



EDELMAN POLITICAL BULLETIN: WHAT HAPPENS NEXT?

Ahead of what promises to be an epic showdown between the Government and the 'Rebel Alliance' of MPs opposed to no deal, there is no shortage of speculation as to the potential outcomes or analysis of different constitutional processes and mechanisms by which they could come about. But what are the implications for businesses? What outcomes should they plan for?

Cutting through the noise, it is clear there are only three ultimate Brexit outcomes: no deal, a deal or no Brexit. Below is the Edelman Public Affairs team's analysis of how each of these could come about, their relative likelihoods, and the key issues for businesses to factor into their planning.

NO DEAL

While there is no parliamentary majority for no deal, it remains the default outcome. There are two main routes by which it could come about:

1) The Government holds firm (Likelihood: Medium to High)

This is the default position if the Government defeats the rebels in the House. Even if the Government were to lose, the Prime Minister still has a range of options he could use to frustrate a vote of the House, including running down the clock so there is not time for the bill to receive royal assent or engineering an election to take place after 31 October. Johnson could also trigger a full-blown constitutional crisis by simply refusing to adhere to laws or Court rulings mandating an extension.

2) Johnson wins a no deal mandate in a snap election (Likelihood: Medium)

Rather than fighting a campaign of parliamentary guerrilla warfare, Johnson could face a snap 'people vs Parliament' election to be held before 31 October. Being seen to have been forced into this move could play to his advantage, not least since voters would not yet have experienced any tangible effects of no deal. While far from risk free, this approach could see Johnson squeezing the Brexit Party vote and securing a majority over a divided opposition.

NO DEAL: IMPLICATIONS FOR BUSINESS

Regardless of how exactly it happens, some form of Brexit deal would be the single best outcome from a business perspective as it would allow for the greatest degree of certainty and stability thanks to the standstill transition period. The wider Brexit process would still not be over however - the future UK-EU relationship would need to be negotiated, and given the parliamentary arithmetic, this would likely require a fresh electoral mandate.

DEAL

Securing a deal remains the Government's preferred option and there are a couple of routes by which this could come about:

1) Johnson secures meaningful concessions on backstop (Likelihood: Low to Medium)

The EU have slightly softened their previous stance that the Withdrawal Agreement definitely cannot be amended, but both sides remain far apart in terms what they consider to be viable alternative solutions to the Irish border issue. If, however, a compromise can be found, Johnson could deploy his skills as a political salesman to succeed where May failed in convincing a majority of MPs to back the revised package.

2) Johnson wins snap election and accepts NI-only backstop (Likelihood: Low to Medium)

Johnson calls a snap election and wins a stable enough majority not to have to rely on the DUP, opening up the possibility of reverting to a more NI-specific backstop and pursuing a more maximalist form of Brexit for the rest of the UK, avoiding no deal in the process. Johnson has previously indicated he would not pursue such an option but if it were to become politically feasible, he could reconsider.

3) Johnson succeeds in passing May's deal (Likelihood: Very Low)

Some people think Johnson is bluffing and that ultimately, he would be willing to try to get May's deal through one last time, potentially with some cosmetic changes, which would pass on the votes of remorseful Labour MPs in Leave seats. This is unlikely given Johnson won his position by adopting a much tougher Brexit stance. Such an opportunistic move would be seen as a betrayal by Brexiteers, one which could fatally undermine his premiership.

4) Alternative Government passes deal after snap election (Likelihood: Low)

Johnson calls a snap election but fails to win a majority and he is forced out of office. An alternative Government, either Tory or Labour-led, takes office, requests an extension, and negotiates a different, potentially softer Brexit, which is finally able to pass through Parliament. However, with party positions so polarised and entrenched, it would be very hard to assemble the necessary cross-party majority.

DEAL: IMPLICATIONS FOR BUSINESS

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NO BREXIT

This is the least likely of the three overarching outcomes but there are two ways in which it could come about:

1) Pro-Remain forces win majority in snap election leading to second referendum (Likelihood: Low to Medium)

Johnson calls and loses a snap election. Labour stand on a manifesto committed to a 'People's Vote' and pro-Remain parties including the SNP and the Liberal Democrats constitute an overall majority in the new Parliament. The Government secures a long extension and holds a second referendum with Remain winning the re-match.

2) Emergency revocation of Article 50 (Likelihood: Low)

In desperation, having exhausted all other avenues of preventing no deal, MPs vote to repeal Article 50. However, while a majority of MPs are opposed to no deal, there is unlikely to be a majority in favour of stopping Brexit altogether without the consent of the public via a second referendum, and Jeremy Corbyn is unlikely to whip Labour MPs to support this.

NO BREXIT: IMPLICATIONS FOR BUSINESS

Immediate prospect of no deal would be averted, but at the cost of boosting populist forces. **This would only intensify the country's political crisis, in turn creating other forms of uncertainty and risk for businesses.**

CONCLUSION: BRACE FOR A GENERAL ELECTION, BUT WHEN?

No one can say with absolute certainty exactly how the coming days and weeks will unfold, but the common factor in many of the scenarios outlined above is the prospect of a general election. Crucially, we do not know whether this would take place before or after 31 October; from the Government's perspective, there are upsides and downsides to both.

The key consideration for Johnson and his closest advisers is whether delivering Brexit is their be-all and end-all, in which case they really may pursue a scorched earth approach to deliver it on 31 October, or whether it is a means to an end, in which case they may be willing to act more tactically and prioritise staying in office afterwards.

WHAT BUSINESSES SHOULD PLAN FOR IN THE SHORT TERM

- **No deal Brexit:** This appears to be the single most likely outcome and those businesses that have not yet mapped out its likely impact on their operations, including supply chains, would be advised to do so urgently. If the Johnson Government delivers no deal and is able to stay in office afterwards, it could become a prolonged arrangement rather than a temporary blip.
- **General election manifestos:** As noted above, an election is highly likely regardless of what exactly happens on 31 October. With the focus of the campaign on Brexit, there is a chance that a number of significant policies pass relatively undetected. This carries both risks and opportunities for businesses, especially in the event of a Labour-led government coming to power with a radical policy agenda including tax reform, changes to employment and company laws and nationalisation of public utilities.
- **Post Brexit trade negotiations:** Both the deal or no deal scenarios are merely a step in a longer process, and will lead to further negotiations with the EU and a number of third countries such as the US over their ultimate trading relationships with the UK, with many clashing and competing interests in play.

Either way, expect a bumpy ride. Brexit will likely go right down to the wire, and it is important to know how this will affect your business – from supply chain management to internal comms. **To find out more navigating this volatile political landscape, including planning for a change of government, please contact James Morris, MD of Public Affairs (james.morris@edelman.com).**