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# Vote, and rock the boat?

*Special*

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## Summary

- There is a good chance that Article 50 will be extended for a second time. The length and the conditions of the extension will be decided at today's European Council
- If the Withdrawal Agreement Bill isn't implemented before the date of the European elections, the EU27 will likely require the United Kingdom to hold the elections
- This means that the UK has to send MEPs to Brussels and Strasbourg, at least until the official Brexit date. The proposed reduction in the size of the European parliament will be postponed
- The centre-left S&D stands to gain from UK participation, as it avoids the loss of Labour MEPs. The centre-right EPP, which commands a sizable lead in the polls, will be relatively worse off because Conservative MEPs are affiliated with the ECR
- The participation of the UK won't tip the balance on its own, but may tempt the EPP to keep Orbán's Fidesz within its ranks after all
- The presence of Eurosceptic parties will rise, but the political groups still have to form a stable alliance. The election of Brexiteer MEPs may thwart progress on appointing high-profile jobs in EU institutions and setting the EU Budget

## A 'flexextension' in the making?

The probability that the United Kingdom will hold European elections is rising. Even though Prime Minister May has officially asked for a short extension of Article 50 until June 30, which is the Sunday before the newly-elected European Parliament is inaugurated, there is little reason to expect that the EU27 will accept this request. It has rejected this date previously, as it deems the risk of interference with the European elections as too high, and it will likely reject it again.

While this would allow Prime Minister May to continue pretending that the long extension was pushed on her by Brussels, it looks as if both parties will ultimately agree to something that is much closer to the counterproposal of European Council President Tusk, who offered the UK a 12-month flexible extension of Article 50. The flexible part of this offer would allow the UK to leave the EU sooner if the British parliament ratifies and implements a Brexit deal, while the 12-month part should avoid a rolling series of short extensions. Of course, this still needs to be agreed upon unanimously by the EU leaders at today's emergency summit and it's definitely not a done deal yet. The hawkishness of French President Macron is a case in point.

In this note we'll therefore simply assume that the UK and the EU27 agree on a long extension and explore what happens with regard to the European elections. Why is the EU27 so adamant about this subject and what needs to be done before the UK can hold elections? Which parties in the UK stand to gain, and with which European political groups will the MEPs affiliate?

## To the polls? Yea...

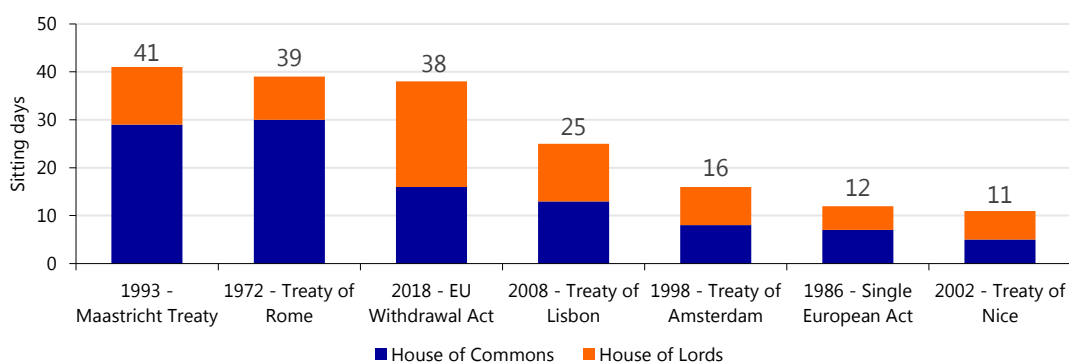
If the UK and the EU27 do agree on a longer extension and if the UK fails to ratify *and* implement a Brexit deal within the next few weeks, the UK will take part in the European elections. The EU27 is pretty adamant on this, and for good reasons.

Firstly, if Article 50 is extended beyond the inauguration date of July 2 and the UK doesn't elect representatives, the newly-elected European Parliament will be in danger. While the EP's legal service has confidentially noted that there is no rule that hinders the EP being constituted when – due to the specific actions of a Member State– not all seats are allocated at the time of the first sitting, there is considerable concern of legal challenges. The EU treaties provide that EU citizens have the right to be represented in the EP and to vote and stand in its elections. Hence, if the UK fails to hold elections, it would be in breach of the EU treaties.

While there's a good argument to make that the European Commission won't immediately act on this, it will be very likely that UK citizens –Remainers and Leavers alike– will challenge the legitimacy of the European Parliament before the European Court of Justice, either because they are not represented but would want to, or because the European Parliament conflicts with their idea of national sovereignty. It could very well wreak institutional havoc, and this all because of doing a parting member a favour.

Secondly, if the UK government does win its Meaningful Vote in the next few weeks, it could still get messy. A *yea* for the Meaningful Vote is no guarantee of a vote for the Withdrawal Agreement Bill, which still needs to be passed through the House of Commons and the House of Lords. The [Institute for Government](#) has collected the data on how long it took Parliament to ratify previous European treaties (see figure 1). With only 24 sitting days left before May 22, time is currently already a pressing issue. But what happens if the Withdrawal Agreement Bill isn't implemented before the European elections, and the UK government decides not to hold the elections anyway? Indeed: the European Parliament could be held hostage by UK domestic politics and this will mean that no-deal would be firmly back on the table. Or what would happen if the UK then suddenly has a radical change of heart and revokes Article 50? Again, it's getting problematic!

**Figure 1: Time is running out**



Source: UK Institute for Government, Rabobank

Finally, it is worth noting that it has been proposed that the UK could temporarily send elected members of the House of Commons to represent them in Brussels, a solution which refers to the procedure that was used in the accession of Bulgaria and Romania. But the Article 50 procedure doesn't provide for such exemptions and it will once again mean that the EU treaties and more specifically the concept of direct universal suffrage would be violated, unless these treaties are revised. That would be a very long shot at this stage, we reckon.

## UK preparatory work has started

Given that the UK's political risks are so closely intertwined with the economic risks, it's worth exploring whether there are legal obstacles to a longer extension and the UK holding European elections. It becomes quite clear that there's no legal reason, but that it's pure politics. In fact, the UK government has already [officially accepted](#) the European Council's view that the UK would be legally obliged to hold elections if it is still an EU Member State on May 23. Moreover, while it is true that the legislation to cancel the European elections has already been passed in Parliament,

this legislation is not to be commenced until the official exit day. This means that the government doesn't need any new legislation or votes in Parliament in order to hold the European elections. In fact, the legal order that announces these elections should be published by 10 April.

Moreover, the UK Electoral Commission has already published a timetable for the European elections as part of their contingency planning. The South West electoral region, which includes Gibraltar, should publish a notice of elections not later than 12 April. All the other electoral regions have to call the elections no later than 15 April. The week after that will be interesting as well, as the various political parties, including the Conservatives, the UKIP, the Brexit Party and the newly-formed The Independent Group, will have to formally announce whether to stand in these elections. The deadline is set at 24 April. We will also know the list of candidates by then. If the elections will go ahead, the polling day is scheduled to be Thursday 23 May.

## A shake-up in the European Parliament

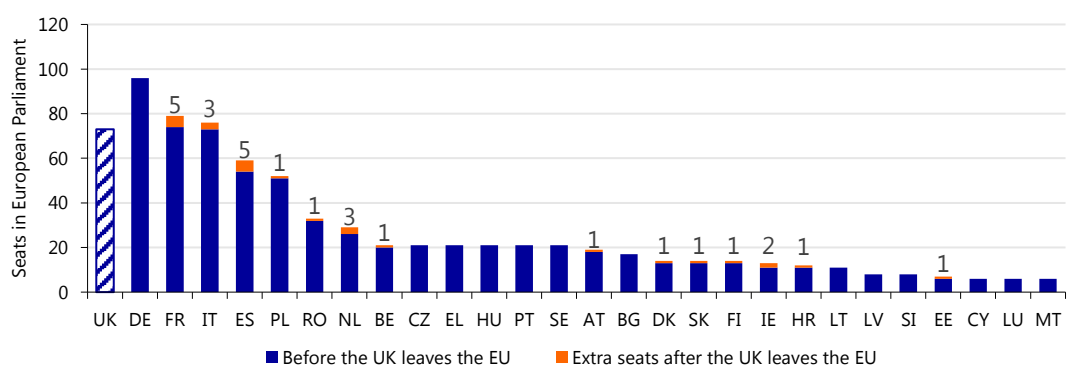
It was [agreed](#) in the EU Council that the number of seats in the European Parliament would be reduced from 751 to 705 seats if the UK leaves the EU before the May 23-26 elections. The 73 seats that the UK has in the European Parliament would be split into two parts: 27 were to be reallocated to other countries (see figure 2) and 46 seats would be reserved for candidate member states, which may achieve accession as EU member states after 2025. But the EU Council decision also stipulates that:

*“However, in the event that the United Kingdom is still a Member State of the Union at the beginning of the 2019-2024 parliamentary term, the number of representatives in the European Parliament per Member State taking up office shall be the one provided for in Article 3 of the European Council Decision 2013/312/EU1 until the withdrawal of the United Kingdom from the Union becomes legally effective.*

*Once the United Kingdom's withdrawal from the Union becomes legally effective, the number of representatives in the European Parliament elected in each Member State shall be the one provided for in paragraph 1 of this Article.”*

This simply means that the changes as displayed in figure 2 will be postponed until the moment that the United Kingdom really leaves the European Union. Another implication is that France, Spain, the Netherlands and Italy, which together will gain 16 out of the 27 reallocated seats, will have to be in the waiting room.

**Figure 2: France, Spain, the Netherlands and Italy will gain 16 EP seats after the UK leaves**



Source: European Parliament, Rabobank

## Which parties stand to gain?

It is difficult to predict which UK parties will do well in the European elections. There are hardly any reliable polls, because voters had to imagine a very hypothetical scenario where Brexit was delayed beyond the European elections. National polls won't help much either, because two

entirely different systems are used (first-past-the-post vs. proportional representation). UKIP has performed very well in the 2014 European elections, but doesn't have a single seat in the House of Commons due to a system that yields a two-horse race between Labour and the Conservatives. Moreover, the Eurosceptic right-wing is split into different groups: will Brexiteers vote for the Tories, for UKIP, for DUP, or for Mr. Farage's Brexit Party? And what about turnout: which party can activate their voter base for an election that shouldn't have been held in the first place?

**Table 1: Party affiliation of UK parties before the 2019 election**

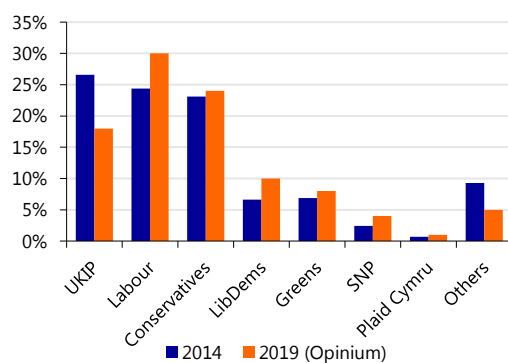
<i>Political group</i>	<i>Eurosceptic?</i>	<i>Affiliated UK parties</i>
European People's Party	No	
Socialists and Democrats	No	Labour
European Conservatives and Reformists	Yes	Conservatives, UUP
Europe of Freedom and Direct Democracy	Yes	Brexit Party, UKIP, SDP
Greens-European Free Alliance	No	Greens, SNP, Plaid Cymru
Europe of Nations and Freedom	Yes	UKIP
Alliance of Liberals and Democrats for Europe	No	Liberal Democrats
European United Left–Nordic Green Left	Yes	Sinn Féin

Source: Rabobank, various internet sources

Opinium Research did publish two [polls](#) in which they asked the following question: *if the UK were to participate in the 2019 European Parliament elections which party would you vote for to be your MEP?* We've displayed the results of their latest poll in figure 3, alongside the results of the 2014 European elections. Labour looks to be the big winner, but keep in mind that public opinion on this matter could move swiftly and significantly if the UK suddenly has to hold European elections more than 1,000 days after having voted Leave. The elections could morph into a pseudo-referendum on the European Union, with the result's validity subsequently being contested.

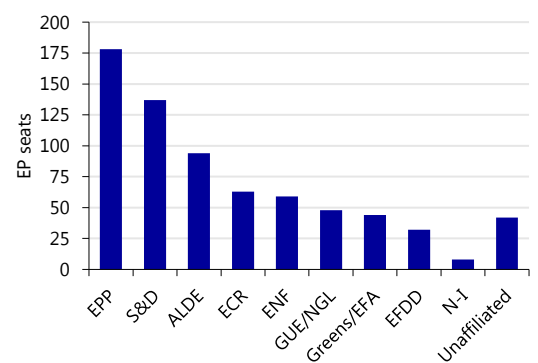
Aside from those issues, European elections in the UK could also tip the scale in favour of the S&D, the social-democratic political group in the EP. If Labour indeed wins, and grabs around 1/3<sup>rd</sup> of the British seats, the S&D can move from the 139 seats that are currently [polled](#) towards 160 or even more. The gap with the centre-right EPP, who have no affiliations with a UK party, would then be narrowed to 10 to 15 seats. In that case, the 12 or so seats that Mr. Orbán's Fidesz provides the EPP will be really valuable to *Spitzenkandidat* Weber. Finally, it's worth noting that each group must have at least 25 MEPs from a minimum of seven member states: the ENF and EFDD currently struggle to make this, but could benefit from UKIP and Brexit Party votes.

**Figure 3: Will Labour be the big winner in the UK European elections? It's too early to tell!**



Source: Rabobank, Opinium Research

**Figure 4: EPP is commanding a lead in the polls, but S&D will then benefit from UK participation**



Source: Poll of Polls, projections without the UK

## Volatility ahead?

Even though markets will appreciate a longer extension as it raises the hope of a softer Brexit or perhaps no Brexit at all if the idea of a confirmatory referendum gets more traction, we may still be in for heightened volatility in both the EUR and GBP. We've long highlighted the European elections as an event that may trigger EUR volatility due to the renewed focus on populist sentiment on the continent, but what the currency really can't use is additional volatility from across the Channel. Let's focus, for instance, on a recent [tweet](#) by Jacob Rees-Mogg, chair of the European Research Group:

*"If a long extension leaves us stuck in the EU we should be as difficult as possible. We could veto any increase in the budget, obstruct the putative EU army and block Mr Macron's integrationist schemes."*

Aside from the irony that Mr. Rees-Mogg currently *is* seeing ways in which the UK is able to halt the EU developments that it so vehemently opposes, we do see a clear risk that the Brexit Party, UKIP and Brexiteer Tories join forces with other Eurosceptic parties, which will see a significant increase in support anyway.

As we've argued [here](#), the new European Parliament will be less supportive towards further European integration and this will be felt across all policy areas. The EP has a lot of sway over the EU Budget and could theoretically even impose a budget against the will of the Council. If the Eurosceptic parties are joined by UKIP and the Brexit Party, this process will probably become even more difficult than it already is.

Moreover, the process to appoint the new President of the European Commission, the other Commissioners and various other high-profile EU jobs including Barnier's and Tusk's will begin in July. While the *Spitzenkandidat* of the largest political group, either Mr. Weber (EPP-DE) or Mr. Timmermans (S&D-NL), would have the mandate to assume the Commission Presidency, the post-election horse-trading could be frustrated by rebelling MEPs. Finally, it's worth noting that the new Commission won't be installed until the beginning of November. And even though the Brexit negotiations are mostly done with the EU27, it is understandable that they do not welcome the extension with open arms and a smile.

**Table 2: Key dates to watch**

<i>Date</i>	<i>Event</i>
April 12	European Council Emergency Summit, deciding fate of extension Article 50
April 12-15	UK electoral regions have to call elections
April 18	Last session of the outgoing European Parliament. It still needs to vote on the W.A.
April 24	UK Political parties have to decide whether to stand in the elections
May 23	Polling day in the United Kingdom
May 23-26	European elections
June	Candidates negotiate to form political groups. Haggling about EU key positions starts
July 2	Inaugural plenary session of the newly-elected Parliament
July	First opportunity for Parliament to elect European Commission President
Sept-Oct	Hearings of Commissioners-designate in Parliamentary committees
Oct	New European Commission is elected, EC President gives inaugural speech

Source: Rabobank, UK Electoral Commission, European Parliament

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