

FINANCIAL MARKETS

CONSERVATIVE  
& LABOUR:  
SPLIT PARTIES?



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# DEEP POLITICAL DIVIDES

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## FOREWORD

Controversy within a political party is nothing new. Recently, however, deep divisions in the two main British political parties have emerged - putting pressure on both party leaders.

It's led to questions about the future of Prime Minister Theresa May and opposition leader Jeremy Corbyn. Naturally, this has also led to questions about how a leadership change could affect Brexit.

This eBook explores both of these topics in detail.

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# THE CONSERVATIVE PARTY

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## LEADERSHIP CHALLENGE?

The Conservative Prime Minister, Theresa May, is currently facing the threat of a leadership challenge.

Specifically, May is facing a rebellion from Eurosceptics within the party. Brexiteers are dissatisfied with her proposed Chequers Brexit deal, which is yet to be agreed with the European Union (EU). This element of the party is concerned that the Prime Minister is yielding favourable terms to EU in regards to future trade and customs arrangements.

A Conservative leadership challenge could happen if 15% of MPs within the party write a letter to the party chairman.

In a vote of no confidence, Conservative party members will have the opportunity to cast a vote for or against the current leader. If she were to win that vote, Theresa May would remain as Prime Minister.

However, if she were to lose that vote, a leadership contest would be held to decide the next party leader. A list of candidates would then be nominated by Conservative party members. The two candidates with the most support typically compete for the party leadership - and in this case, the position of Prime Minister.

### POTENTIAL TORY CANDIDATES

So far, it has been reported that up to 20 Tory MPs are preparing to run in the leadership election should Theresa May succumb to pressure.

A survey of 1,363 Tory members by Conservative Home has put Boris Johnson as the most likely candidate to replace Theresa May. However, 12 Tory MPs have vowed to resign in order to stop Boris Johnson from taking the role.

Other favourites for the position include Sajid David, Michael Gove, Jacob Rees-Mogg and Jeremy Hunt.

### BORIS JOHNSON AND BREXIT

Boris Johnson is the ex-Foreign Secretary. He resigned on July 9th 2018 over Theresa May's Chequers Brexit strategy.

The speculation of his leadership challenge has only grown since his departure - but it hasn't come without some controversy.

Johnson has recently been under the spotlight over controversial comments. For example, he claimed that Theresa May's Brexit plan was putting the constitution in a "suicide vest" - a heavily criticised

choice of words.

On the other hand, what appeals to a lot of serving and non-serving Conservatives is Johnson's stance on Brexit. For those who voted to leave the European Union, Johnson is passionate about delivering the hard Brexit they want.

Being so open about his disagreement in the way May is handling the negotiations has won him support. In fact, he has referred to this plan as a "historic mistake" - and believes it will cause national humiliation, similar to that of Greece.

## THE FUTURE OF BREXIT

If Boris Johnson were to become Prime Minister, the outlook for Brexit would change dramatically change.

Firstly, it would be very likely that Theresa May's Chequers Brexit deal would be abandoned. Instead, a Johnson-led government would likely pursue a 'Harder Brexit'.

What this version of Brexit involves isn't crystal clear. But a document from the European Research Group has been drafted, offering Tory Eurosceptics a supposedly better plan.

Essentially, this plan suggests a Canada-style trade deal with the EU - which means the UK would be subject to fewer terms than proposed in the Chequers deal. However, if Brussels refuse this particular proposal, the UK would leave the EU without a deal, but on WTO terms.

Given the proximity of Brexit's official date (March 2019), we think it's unlikely that a leadership challenge will occur before that date. But there's certainly a chance that one could happen after Brexit becomes official. Such a scenario would likely put downward pressure on the pound sterling.

# THE LABOUR PARTY

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## THE LABOUR PARTY

A split within the Labour Party is becoming more likely too. But this isn't the first time this has happened.

Back in 1981, MPs Roy Jenkins, David Owen, Bill Rodgers and Shirley Williams split from Labour to form the Social Democratic Party. This came after the 1981 Wembley conference.

The party had committed to unilateral nuclear disarmament and withdrawal from the European Economic Community.

## BREXIT AND OTHER PROBLEMS

Brexit is also dividing Labour. Many pro-EU members are angry with Corbyn's weak challenge to Theresa May's Brexit plan.

Some are also disappointed that he will not support a referendum on the final Brexit deal. This discontent has supposedly fuelled



'secret meetings' by the previously mentioned MPs.

One of the MPs involved disclosed: "there are [Remainer] Conservative and Lib Dem MPs who are interested in joining us if we do form a new party because of Brexit."

Other party members also fear that his instincts on foreign affairs and his defence policy would make him an unfit leader for the country.

However, Corbyn still has one of the most notable levels of support for a Labour leader in modern times, especially from a younger demographic.

This in itself is another reason why a split in the Labour party could happen. Centre-ground MPs believe the Labour party is firmly under the control of the left.

## BREXIT UNCHECKED

The main problem with a split Labour party is the effect it will have on the delivery of Brexit.

Though Corbyn and Labour are not involved in the decision making of Brexit - they do have a responsibility to hold the government to account. Clearly, this is much more difficult to do when Labour itself is divided.

Labour's current divisions makes it unlikely that we'll see a change in election fortunes for the party.

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