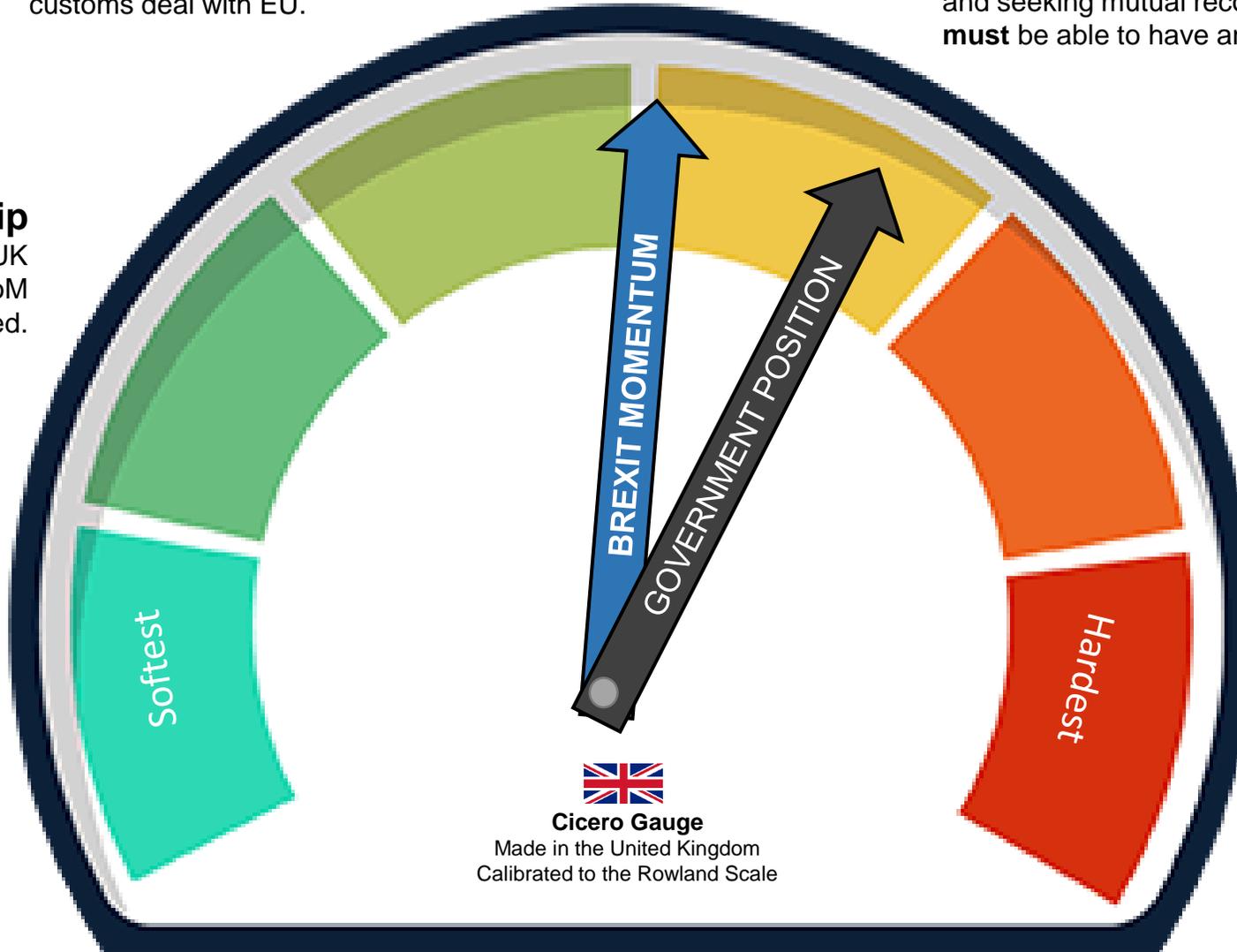
Cut the cord – UK sovereignty is bottom line. Low access, high control similar to a conventional FTA with EU.

Remain in EU

Remain inside, possibly lose rebates and opt-outs?

No Deal

WTO trade, 3rd country relationship. No transition.




Cicero Gauge
Made in the United Kingdom
Calibrated to the Rowland Scale

What does it all mean?

A relatively hard but orderly Brexit still most likely outcome – under Tories or Corbyn

May probably unable to hold line on Customs policy – this may be softened (as with other red lines)

Atmosphere around talks getting tetchy again - unlikely to be agreement at March summit on WA/transition

Chances of a UK walk away on Withdrawal Agreement rising – would rock markets

Future relationship agreement a long way off

Hope for best, plan for worst