

## Uncertainty in the UK

*Fabian Zuleeg*

Britain has voted for a hung parliament. The Conservatives', and particularly Prime Minister May's, gamble has failed. But they are still the largest party and are forming the next government, in coalition with, or at least tolerated by, the Northern Irish Democratic Unionist Party (DUP). While Theresa May will become the next Prime Minister, it remains to be seen whether she can survive the political fallout in the long term and whether this will prove to be a workable majority.

Labour has not suffered the catastrophic collapse widely predicted when the election was called. They have had a remarkable resurgence over the last few months, but despite the struggling campaign of May and the Conservatives, they have not won a majority or even become the biggest party. Party support remains divided between the traditional working class and city-dwelling progressives, so the future of the party and the leadership question will remain on the agenda, albeit muted for the coming months.

UKIP was virtually wiped out. This was predicted: as a single issue party that has achieved its primary objective, coupled with an electoral system that disadvantages smaller parties, UKIP was always bound to lose. The Liberal Democrats did a little better in terms of seats after the catastrophic result in the last election, but nowhere near good enough to become the king-maker and push the political system to repeat the EU referendum, which they campaigned for.

The Scottish National Party (SNP) had a bad night, despite remaining the largest party in Scotland. The Tories captured a number of Scottish seats from the SNP, driven by opposition to another independence referendum. The SNP's losses included some high profile politicians, like former leader Alex Salmond. While losses were expected, given the SNP's near complete dominance in Scotland in the last general election, the scale of the loss, particularly to the Conservatives, is leading to a reassessment of the demand for another independence referendum, widely seen as the cause of this shift in Scottish voters' preferences.

### ***The Brexit election?***

Apart from the wipe-out of UKIP, Brexit seems to have played a relatively minor role when it came to the results of this election, despite all parties putting forward very different stances and propositions. While Theresa May justified an early election by demanding a mandate for her Brexit negotiations, voters seem to have predominantly looked at other issues when deciding who to vote for: security/terrorism, non-EU migration, social justice and care for the elderly, the National Health Service (NHS), the constitutional future of Scotland and the personalities and quality of leadership of party leaders all seemed to play a greater role.

This should not be so surprising. The majority of British voters assume that Brexit will happen, not least because both major parties have endorsed the result. If this expectation was to be seriously challenged, there would most likely be a resurgence of the anti-EU camp in all parties, as well as a revival of UKIP. However, for the majority of UK voters, Brexit is not at the top of the list of their concerns, with more day-to-day issues related to jobs and society playing a greater role. At this stage, the negative economic impact of Brexit on these issues is not yet visible, making it a low priority issue for most voters.

## ***Towards a soft landing?***

But this election does determine what shape the Brexit negotiations will take and, in particular, what compromises the UK might be willing to make. A common narrative before the election was that Theresa May could, if she received a decisive mandate from the electorate, push her party towards a compromise position, sideline the hardline Brexiteers in her party and thus avoid going over the cliff edge and ending up with no deal at all. Despite stating that no deal is better than a bad deal, most commentators assumed that she had become aware of the enormous economic costs associated with the no deal scenario and that she would aim to avoid it.

So what does a hung parliament imply for Brexit? The presumption should be that Brexit will still go ahead. After all, both major parties have stated that they will honour the referendum vote. But what form Brexit will take is more uncertain. A smaller majority implies strong patronage power for the Prime Minister, given the amount of posts that need to be filled in government. It also means that Conservative party rebels have to be aware that rebellions on their part can bring down the government and hurt their electoral chances. In combination with the accumulating negative economic impact and a strengthened Labour Party, this might lead to pressure for a softer Brexit deal.

However, in the final analysis, this is unlikely. A significant move away from the hard Brexit scenario would increase internal party opposition, lead to renewed pressure from UKIP and be slated by the Eurosceptic tabloids. May would need to be a strong, principled leader, with a high willingness to sacrifice her own political capital, to push through such a deal. This has become even less likely with the weakened position she now finds herself in, having failed to win the snap election she herself called.

There might be a better outcome for the divorce negotiations. Remainers within and outside her own party, as well as business interests, will put pressure on her to come to a deal in the Article 50 negotiations, ensuring that the no deal cliff edge is avoided at this stage. This would entail compromises on EU citizen rights, the role of the European Court and the legacy payment, as well as accepting the *status quo* in any transition arrangements.

However, this will be hard to sell to the Brexiteers in her own party. In addition, the reliance of the Tories on the Unionist vote in Northern Ireland might further complicate finding a workable compromise with respect to the Northern Ireland border, where the DUP position could create conflict with the Republic of Ireland. So even for this initial step, uncertainty prevails.

## ***The way ahead***

The election has changed the UK landscape but not in the way Theresa May wanted. Rather than creating a stronger leadership, able to negotiate with the EU, there is now significant uncertainty. But the two year clock is ticking. The new, weakened UK government will need to define its negotiation position rather quickly and come to the table far more willing to compromise than has been the case for the last 11 months. If the uncertainty over the UK's position and the government's unwillingness to compromise prevail, the UK might still end up with no deal at all.

***Fabian Zuleeg is Chief Executive and Chief Economist at the European Policy Centre (EPC).***