

May opens a path to unlock the Brexit Jam

Posted on April 2nd, 2019

- PM May calls for a unified government approach to unlock the Brexit jam.
- Failing a unified plan, she has offered parliament a meaningful vote on a number of plans in a series of votes ahead of the EU summit on 10 April next week.
- This appears to offer a way to find a timely agreement that would allow Brexit to take place on 22 May; a result that should support the GBP.

After a lengthy meeting with her cabinet, UK PM May has delivered a short public address outlining a plan to reach across the aisle to the main Labour Party opposition leader to attempt to find a unified Brexit plan.

She closed with, *“This is a decisive moment for these islands, and it requires national unity to deliver the national interest.”* This appears to raise the issue of Brexit to the level of a national emergency and a time when a type of national unity government is required. The tone appears to be more conciliatory, implying she is willing to put politics aside (to some extent) to agree on a deal.

May did not specifically say that she would be willing to agree that a plan could include a customs union. This appears to be a minimum inclusion as far as the Labour Party would be concerned. Surely May knows this, so the tone of her statement suggests that her cabinet has agreed that, in the interest of the nation, the Conservatives would give in to this requirement. However, this remains to be seen.

PM May said that she is *“offering to sit down with the leader of the opposition [Jeremy Corbyn] and try to agree on a plan that we would both stick to that ensures we leave the EU and we do so with a deal.”*

She said, *“The ideal outcome of this process would be to agree on an approach on the future relationship that delivers on the result of the referendum, that both the leader of the opposition and I could put to the House for approval and which I could take to next week’s European Council.”*

“However, if we can not agree on a single unified approach, then we would instead agree on a number of options for the future relationship that we could then put to the House in a series of votes to determine a course to pursue.”

“Crucially, the government stands ready to stand by the decision of the House. But to make this process work, the opposition would need to agree to this too.”

Breaking this apart, May wants a joint deal to *“deliver on the result of the referendum”*. Some hardline Brexiteers might argue that a customs union does not deliver on the spirit of the referendum. May could choose to take this line in negotiations with Corbyn, making a joint deal impossible. However, the tone of her statement suggests that she may be willing to accept a customs union to ensure a timely Brexit.

In any case, even if May intends to take a hard line and refuses to agree on a customs union in a joint plan, she has said the fallback position is that she is now willing to “stand by the decision of the House” on what would be a meaningful vote on “on a number of options” ... “put to the House in a series of votes”.

PM May is essentially saying that if parliament prefers a deal with a customs union over her deal, then she is willing to stand by that and take it to the EU next week.

If she is not willing to seek to compromise on a customs union in talks with Corben, she is at least willing to put her deal up against a customs union plan for a meaningful vote in parliament.

Her comments suggest that there would need to a series of votes that eliminate less supported plans, and allow the parliament to form a majority around one plan, if such a House vote was required (in the event that a unity plan could not be agreed to first).

As such, this appears to offer a way forward for parliament to agree on a plan before the EU emergency summit next week. And allow Brexit to occur on 22 May, and avoid UK participation in European parliamentary elections.

Any plan at this stage, be in May’s plan, or one that seeks closer trading relations with the EU, via at a minimum a customs union, is likely to be viewed positively for GBP.

From the indicative votes on alternative plans, it appears to us that the most likely outcome, if it were to come down to a series of votes, where alternatives were eliminated, and then MPs were forced to back their second (or third) best alternative, a plan that included a customs union as a minimum would win over May’s plan that aims for less close relations. This would be cheered by UK business and provide an additional boost for the GBP.

May might still hold out some hope that, in a series of votes, her deal might win over a customs union plan. And she might opt to have this tested, refusing to concede on a customs union in talks with the opposition leader. But she has at least outlined a process that appears to work in getting a deal agreed in time for the EU meeting next week.

The market will now be looking to see how Labour leader Corben responds to the offer. We presume he will agree and see that the time has come to seek a unity plan rather than attempt to force the case for a fresh election; provided that a customs union is included in a unity deal. Failing that he should agree that parliament is given a chance to vote for such a plan as an alternative to May’s deal.

Disclosure and Certification

- The author of this report often has positions in the currencies and securities referenced in the report at the time of publication, or plans to trade in these currencies and securities.
- The views expressed in this report accurately reflect the author's personal opinion about the referenced currencies and securities referenced and other subject matter.
- The report does not contain and is not based on any non-public, material information.
- The information in this report has been obtained from sources we believe to be reputable and accurate, but we have not independently checked or verified that information.
- This report is protected by copyright laws. Please do not republish, post or distribute in any way its contents without prior permission from our company.
- Our Company is incorporated and licensed in Australia to provide only general financial advice. Please see our [financial services guide](#) and [terms and conditions](#) for use of this report for more information.

Greg Gibbs,
Founder, Analyst and PM
Amplifying Global FX Capital Pty Ltd