

BREXIT: where are we?

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There are now three main avenues:

- UK leaves on 29 March 2019 without a deal
- UK asks, and the EU Member States agree unanimously, to extend the Brexit negotiating period beyond 29 March 2019
- UK leaves on 29 March 2019 with a deal

1. **No Deal Brexit**

The first – the "crash out" or "no deal Brexit" – is currently a c.10% option. If this were to happen, it would happen because of a row or an accident. Theresa May's statement on 26 February 2019 that there would be a second meaningful vote in the House of Commons on the Brexit deal no later than 12 March 2019 had an important rider - if that vote was not carried then the UK Government would table a motion to be voted on by 13 March 2019 at the latest asking the House of Commons if it supports a No-Deal Brexit. That rider is the game-changer. It is difficult for any politician – in the UK or in the EU – to be seen as the one who tipped the balance towards a No-Deal Brexit because of the potentially harsh consequences and chaos involved. Assuming that the UK Government table the motion such that one would have to vote for a No Deal Brexit then that is a hard call for any politician. So far, the motions have mainly been votes against a proposition which is easier to carry.

2. **An Extension – With or Without another Referendum**

An extension is contemplated by Article 50(3) of the Treaty on European Union but requires the UK to ask for it (the EU may not) and then for the 27 Member States to be agree unanimously. An extension is complicated for all sides. For Theresa May, it would involve a reversal and climb-down – her record shows that she is not a fan of either. For the Brexiteers, once a date slips then it is difficult to see how another date could be as secure. Indeed, some Brexiteers might fear a second referendum and as the margin was tight in 2016, it could get tighter still and even topple into Remain. For the EU, it is complicated because the European Parliament elections are due in May 2019 and one could not rule out a court challenge in the UK compelling the UK Government to hold the elections if the UK was still a Member State. Right now, the extension is a c.43% chance but that will become clearer next week with the vote in the House of Commons but it still might not be clear until the last minute Summit in March.

3. **UK Leaves with a Deal**

Right now, this is a c.47% chance. Those odds could be reduced if there is no deal with Brussels on the wording and structure of the Withdrawal Agreement and the accompanying documents. It is interesting that there is finally the realisation that while the EU is a political, social and economic project, it is all held together by "law" hence the UK's Attorney General is at the centre of the discussions. The EU and Brexit are fundamentally legal projects with legal rules and consequences. The notion that there could be a second referendum and a delay could be enough to swing some Brexiteers towards supporting the deal provided there is some (even if not total) assurance on the Backstop issue - "Perfection might be the enemy of the possible." We will know more next week (i.e., the House of Commons vote) and the week after (i.e., the European Council Summit) but the UK leaving with a deal is slightly ahead at the moment of an extension but it is still very close to call! Cheltenham Week might have more predictability!

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