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BREXIT SPEECHES





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Published in July 2019 by

The Bruges Group, 246 Linen Hall, 162-168 Regent Street, London W1B 5TB

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Richard Tice Speech

In reflecting on this extraordinary year, I am grateful to David Cameron for two reasons. Firstly, for agreeing to hold the referendum, and secondly for playing the good set of cards in his hand so incredibly badly. Not only did he completely mess up the negotiation to end up with nothing, but he then tried to scare some of the bravest and proudest voters in the world, but they weren't having it. That is where my gratitude ends. His refusal to allow any plan B preparation was the reason that Leave voters were made to feel guilty about democracy after the vote. All because there was a total vacuum of leadership and planning. It was of course slightly disappointing that whilst Cameron and Osborne had no plan B, it became clear on 24th June that Boris and Gove had no plan A! This would never have happened in the world of business.

Given the constant disgraceful whingeing of grumpy Remainers soon after the vote, it became clear to me and some senior Brexiteers that we had won the battle but not the war. This is why we set up Leave Means Leave, to campaign for a clean, prompt and effective Brexit. I co-chair it with John Longworth, the former director General of the British Chamber of Commerce.

This brings me onto the risks and opportunities:

There are two key risks out there for us Brexiteers. Firstly, there is the behaviour of the grumpy Remainers, led by the ever-popular Tony Blair, Nick Clegg and the noisy Anna Soubry. They are part of the disgraceful band of metropolitan elite who have rarely if ever been outside the M25 and who don't believe in Democracy unless it votes their way.

They are trying to subvert, delay and deny democracy. They are using the courts, Parliament and the complicit broadcast media. The law ruling this week in the High Court was a charade by rich Remainers who are playing technical games with the democratic will of the people. They have had their fun, they should now withdraw. They are damaging our national negotiating position with the EU and the rest of the world, since people are still doubting whether we really will leave, and if we do then when, and on what terms?

They are thus effectively guilty of betraying the national interest. What they should be doing is supporting our country and getting behind the opportunities Brexit can provide.

The best response of the Prime Minister would be to take the initiative and have a vote in Parliament on the article 50 point in the next couple of weeks. Otherwise she will essentially have allowed the process to be hijacked by a few rich and powerful Remainers and her authority will wane as arguments rage over the next 5 weeks. She can simply say that we agree to disagree with the claimants and the ruling, but in the interests of maintaining national confidence in the democratic process, and momentum in the national economic interest, she is asking the MPs to back her to invoke the will of the people.

Economies are built on confidence. Investors, businesses and consumers alike, all want a degree of certainty. If they know we are leaving the EU and when, they can plan and budget accordingly. If there is doubt, confidence falls, growth stalls and economies weaken.

The second key risk is the continental European banking crisis. It is far worse than we are being told, and could implode on us any month. I am one of the sad people who has been through the 488-page Deutsche Bank annual report and accounts, which were it in a bookshop, would be found in the fiction department. Its debts and liabilities of 1.6 trillion euros are almost 100 times its market value of about 16 billion euros. This market value is not much more than the fine being imposed by the US government on Deutsche Bank, for which they have only provided about 1/3rd. Whilst not a huge fan of the IMF, let's not forget it did say in August that the Deutsche Bank balance sheet is the greatest systemic risk to the global financial system.

Let's hope Merkel has prepared a plan B bailout for it. If not, we all know that markets move faster than politicians. If the market loses total confidence in Deutsche Bank, it will immediately then short the desperately fragile Italian banks. These Italian Banks have a true capital shortfall of 150-200 billion euros due to their enormous bad loan books that they have not dealt with. The ensuing carnage would result make Lehman's look like a walk in the park.

Our own government should be prepared for such a scenario, and I may shock you by saying our government should be willing to contribute to such a German led bailout. There is reason in my madness here. This would be a sign of being true friends and partners, even when leaving the EU, and crucially it would gain us the moral high ground in the negotiations. You can see that if this doom-laden scenario plays out before we have served article 50, the institutional global pressure to delay would be immense and we must be prepared to face it down.

Therefore, it is so important that the Government serves Article 50 as soon as possible in the New Year. Simultaneously it must clarify that we will leave the EU and de facto all its component parts such as the single market and the customs union within 2 years thereafter. We now have the Bank of England admitting that their errors in gloomy forecasting were as huge and as embarrassing as those of Michael Fish stating there would not be a hurricane that night in 1987. So why should we believe the same doomsayers who still say we must stay in the Single market and customs union and that it will take years and years of problems to sort it all out and we must have a transitional deal. We should just ignore them all again, and leave as fast as possible within a maximum 2 years post Article 50.

This is crucial. At 'Leave Means Leave' we have produced 3 reports on the Single Market, Financial Services and Global Trade. There are dark forces in the Treasury bleating that we must remain in one or both the Single Market and the Customs Union. The fact is that remaining in the Customs Union would prevent us doing our own trade deals, so that is a total No-No. Then there is the Single Market. This has been an extremely bad deal for the UK: we pay in a net £10 bn per year, to lose a net £100 bn per year in trade and transfers. We have a goods deficit with the EU of some £89bn, yet a goods surplus with the US of some £10 bn with whom we have no trade agreement. Our surplus in services to the Americas is 50% bigger than our services surplus to the EU. We had tariff free access before the single market and 20 years on, it cannot be shown to work in what we are good at: services.

Financial Services in the UK will do better by leaving the Single Market. It doesn't work for financial services. Passporting is massively overstated: 2,500 more EU companies have passports into the UK than we do to them. Our firms have on average 62 passports each; that sounds like a compliance and regulatory nightmare, not a single solution. We can strip away unnecessary regulation that adds billions to the cost of capital. We are the biggest financial centre in the world. The next two largest financial centres in Europe are in Zurich and Geneva which are not in the EU. Only Frankfurt creeps into the global top 10 at number 10. They are not on the same page! If Passporting was not continued, more EU companies would have to set up in London to access deeper more liquid cheaper capital. In practice, the concept of Equivalence will probably prevail from next year. Either way, the City people are smart and they are rapidly getting around issues such as 'brass plating'; we shouldn't feel sorry for them or worry about them, they will look after themselves, they always do.

I referred to the Italian banking crisis and since then the largest Italian bank Unicredit has announced a massive 13 billion euro rights issue alongside a 12 billion write off from more bad loans, all when the market value of the bank the day before the announcement was also just 13 billion. I.e. It is bust without the rights issue. The 3rd largest Italian bank failed to do its promised 5 billion euro rights issue (which it had misled the market it would do for 6 months) and has had to receive a state bailout ... suddenly at the final moment the bill went up to 8 billion euro, a 60% increase in 1 week in December. These two points prove the problems I was alluding to and there is still much more to come.

We can then become much more excited about the huge opportunities out there for the UK. There is far too little talk and focus on this currently. Too many people are focusing on the problems not the wonderful opportunities.

The Government must let the EU know that we will try for a deal but don't need one. At Leave Means Leave, we have a simple mantra: No deal is better than a bad deal. We all know this in business but sadly politicians are rarely business minded. This point, that no deal is better than a bad deal, is crucial.

This is the right strategy with the EU and shows non-EU countries that we are serious about quickly signing FTAs with them on the day after we leave, what I call our Global FTA signing day. This gives everyone a target to look forward to - in an ideal world it would be done with a flourish on a new Royal Yacht, built with British suppliers and British components!

The US wants a quick limited trade deal with the U.K. in 2017. Our civil servants in charge of overseas activity are showing themselves to be not up to the job eg Sir Ivan Rogers etc. We must bring in some senior Brexiteer business people or politicians to handle all these negotiations. If we get a quick deal lined up in draft in 2017 with US, which Trump wants, then this will help our negotiating leverage with EU.

Frankly we should be planning that day now and preparing for the party! Think how positive a signal that would be for UK businesses and investors. If it is coupled with a statement ASAP by our new Chancellor that we will bring down corporation tax to 15%, then we really can look forward to being the Singapore of the West, low tax, sensibly regulated. The extra growth would pay for itself within no time at all.

Global corporates would be banging the door down to locate their HQs here in the UK . At 15%, many corporates would say it isn't worth bothering with all this offshore tax avoidance if our main corporation tax rate is so low. We could even look to regionalise to help spread the growth around the country perhaps Wales, Scotland and NI could have even lower tax rates.

In parallel we need more emphasis and incentive on training and educating our own people. It has been too easy for big corporates and many business people to say we cannot find the people thus we must look overseas, rather than invest in apprenticeships and training of young people as they used to 30-40 years ago.

Another major opportunity is to get rid of unnecessary EU rules when we leave. Each industry needs to be planning now via their lobby groups & associations what they can do without. They must then lobby Government asap, to be ready to change the rules soon as we leave. In my industry, real estate, removing the need to use OJEU procurement procedures for many public-sector contracts would usefully reduce costs and accelerate timescales. I am excited that no longer can our civil servants and MPs say it can't be done because of Brussels: we can say - nonsense.

It is all so exciting I just cannot stop myself. The glass is always a half full, never half empty! Whatever bumps in the road, we must ride over them. Let's find solutions not problems.

Let's all help ensure Leave Means Leave, and soon!

Johan Eliasch Speech

Thank you very much. Let me also say I am both a Swedish and British citizen, I've also been a member of the Austrian President's delegation of State for Trade and Industry for a period of ten years and I was Chairman of the Young Conservatives Party in the only Conservative constituency in Sweden. In those days, there was only one. I have also brought a longstanding case against the EU in Brussels.

So why do I say all this? I say that because I have seen Europe and the EU Commissions from many different angles: as a Swede, as somebody who has been involved with the Austrian Government and of course as a British citizen. I should also say that at the same time as I was Deputy Treasurer I was very much involved in European affairs as an adviser to the Leaders of the Opposition and the Shadow Foreign Secretaries.

Now what just happened is that the country has spoken and that means Brexit. We are where we are and regardless of conviction, it is something that we need to get on with and deal with and the longer we wait the worse it gets for the country. Why is that? Because of the uncertainty. Uncertainty that makes people that are having to take decisions might go in the wrong direction for Britain by for instance making investments outside Britain instead of within our country. Some people might leave the country instead of staying here. That is why it is so important that we find a way forward where we can present to everybody that this Brexit negotiation is something that can be achieved very quickly. Then it will be to everyone's advantage, not only Britain's advantage but also Europe's advantage.

There is a lot of fear in Brussels and out in the wider Europe. This is the watershed moment for Europe and the fear that other EU members will follow suit. I think that is quite unlikely because, except for France and Germany, there is no other country of the same stature as Britain. The kind of Brexit that is most likely to come here is not something that can be replicated by any other country. And that is why it is hoped that those fears will subside.

I think Europe and particularly the two big countries, France and Germany, have come to realise that, as Mrs Merkel said last week to me, if we're all sensible we will find a sensible solution.

Much has been said and much has been written in the various media about different scenarios and I must say this is a complicated subject, and it is something that worries me because I am not sure that our civil servants or our politicians are far enough up the learning curve to take this forward in the timeframe that is necessary. And I think the Government needs help. Help from the business community, because a lot of this is about business common sense, and help from the legal profession because much is about very technical legal issues. Those points need to be made very strongly, they are very important to achieve a good outcome.

Now if we look here at a possible deal, what could that look like? I think there are only three areas which are key: Immigration, financial services and trade.

We start with immigration, and for many that really was what the vote was about. How we control immigration, not how we close our borders, but how we control our borders. Here, I think it's fair to assume that we will get from the EU exactly what we propose on a reciprocal basis, so whatever we are prepared to offer is something that we can expect to get in return.

I believe we need talented and highly skilled people in Britain; the more the merrier, and in certain areas I think EU nationals should easily obtain work permits. But there are other areas of immigration where we have to be concerned and where we have to have work permits, particularly on the lower end of the wage scale.

So, what's happening right now, if you go to Poland – and I say this just by way of example – it is quite difficult to find workers in Poland; because most of the Polish working outside of Poland get better pay than inside Poland. That is not right for Britain or other members of the EU, therefore on immigration we need a good balance of work permits to make sure that we get skilled and talented people.

The next area is financial services and London is really the financial services sector of Europe and that is because of our language, our legal system and our long tradition of excelling in this area. Most of the talent, most of the competence is in this country.

Now it's not going to be convenient for either the EU or for us to continue with financial passporting if we're outside the EU. But there is another way of dealing with financial services and that is regulatory equivalents. That means if we have the same regulations as the EU, then we can operate on the same basis. And this system encompasses about 90% of all the different financial services. This would be a constructive way forward for financial services.

The third big area is trade on goods and here the fall-back position is always going to be WTO standards and what that means is trade with tariffs. And if that were to happen let's look at the picture. We have a trade deficit with Europe, which is quite significant, somewhere around £60 to £80 billion, depending on when you measure it. I have used 2014 figures. If we look at the mix within the EU, we only have trade surpluses with very few countries; they are Estonia, Croatia, Greece, Malta, Cyprus and Ireland. That is six countries out of 27. Now if we exclude Ireland who represent I guess in terms of the deficit, 5%, the others represent less than 0.5% of our trade, so almost a rounding error. Paradoxically, if we go back on tariffs we stand to earn as a country about £12.9 billion a year in import tariffs.

What needs to be balanced against that are the tariffs that our exporters would have to pay, which would amount to approximately £6 billion, leaving a surplus, a net of £6 billion, which is not insignificant. And if you add that to what we save in EU budget contributions of about £9 to £10 billion we get to a number around £15/£16 billion, which is equivalent to about 1% of our GDP for the Treasury, assuming of course that our trade would continue as hitherto.

Given that the way forward on immigration is quite clear and given that there is really only one way of dealing with financial services in a negotiated deal. What we're looking at is

whether we will have tariffs on trade or not. Now German car exporters to the UK would be paying £3 billion on tariffs to the UK and that's not a nice scenario for them. If we take the French wine producers from Bordeaux tariffs on wines and spirits are about 45% and that's about £1.5 billion they would have to pay over in tariffs to our Government. I hope common sense will prevail, that Europe will come to the conclusion that tariffs are not a good thing and that we will have tariff-free trade. If not the worst-case scenario or however you look at it, is that we actually gain a net of 6 billion in tariffs looking at 2014 numbers, so that's not such a bad scenario.

When we then look at hard Brexit/soft Brexit, I think that this is a misused term because of the outcomes. If you analyse these there is not that much room for manoeuvre. The EU has made it very clear their interpretation of how this could go with respect to the four freedoms. We have our options and in they are actually very good. So I think, and this is the last point I want to make today. Hopefully we shall look back on this in a few years' time and think of it a little bit like a storm in a teacup and that it all ended well for Europe and of course for Britain.

Johan Eliasch PowerPoint: Negotiating the UK's withdrawal from the EU: proposals for a successful outcome

The following is taken from the slides that was presented.

Executive Summary

- The economic data since 23 June is encouraging, but the government should consider a Brexit budget to counterbalance the uncertainty involved in leaving the EU.
- It is important to remove uncertainty by outlining a framework for a deal.
- The government should update its schedule of commitments to the WTO, initiate trade talks with third countries as soon as possible, and seek to novate existing deals with third countries.
- Britain is the fifth largest economy in the world and the second largest economy in Europe. Given our size we must make it clear that other models don't apply.
- The government should set out the deal it wants, and its Plan B, in case talks fail so demonstrating that we have a strong negotiating position which will enhance the prospects of reaching a deal and so reduce uncertainty.
- Britain should take the lead in the negotiations. We should initially negotiate with France and Germany.
- A deal should be negotiated within the Withdrawal Treaty and should:
 - Confirm the rights of EU nationals already living in the UK.
 - Offer reciprocal access for financial services based on the principle of equivalence and the establishment of a framework that gives the UK a seat at the top table in future regulatory decision-making.
 - Assure continued tariff-free trade.
 - End the UK's financial contribution to the EU and British commitment to the free movement of workers.
 - Offer enhanced defence and intelligence cooperation
- The UK's key EU partners have strong economic incentives to reach such a deal; Chancellor Merkel: 'Brexit is a watershed for Europe. If we are all sensible we will find a sensible solution.'
- In the event that a deal cannot be reached, Britain's Leave Options.
- Trading under WTO rules, the UK would then earn £12bn a year from tariffs (£6bn net); total savings (including the saved EU budget contribution) would top £15bn a year.

- We would pursue equivalence for financial services regulation, since this is already recognised by the EU. We would strive to be the most attractive financial services centre in the world.
- Britain would have the freedom to develop new immigration, environmental and agricultural and fisheries policies that precisely meet its needs.
- Britain's intrinsic strengths should be a source of optimism, drawn-out negotiations would prolong uncertainty and burden the UK with unnecessary extra costs of £200 million a week.
- In summary, a deal would maintain close relations with our largest and closest trading partner and give us clearer influence over financial regulation but at the cost of forgoing £6bn in tariffs.

Introduction

1. This paper proposes a comprehensive Brexit strategy for the British government. It identifies measures that the government can take immediately to counteract uncertainty following the referendum; reviews the different options available to Britain and their value; and proposes a deal and a negotiating strategy. It is based on my firm belief that the strength of the UK's negotiating position will be determined by our options in the absence of any agreement.

Self-Fulfilling Prophecies

2. In the run-up to the recent referendum the Treasury predicted apocalyptic consequences if there was a vote to leave. In the short-term, it expected "an immediate and profound shock to our economy. That shock would push our economy into a recession and lead to an increase in unemployment of around 500,000, GDP would be 3.6% smaller, average real wages would be lower, inflation higher, sterling weaker, house prices would be hit and public borrowing would rise compared with a vote to remain."¹ It also forecast lasting damage. By 2030 "our GDP would be 6.2% lower, families would be £4,300 worse off and our tax receipts would face an annual £36 billion black hole. This is more than a third of the NHS budget and equivalent to 8p on the basic rate of income tax."²
3. From a business point of view, the great danger of these threats was that, coming from such a trusted institution, they might destroy confidence and become self-fulfilling prophecies.
4. Since then however the stock market indices have recovered following the initial shock and the economic data released since 23 June have not borne the Treasury's predictions out. The latest figures show that unemployment in Q2 2016 was flat at

¹ HM Treasury, HM Treasury analysis: the immediate economic impact of leaving the EU, May 2016.

² HM Treasury, HM Treasury analysis: the long-term economic impact of EU membership and the alternatives, April 2016

4.9 per cent, while employment, at 74.5 per cent, was at its highest level since records began in 1971.³ Retail sales in July surpassed expectations, growing 1.4 per cent and in H1 2016 house prices rose 8.7 per cent on last year.⁴ CBI data on manufacturing in August showed that, while the climate is still difficult, orders still exceeded expectations, and exports were running at their highest level for two years.⁵ Although inflation has risen, the depreciation of sterling puts British exporters of both goods and services in more competitive position. Business investment rose 0.5 per cent in the second quarter of this year.⁶

5. Together, these announcements have led some institutions to revisit their forecasts. Most recently Barclays and Citigroup have each raised their UK 2016 GDP forecasts by 0.4 per cent, to 1.5 per cent and 1.7 per cent respectively.⁷ Moody's, which downgraded its UK sovereign debt rating on the day after the referendum, now expects the UK to avoid the recession forecast by the Treasury back in May.⁸
6. The process of leaving the European Union and establishing this new relationship is sketched out by Article 50 of the Treaty. This requires the UK government to notify the European Council of its withdrawal, at a time of its choosing. Once the UK government has done so, the two sides agree the terms of the withdrawal treaty (the "negotiation mandate"), although Article 50 does not stipulate what this must include. Once Article 50 is triggered, a two-year window for negotiations begins, with the aim of arriving at a withdrawal treaty that bridges the gap between the old relationship and the new one. With agreement from the UK and the European Council, this period can be extended.
7. In other words, the procedure defined by Article 50 means that the negotiating period will last at least two years. Many legal experts believe that talks will take much longer because of the complexity of the UK-EU relationship. I suspect that the Commission will be happy to drag it out as long as possible. The UK is the second largest net contributor to the EU's budget. Any delays to triggering Article 50 and/or the negotiations cost Britain £200 million a week.
8. Article 50 does not specify what the withdrawal treaty should cover but it does state that the agreement is subject to qualified majority voting, rather than unanimity. This makes it a good opportunity. Whilst we must approach this process with the best of intentions, the UK government should insist that the withdrawal treaty must include a framework for a new agreement between the UK and the EU.

³ Office for National Statistics, Statistical Bulletin: UK Labour Market: August 2016.

⁴ Guardian, "UK retail sales rise 1.4% in July as shoppers shrug off Brexit gloom", 18 August 2016' ONS, Statistical Bulletin: House Price Index: June 2016.

⁵ Financial Times, "UK industry beats expectations but continues to struggle – CBI", 23 August 2016.

⁶ ONS, Business Investment Quarter 2 (Apr-June 2016) provisional results, 26 August 2016

⁷ Daily Mail, "Project fear bank admits UK shares could beat Europe's", 22 August 2016.

⁸ FT Adviser, "Moody's confident UK will avoid recession", 18 August 2016

Measures to Address Uncertainty

9. During this interim period, there are four steps that the British Government can take to counteract the uncertainty about Britain's future.
10. A Brexit Budget. First, the government should offer a "Brexit Budget" that provides an economic stimulus and gives assurance to business. The stimulus would be paid for from savings derived from the UK's departure from the EU, some of which are identified below, in due course.
11. This budget should reassure voters by making good on promises made during the campaign, for example by cancelling VAT on fuel and to increase spending on the NHS.
12. **Measures for business.** A Brexit Budget also needs to send a powerful message that the UK is open for business. Business-friendly measures it should consider, to attract investment, and particularly foreign direct investment, include:-
 - a. Lowering **corporation tax** to 15 per cent, and lower post the withdrawal treaty (to avoid upsetting our European counterparts), and reducing **capital gains tax** for corporations to zero, to create a clear competitive advantage.
 - b. Lowering **stamp duty** on property.
 - c. Reducing **VAT**.
 - d. Abolishing **stamp duty** on share transfers.
 - e. Offering **foreign source income tax, capital gains, and dividend tax exemption** for companies held by non-doms for a small annual fee. Currently revenue goes to offshore jurisdictions. The UK should be competing with them, generating business for our legal and financial services industries, and drawing deposits into the UK banking system.
13. **Reform non-dom legislation and fortify the UK as an attractive residence for high net worth individuals.** The budget also presents an opportunity to rethink existing legislation affecting non-doms, who play a central role in Britain's financial services industry. A list of options is included as Appendix III.
14. **Provide legal certainty.** The government should adopt all existing EU laws into UK laws, reassuring British and EU citizens that their existing rights are unaffected. Then, once the UK has left the EU, Parliament can then examine and repeal unnecessary laws, possibly using statutory instruments for speed.
15. **Initiate trade talks.** The government should open informal trade negotiations with third countries, with a view to finalising deals as soon as the UK has left the EU. Several countries, including Australia and New Zealand, China and Brazil have expressed an interest in securing a free trade agreement with the UK.

16. With limited resources the Government should prioritise those countries with strong existing financial links to the UK (like the US, Japan, Hong Kong, Singapore and Australia), those where demand for British services has been greatest (like Singapore and Switzerland) and others where Britain's export record lags behind other European countries (like China, Russia, Turkey and Brazil). The two biggest prizes are probably the United States and China, followed by Japan.⁹
17. Besides the obvious strategic reasons for pursuing Free Trade agreements, there is also an important tactical purpose in doing so. The prospect of increased competition from outside the EU for share in the UK – market which is projected to be Europe's largest by 2040 – will increase domestic opposition in other EU states to the imposition of tariff barriers after Brexit.
18. To give one single example, rapid progress towards free trade deals with Australia and New Zealand (the fourth and fifth largest wine exporters to the UK) would make it more likely that the agricultural lobby in an EU state like France (which sells 5.7 per cent of its output to the UK) will press its government against the imposition of tariffs that would risk them losing sales in Britain after Brexit.¹⁰
19. Finally, the British government should **set out** the deal that it intends to do, and its **"Plan B"** which is what it would do if the negotiations end in failure. This is the key step in removing uncertainty and restoring confidence.

Britain's Options

20. Before the British government triggers Article 50, it faces significant choices in key policy areas, including financial services, trade, immigration and defence, and opportunities to develop new policies for agriculture and fisheries, and the environment. This paper will assess each in turn.
21. **Financial Services.** The contribution of financial services to the UK economy makes financial services the most important issue for the UK to resolve. It is also the area most sensitive to uncertainty and so it is essential that the government reaches a definite agreement with its counterparts before it triggers Article 50.
22. The central challenge is the future of the financial services "passport", whereby an entity in one EU member state can offer a service in another without having to establish a presence in that country, and regulation is carried out by entity's home regulators. For firms based in the UK, these are the Prudential Regulation Authority and the Financial Conduct Authority. Passports already cover banking, insurance, payment services, exchanges, fund management, credit ratings agencies and some other services, although many basic services, like deposit taking, are regarded as domestic transactions in member states' law.

⁹ Global Counsel, British trade policy after Brexit: ruthless prioritisation required, 15 August 2016

¹⁰ Dominic Raab, "If we play clever, we can keep our EU trade", Times, 25 July 2016

23. One way to preserve passporting would be for the UK to join the European Economic Area, although in this event the existing EEA arrangements would need some modification. It would involve the UK recognising all existing EU financial services laws and regulations, and adopting all new EU legislation in the future. However, joining the EEA would also require Britain to agree to continued freedom of movement. Given that the referendum campaign showed a decisive vote in favour of taking back control over Britain's borders, laws and money, it is difficult to see this option being politically attainable. The UK would be forced to implement new laws which it had little influence in designing. Freedom of movement would continue, unregulated, as before.
24. Ultimately the EEA option could only make sense if the EU were willing to offer Britain a seat at the table with a voice and vote with regards to future financial services legislation.
25. A promising alternative, which avoids this obstacle, would be to assure market access through equivalence. Equivalence – by which two sovereign countries recognise each other's legal or regulatory structures as equal to their own – was developed following the 2008 global financial crisis to achieve greater international regulatory coordination between states. It is a mature process between sovereign jurisdictions designed to ensure that there is little or no regulatory arbitrage, without demanding identical laws.
26. Equivalence is already in use in agreements with the United States, Switzerland, Singapore and Mexico. One advantage for the UK is that it has been applied particularly to cover wholesale financial services – which is the UK's main strength. Equivalence has already been incorporated into new EU financial services legislation like the European Markets and Infrastructure Regulation, covering central counterparty clearing of derivatives trading, and the Alternative Investment Fund Managers directive. And the Markets in Financial Instrument Directive (MiFID II), which is due to come into effect in January 2018, contains an equivalence regime for third country entities. This would apply to UK-headquartered entities after UK withdrawal from the EU.
27. The EU would be obliged to consider the UK's request for equivalence because the MiFID II directive states in its preamble that it will consider the size and importance of the relevant markets when prioritising its equivalence work.
28. With global forums like the G20, the Financial Stability Board and the International Organisation of Securities Commissions, where the UK already has an influential voice, now important in collaborative decision-making, the UK should back equivalence as the answer to the passporting dilemma. It should also work to ensure that areas not yet covered by the equivalence are brought within its scope. These include undertakings for collective investment in transferable securities (Ucits) and primary insurance.

29. It has been suggested that the EU would try to discriminate against the UK in a way that is designed to draw financial services business to the continent. Not only would this be a very drastic measure with far reaching consequences in areas such as security, defence and intelligence where the UK has a significant expertise, but it would confirm the fears of those who are concerned about a shift towards protectionism in the EU following the UK's departure.
30. In financial services, the bottom line is that both sides would be losers if we do not reach an agreement to retain, or supersede passporting. An attempt to wrestle business from London would probably have unintended consequences. Competition between EU financial centres for a slice of London's business is likely to be self-defeating given the importance of liquidity. The result would be fragmented markets and a higher cost of capital. And given that London is by far the biggest financial services centre in Europe, with the advantages of the English language and legal framework, it is unlikely that either Frankfurt or Paris could overtake it.
31. **Trade.** While trade in services is tariff-free, global trade in goods is not. There is general agreement that the UK's main objective in the negotiation should be to agree tariff-free trade in goods with the rest of the EU.
32. As with the financial services passport, one way to achieve this goal would be for the UK to join the EEA. But this would entail accepting the free movement of people and make ongoing contributions to the EU's budget, which the referendum result has very clearly ruled against. Alternatively, the UK might seek to negotiate its own free-trade agreement with the EU. This is desirable, but previous experience – of the EU's negotiations with Canada and the United States – suggests that it could take years to complete, in part because of the Commission's need to resolve the varied interests of 27 different member states.
33. The other option, using WTO rules, is usually presented as the unappealing default option if the UK and the EU cannot reach a deal. But a closer look shows that it is a perfectly viable alternative. Indeed, it has advantages. Critics point out the tariffs this would impose on trade, but the reality is that the price of UK's membership of the tariff-free Single Market is its net contribution to the EU budget, which was £9.8bn in 2014.¹¹ That year the UK's net contribution to the EU budget represented a tariff on its exports to the rest of the EU of about 7 per cent, when the average most-favoured-nation tariff set by the EU is 5.3 per cent.¹² That puts the UK at a significant competitive disadvantage to countries like South Korea, Mexico and, soon, Canada, which pay even less in tariffs for access to the Single Market through free-trade agreements with the EU, but pay nothing for the privilege.

¹¹ House of Commons Library, Briefing Paper: UK-EU Economic Relations, 13 June 2016.

¹² According to Eurostat the value of UK exports to the EU in 2014 was €181bn or £141bn; the UK's

34. If the UK leaves the EU without negotiating a similar free-trade agreement, UK exporters would pay tariffs to sell to the EU. The most comprehensive study of the consequences – a line-by-line analysis of the most-favoured-nation tariffs that would apply to different categories of British exports – was conducted last year by Business for Britain. Using data for 2013, it found that “the extra tariff borne by British exporters if we were outside the EU would be an average rate of 4.4 per cent, and the tariff borne on exports to the EU (the overwhelming majority of sales) only 4.3 per cent.”¹³ In 2014 the UK’s net contribution to the EU budget was £9.8bn while the total cost of tariffs incurred by trading with the single market (including the EU and EEA countries) would have been about £6.5bn. This is a relatively insignificant extra cost compared to exchange rate movements.
35. It is worth noting in this context that the existence of tariffs has not stopped the pattern of British trade tipping towards countries beyond the EU in recent years. In the ten years after 2003, UK exports to the EU grew 38%, while exports to non-EU countries grew 97 per cent.¹⁴ The EU is the destination for a falling percentage of British exports: it bought 44 per cent of British exports in 2014.
36. Moreover, the UK would earn tariffs under WTO rules-based trading, and here the UK’s £92bn trade deficit and import mix works in its favour. I estimate that revenues from tariffs on trade with countries in the single market in 2014 would have been about £13bn.¹⁵ In other words, the UK would be £5.8bn better off per year if tariffs were applied to EU trade, a figure that rises to £15.6bn per year once the net cost of EU membership is stripped out as well. This is equivalent to approximately 1% of UK GDP. The table below illustrates the difference.
- 37.

2014 estimates £ billions	UK in the EU Member of the Single Market	UK out of the EU Trading with EU by WTO rules
Tariffs paid	0	-6.5
Tariffs received	0	12.3
EU net contribution	-9.8	0
Net loss/gain	-9.8	5.8

38. The Business for Britain study found that 41 industries would bear 73 per cent of the total cost of tariffs. The greatest proportion of the cost would fall on three sectors: Vehicles, Aircraft and Vessels; Foodstuffs, Beverages and Tobacco; and Live Animals

¹³ : Business for Britain, Change or Go, p. 770.

¹⁴ Business for Britain, Change or Go, p. 155

¹⁵ See appendix I

and Animal Products (which would be hardest hit).¹⁶ With the savings from leaving the EU, the British government would be able to devise targeted and cost-effective support to compensate the industries affected; or, better still, a tax cut that would help all exporters.

39. A trade strategy need not necessarily aim at overarching free trade agreements. Quick wins might be possible by focusing on smaller, but key areas – such as a deal with India to reduce their very high duty on Scotch whisky. In the same way, a British agreement with the United States need not have the same compass as the stalling TTIP negotiation. Instead the UK should home in on removing the remaining tariff barriers, minimising regulatory barriers to trade in financial and related services, and aim to prevent discrimination against British suppliers in public procurement. The depth of trust between the UK and the US – which is reflected in the levels of cross-border investment between the two nations - removes at a stroke the need for the controversial ISDS tribunals, which are designed to reassure investors concerned about governance and legal protections in other European jurisdictions, and which have becoming a stumbling block to TTIP.
40. The UK should seek to maintain goodwill with developing countries by asking them to novate* the terms of existing Preferential Trade Agreements so that we can continue trading with them on the same terms. In case of the agreement with South Korea, the UK is a signatory (because it also covers investment), so it should not be difficult to do this.
41. Finally, the UK should look to extend these agreements to cover services.
42. **Immigration.** The rights of EU citizens who were living in the UK on 23 June should be assured from the beginning of the negotiations, on the assumption that there will be a reciprocal arrangement for UK citizens living in the EU. This would take them out of the equation so that the issue does not become part of the wider negotiation.
43. .In the event that the EU questions our distinction between EU citizens who arrived pre/post 23 June, we could resile from the EU Treaties under the Vienna Convention.
44. However, a drastic overhaul of policy is needed. The IMF estimates that 20m people have left eastern Europe in the past 25 years, with four in five of them coming to western Europe. Forty percent of EU citizens who come to Britain arrive without a job.

¹⁶ Business for Britain, Change or Go, p. 777

45. The UK government's priority must be to ensure control over the movement of people, using a mixture of work permits and a cap decided by the government. Freedom of movement for holidaymakers, the retired and students should be maintained.
46. The scope of the existing work permits system should be enlarged to encompass EU nationals who want to work in the UK. The system should:
- a. Be **employer-driven**, enabling intra-company transfers to continue, unless they become open to abuse.
 - b. **Prioritise talented individuals**, with those earning salaries of over a certain level, scientists and other professionals being granted automatic permits.
 - c. Establish a **framework for close coordination** between central and regional government. Regional job centres would play an important role in establishing whether shortages of UK labour exist before granting work permits to foreign nationals.
 - d. Guarantee employers a decision on a work permit within **six weeks**.
 - e. Deny migrants on work permits access to **income or housing benefits** for a period related to residence or national insurance contributions.
 - f. **Allow flexibility** so that central government could tighten or relax the restrictions on certain jobs.
 - g. Resume previously successful **seasonal working schemes** that allowed employment within defined sectors for a limited period.
47. Such a system would need to be phased in, since only about 15 per cent of EEA citizens currently working in the UK would meet the standards set for non-EU migrants.
48. HMRC needs to provide much more detailed information on the costs and contributions of migrants to the UK's fiscal balance, to inform a decision. For example, on whether migrants entering the UK on work permits could bring dependents. The limited data which the department has so far released indicates that they already know the situation. It is vital that ministers have a full analysis so that they can develop an effective policy.
49. **Agriculture and Fisheries.** Today the UK imports 40 per cent of the food that it eats. An independent agricultural policy should:
- a. Prioritise increasing the UK's self-sufficiency, output and exports.
 - b. Encourage scientific innovation.
 - c. Replace the Common Agriculture Policy (CAP) with a tailored policy that maintains support at current levels but rewards farmers for their environmental and conservation role within the landscape
 - d. Integrate flood and water management into rural policy, prioritising food and housing.

50. Public procurement of food – by schools, hospitals, defence establishment and prisons – is worth £2.4bn. Working along lines set out in the Bonfield Plan, the government should establish a new scorecard for decision-making that ensures that British food producers have opportunities to supply this market.
51. A UK fisheries policy's priority would be to permit the sustainable exploitation of British waters. The current quota system should be replaced by a more-easily administrable system of permits granting "days at sea", which could be traded. The potential gains from Britain's withdrawal from the EU and the Common Fisheries Policy have been estimated at £2.8bn per year, but these would take time to materialise, since the priority would be to allow British waters to recover from overfishing.¹⁷
52. **Environmental Policy** A new policy should be simultaneously global, local and protective. The UK should reaffirm its commitment to the Berne and Ramsar conventions, but our efforts should be directed towards the landscapes and wildlife at risk in the UK. The UK will gain a voice on global regulatory bodies where it is currently represented by the EU, giving it the opportunity to initiate new standards and propose changes to existing norms. The goal should be to interpret global regulation locally, so that the rules reflect local circumstances. And there is a need to protect the natural environment from disease and pests, by bringing in tighter restrictions on plant and food imports.
53. **Defence.** The UK plays a strong role in underwriting global security, and its European allies appreciate that its ability to go on doing so depends on its future prosperity.¹⁸ This is a powerful incentive to reach a mutually beneficial exit deal.
54. The UK has long opposed the creation within the EU of a defence capability that duplicates and confuses NATO existing structures. There is a risk that, now that the UK is leaving, supporters of this concept see the opportunity to push ahead.
55. Some eastern European countries share British scepticism of the suitability of the EU as a framework for defence cooperation. The UK should:
- visibly increase its **commitment to NATO**
 - maintain its deployment of forces to the **Baltic**
 - support NATO's **maritime capability** in the Atlantic
 - assume a greater role in **Ballistic Missile Defence**
 - take a lead in the emerging **Joint Expeditionary Force**

¹⁷ Business for Britain, Change or Go, p. 819

¹⁸ Pierre Razoux, "BREXIT: Strategic consequences", IRSEM, 13 July 2016.

56. Through the Lancaster House Agreement, we should maintain and deepen our ability to mount joint operations with France. And we should oppose any pressure on France to surrender its UN Security Council seat.
57. Finally, the shared threats that the UK will continue to face alongside the EU makes it logical to formalise intelligence-sharing with select members of the EU. The UK's powerful capacity in this field and our membership of the "Five Eyes" partnership should – with American support – be offered as an incentive to the EU to reach a withdrawal deal

Our Partners' View of the Negotiation

58. There are strong economic and political reasons why the remaining EU states should want the negotiation to be resolved successfully, and as swiftly as possible.
59. On the economic side, the UK's £92 bn trade deficit with its EU partners means that they have a significant material interest in a deal succeeding. The Netherlands, Belgium, Germany, Poland, the Czech Republic, Hungary, Latvia, Lithuania and Slovakia all run a trade surplus with the UK worth at least 1 per cent of their respective GDPs. France's largest trade surplus is with the UK, which was the destination for 14 per cent of French agricultural exports in 2015, worth €4.54bn.¹⁹ A poll of 1,000 institutional investors conducted since 23 June showed that they believed France was more vulnerable to the fall-out from Brexit than any other EU member state.²⁰
60. Britain's openness to foreign direct investment means that European companies like Unilever, Philips, BMW, BASF, Deutsche Bank, EDF, Saint Gobain, Ferrovial, International Airlines Group, Santander and Telefonica have significant investments in the UK. The German firms EON and RWE Iberdrola and Vattenfall have also significant investments in the energy sector in Britain. It is in their, and their shareholders', interests that negotiations are successful.
61. Nor is it simply a question of money. There are significant and well-established Polish, Cypriot, Irish and French communities in the UK, which would all stand to lose out if an agreement cannot be reached. And the security implications of failure should not be underestimated. They would send a clear signal of weakness to Russia; while any attempt to impose a punitive settlement on the UK which affected its economy would weaken Britain's ability to help protect Europe.
62. Our partners recognise that Brexit is a symptom of a general malaise within the EU which must be resolved. As Beata Szydlo, Polish prime minister has said, "We must learn the lessons from what happened in the UK ... We need to make the necessary changes demanded by today's Europeans ... so that [the EU] can function better."²¹
63. Further details of the implications for key states are set out in Appendix II.

¹⁹ France24.com, "How Brexit will affect French industry", accessed 24 August 2016.

²⁰ FTI Journal, "The Brexit Effect", July 2016, accessed 24 August 2016.

²¹ FT, "Angela Merkel warns Brexit means 'deep break' in EU history", 26 August 2016

What The UK Could Offer

64. The UK could offer to negotiate a Withdrawal Treaty that:
- a. **confirms the rights of EU nationals** living in the UK, subject to a reciprocal assurance,
 - b. agree **reciprocal access for financial services** based on the internationally accepted principle of **equivalence** and establish a formal framework for future regulatory cooperation and coordination between the relevant UK and EU supervisory authorities.
 - c. UK could simultaneously assures continued **tariff-free trade**
 - d. **ends** the UK's financial contribution to the EU and British commitment to the free movement of workers.
 - e. offer the prospect of **enhanced defence and intelligence cooperation**, through NATO and a new framework respectively.
65. Article 50 stipulates that a Withdrawal Treaty is agreed by qualified majority voting and the endorsement of the European Parliament. Given that a qualified majority will be easier to achieve than unanimity the UK government should insist that negotiations on Britain's exit terms and future trade arrangements are run in parallel and agreed through this Treaty, rather than consecutively.
66. At all times the UK should emphasise that, until the withdrawal treaty is signed, it will abide by its existing commitments in good faith. But at the same time, the UK must make it clear from the outset that if the EU does not do similarly, it will retaliate. It should also make clear that failure to reach a trade deal will not delay the UK's withdrawal from the EU.

Plan B

67. We owe it to our partners in the EU to do our best to negotiate a deal. In the event that we cannot reach agreement, this paper has set out the basis of an alternative. It is an attractive proposition: financial services access based on equivalence and cooperation on an ongoing basis to establish future regulation, tariffs earning the UK exchequer £12bn every year (£6bn net); controlled immigration according to our needs; and freedom of manoeuvre in other policy areas where our ability to act has been limited, or missing, for years. We therefore need a deal that matches or exceeds these advantages, and we should feel no pressure to accept anything less.
68. Although it is in both sides' interests that agreement should be found, there is a relatively high risk of the negotiations failing. Even if the UK referendum vote represents a turning-point in the EU's history, British withdrawal is not seen in Brussels as particularly important. The EU's all-consuming priority is the Eurozone crisis, which is an existential threat that will erupt again sooner or later, derailing or delaying the Brexit negotiation. Differences of opinion between the EU's member states, and struggles between the Commission and the Council could also complicate the talks.
69. As a matter of urgency the UK needs to establish itself as an independent member of the World Trade Organization. We do not need to rejoin the WTO. Initially, this will

require us to update its schedule of commitments – in other words the external tariffs, tariff rate quotas and services trade commitments based on where it will do business with all 160+ other members of the body. This could require the resolution of some complicated issues concerning tariff rate quotas, which permit a quota of imports to the EU to benefit from a lower tariff rate. However, this amounts to a rounding error so it should not delay negotiations which are costing the UK £200m a week in EU budget contributions. An alternative would simply be to abolish quotas altogether.

70. The tariffs that UK exporters would face are small compared to the 12 per cent improvement in their competitiveness following the move in the sterling exchange rate after the referendum. To put this into context, even car exporters, facing a tariff of 10 per cent, would be better off. EU-based companies, on the other hand, would face the same tariff on top of the loss of currency competitiveness.
71. Simultaneously the UK should open exploratory talks with third countries, with the stated objective of concluding, as soon as the UK is at liberty to do so, free-trade agreements offering more advantageous terms than the WTO terms it has taken on from the EU.
72. Ultimately the numbers don't lie: it should be emphasised that a deal would maintain close relations with our largest and closest trading partner and give us influence over financial regulation but at the cost of forgoing £6 billion in tariffs. This is a substantial sacrifice.

The UK's Negotiating Strategy

73. This negotiation comes at a time when the EU is preoccupied by deep uncertainty about its purpose and its future. The EU finds itself in a self-inflicted and now persistent state of crisis, caused by the decision to adopt the euro a quarter of a century ago. Stubbornly high unemployment, and the sense that the elites are not listening, are fuelling growing Euroscepticism. There is no sense that the institutions of the EU have a strategy to end the crisis – indeed, it is impossible to end it, unless they are prepared to abandon the euro.
74. Despite this uncertain context, it is important to emphasise that the UK comes to the negotiation from a position of great strength. The UK is the fifth largest economy in the world. This economic strength, together with our language, openness, history of tolerance, and trusted legal system and regulatory regimes, combined with the global influence gained through our nuclear power status, our special relationship with the US, membership of the UN Security Council and NATO, development aid effort, and diplomatic and intelligence reach through our membership of Five Eyes, make us an important partner, customer, and hub for global business. There are no reasons why that would rapidly change. No existing model suits us, and the UK should make it clear that it does not need to accept a settlement at any price. The strength of our negotiating position is to demonstrate that we in fact don't need a deal.
75. The UK should in any case not extend the window for negotiations. Joining the European Economic Community was far more complex than leaving the EU will be –

and that only took two years. The money saved by leaving in two years will more than cover the additional costs of independence. By the time that the failure has become clear, the UK should be able to revert to WTO rules-based trade, paying and charging tariffs that would, as shown above, create a surplus that could be used to help exporters.

76. Analysts have noted that, after the departure of the UK, the EU will have lost an important advocate for economic liberalism. Anticipating that the EU will take a more protectionist line, and that projects like the financial transactions tax, which have so far been blocked, will come to fruition, the UK government should use its new freedom of manoeuvre to press ahead with further fiscal and economic measures which would extend its competitive advantage over a more protectionist EU. If history is a reliable guide, unforced errors made to regulate financial services are likely to yield good business opportunities for the City in the years to come. And it is arguable that the UK can ultimately exert more influence from the outside as a neighbouring competitor than in the labyrinthine horse-trading involved in EU decision-making.
77. Providing the UK government acts quickly to make the business environment more appealing, I am highly optimistic about the future. It is striking that the British people are showing no signs of having second thoughts about the vote. The UK should enter the negotiation as quickly as possible, be sanguine about the risks of failure, and be quick to draw a line if talks have failed. The changing pattern of the UK's trade, and demographic growth and rising incomes across the world both suggest that our quest for future prosperity must take us beyond Europe. The opportunities opened by the UK's withdrawal will far outweigh the costs of a drawn out, and possibly inconsequential negotiation. The UK has paid £1.6bn to the EU since the vote. I suspect that, in years to come, we will look back and wonder why it took so long to leave.

Appendix I

2014 UK import / export of Goods with EU, Single Market and Rest of World

- Exchange rate of USD/GBP of 0.6416 applied

- Adjusted for net wine import

Country	Value of Import bn £	Value of Export bn £	Trade Balance £bn	WTO Tariff Import bn £	WTO Tariff Export £bn	UK Tariff Surplus £bn	Adjusted for FTA		
							Import Tariff	Export Tariff	UK Tariff surplus
Austria	3.4	1.8	-1.6	0.11	0.07	0.05	0.11	0.07	0.05
Belgium + Lux	22.6	14.2	-8.5	1.01	0.52	0.49	1.01	0.52	0.49
Bulgaria	0.4	0.4	0.0	0.02	0.02	0.00	0.02	0.02	0.00
Croatia	0.1	0.2	0.1	0.00	0.01	0.00	0.00	0.01	0.00
Cyprus	0.2	0.3	0.1	0.01	0.02	-0.01	0.01	0.02	-0.01
Czech Republic	5.2	2.1	-3.1	0.17	0.07	0.10	0.17	0.07	0.10
Denmark	5.0	3.0	-2.0	0.35	0.11	0.24	0.35	0.11	0.24
Estonia	0.2	0.4	0.2	0.01	0.02	-0.02	0.01	0.02	-0.02
Finland	2.5	1.5	-1.0	0.05	0.06	-0.01	0.05	0.06	-0.01
France	26.6	17.3	-9.3	1.32	0.79	0.53	1.32	0.79	0.53
Germany	64.2	29.8	-34.3	2.58	1.08	1.50	2.58	1.08	1.50
Greece	0.8	1.0	0.2	0.05	0.05	0.00	0.05	0.05	0.00
Hungary	2.6	1.1	-1.6	0.09	0.04	0.05	0.09	0.04	0.05
Ireland	12.3	15.6	3.3	0.88	0.82	0.05	0.88	0.82	0.05
Italy	18.0	8.6	-9.4	0.83	0.34	0.49	0.83	0.34	0.49
Latvia	0.5	0.2	-0.3	0.01	0.01	0.00	0.01	0.01	0.00
Lithuania	1.0	0.9	-0.1	0.05	0.03	0.01	0.05	0.03	0.01
Malta	0.1	0.3	0.2	0.01	0.02	-0.01	0.01	0.02	-0.01
Netherlands	32.5	21.9	-10.6	1.56	0.84	0.72	1.56	0.84	0.72
Poland	8.3	3.6	-4.7	0.38	0.16	0.22	0.38	0.16	0.22
Portugal	2.5	1.5	-0.9	0.11	0.07	0.05	0.11	0.07	0.05
Romania	1.6	1.1	-0.6	0.08	0.04	0.03	0.08	0.04	0.03
Slovakia	2.5	0.7	-1.8	0.08	0.02	0.06	0.08	0.02	0.06
Slovenia	0.4	0.3	-0.1	0.01	0.01	0.00	0.01	0.01	0.00
Spain	14.1	9.3	-4.8	0.70	0.41	0.29	0.70	0.41	0.29
Sweden	7.9	5.9	-1.9	0.24	0.22	0.02	0.24	0.22	0.02
Total EU	235.7	143.1	-92.6	10.7	5.8	4.85	10.7	5.8	4.85
Iceland	0.4	0.2	-0.2	0.05	0.01	0.04	0.05	0.01	0.04
Norway	18.0	3.8	-14.2	0.43	0.17	0.26	0.43	0.17	0.26
Switzerland	6.9	21.6	14.7	0.20	0.48	-0.28	0.20	0.48	-0.28
Single market minus EU	25.2	25.5	0.3	0.7	0.7	0.02	0.7	0.7	0.02
Adjustment for net wine import*				0.95		0.95	0.95	0.00	0.95
Total Single Market	260.9	168.7	-92.3	12.3	6.5	5.8	12.3	6.5	5.8
Rest of World	161.4	133.5	-27.9	6.5	8.5	-2.0	5.4	6.4	-1.0
Derived avr. tariff rate				4.0%	6.4%				
Total World	422.3	302.2	-120.1	18.8	15.0	3.8	17.7	12.9	4.8

Source: MIT, The Observatory of Economic Complexity

Appendix II:

Exposures of selected EU member states to UK withdrawal

(Source: Global Counsel, 2015)

Germany

Economic: a trade surplus of €28bn, or 1 per cent of GDP. Manufacturers exported €67bn (2.4 per cent of GDP) and services €4bn; the latest business confidence surveys show a sharp drop since the referendum. BMW, EON, RWE, BASF and Deutsche Bank are all major investors. German investment in the UK totals €68bn, earning €8.5bn in 2013.

Political: the UK's departure may upset the fine balance between Germany and France in policy debates. It may also encourage AfD, which is gaining in the polls

France

Economic: the second largest investor in the UK after the Netherlands, with €91bn invested (4.3 per cent of GDP) by companies including Saint Gobain, EDF, Areva, Alstom and Airbus.

Exported €14.2bn in services in 2013; UK banks have lent French entities €343bn. BNP Paribas is a major employer in the City. There is a large French community in London which would view the failure to reach a deal with alarm.

Political: the French are particularly concerned to see through the ratification of the COP21 Climate Change Deal; Brexit negotiations might delay or disrupt this. The British vote has validated a key policy in the Front National

Poland

Economic: over 700,000 Poles live in the UK: the largest single group of foreign nationals. Remittances worth over €1bn are returned to Poland each year. Exports totalled €11.2bn in 2013.

Political: Poland is the largest net recipient from the EU budget. A deal in which Britain no longer contributed to the budget could have significant ramifications.

Netherlands

Economic: direct investments in the UK worth €177bn, earning €9bn in 2013, or 1.5% of Dutch GDP. Corporate ties to London for Unilever and Royal Dutch Shell, Philips has extensive research operations in the UK. An export surplus of €6.8bn; exports worth €42bn in goods and €7bn in services in 2013.

Political: the UK is an ally in many EU policy debates; Brexit may fuel the Eurosceptic PVV's vote.

Ireland

Economic: a shared land border means Ireland is uniquely deeply integrated into the UK economy. Exports of €14.8bn of goods and €5.8bn of services in 2013: equivalent to 12 per cent of GDP. Irish investment in the UK is worth €13bn.

Political: the UK is a close ally on economic policy.

Sweden

Economic: the UK is a key export market, buying €9bn in goods and €2bn in services in 2013, equivalent to 2.5 per cent of GDP. Foreign investment totals around €9.6bn. The state owned Vattenfall has invested €2.5bn in the UK, in wind farms especially.

Political: the UK provides Sweden with cover as a fellow euro-out; Swedish Eurosceptic may be encouraged by Brexit

Belgium

Economic: Exports of €42bn in goods and €3bn in services in 2013 – 6.8 per cent of GDP; a trade surplus equivalent of 1.8 per cent of GDP. Investments worth €19bn (or 5 per cent of GDP), earning €1bn a year. British banks have extended loans worth €31bn to Belgian entities.

Italy

Economic: exports of €18bn in the goods and €5bn in services in 2013; a trade surplus of over €5bn. FDI is relatively low, at €8.4bn

Political: Brexit may energise the Five Star Movement which is profiting from widespread discontent with Italian politics and the country's economic situation.

Spain

Economic: Since 2004 Spanish companies' investment in the UK has increased ninefold. Total FDI stands at about €63bn (a similar level to that of Germany), generating €3.7bn of earnings. Spain exported €14.7bn in goods and €11bn in services (often related to tourism) in 2013 – Spain's trade surplus with the UK is €10bn or nearly one per cent of GDP. Twelve million Britons visit Spain each year, and further 800,000 live there. A Brexit shock risks disrupting Spain's low economic recovery.

Appendix III

Revisiting policy suggestions for attracting talented people, investment and UHNWI's:

1. Non-Dom legislation:

- a. simplifying the residency test to 183 nights spent in the UK. By reforming non-dom rules we can avoid driving away foreigners who spend 90-180 days in the UK and instead encourage their desire to be residents
- b. offering non-doms the opportunity to avoid "deemed domicile" status in exchange for an annual tax payment set, for instance, at £100,000; this change in the law is currently causing an exodus of non-doms, with skills the UK cannot afford to lose at this time

2. Reform the Indefinite Leave to Remain requirements to attract highly skilled individuals by easing the residence requirement for applicants who have paid at least £100,000 in tax during the five-year period.

3. Reform divorce legislation which deters ultra-high-net-worth individuals from settling in London. Reforms should: clarify the definition of habitual residency, make agreements binding and end the Family Division's authority to vary them. Pre- and post-nuptial agreements should also be binding, and there should be a cap on divorce liability on a needs basis (i.e. a return to the era before *White v White*).

Johan Eliasch, a Swedish and British citizen, is the former Special Representative of the Prime Minister of the United Kingdom (2007-10), and is the Chairman and CEO of HEAD, the global sporting goods group. He served as the Party Deputy Treasurer of the Conservative Party (2003-07), Special Advisor to the Leader of the Opposition Iain Duncan Smith and shadow Foreign Secretaries (Lord Howard, Lord Maude and Lord Lothian) (1999- 2006) on European Affairs and Foreign Relations. He was a member of the Austrian President's delegation of State for Trade and Industry 1996-2006. He was Chairman of the Young Conservatives Party in Djursholm, Sweden (1979-1982).

John Nott Speech

Thank you very much Barry. I wish you hadn't reminded me of Thatcher's "rejoice, rejoice, rejoice." I was really embarrassed at the time. It was said in a very strident voice and it drew the cameras of the press outside Downing Street on my suit. Now I have never ever had such a ghastly suit, it was the sort of thing that people wear at race meetings and it was made by the only tailor in my constituency so I couldn't really criticise it very much.

Well, we did it; the Referendum result was a triumph. Now we must stop the doubters and the moaners from undoing it all. And I had not intended saying a word about the court judgement a few days ago, but I must just say a couple of words about it because it is now so very relevant.

I see no point in railing against it, let's hope that the Supreme Court overturns it but I'm slightly doubtful that it will want to overturn a judgement made by the Master of the Rolls. But don't let's worry about it because there is a majority in the House of Commons for pushing through Article 50. The Tory Party, even the Remainers will back the Government. Many of the Labour Party in the Commons will not wish to oppose the pushing through of Article 50. The Ulster Unionists are on our side, so we will get it through and I hope there will be a one line Bill with a timetabling agreement and the present MPs will have to stay up all night, as I used to do, but now they all go home to bed at 10 o'clock, and they will have to stay up all night arguing under a timetable motion.

The problem will be the House of Lords. What do you do with these turkeys? The House of Lords is a frightful mess and how you are going to stop the House of Lords from keeping this thing going forever I really don't know, but that's not for me.

Now when I was first asked to speak at this occasion I turned it down. I decided that someone in his mid-80s was not the right sort of person to make a speech on Brexit; it was for the younger generation to do so. But Robert Oulds wrote back to me and said, "we really want you because you will show your gravitas. I was really provoked. No one had ever suggested, in all my life, that I had gravitas; indeed, if I had gravitas I would have almost certainly have been a Remainer. So I was offended, and that's why I'm here.

Now there are obvious risks to Brexit. If the previous Government had argued the pros and cons in a quiet, rational, logical way, I do think they would have won the Referendum. But Project Fear did it in for them. I mean when Osborne claimed that the average family in this country would be £4,001 worse off in 15 years' time, I thought he'd gone completely bonkers. The Treasury economists would be much better writing Old Moore's Almanac than producing this kind of stuff it depends of course, what you put into your economic model. If

you put foolish assumptions into your economic model you'll get rubbish out of the other end, which is exactly what happened.

We're going to have a problem in the negotiations because we will be arguing, as Patrick Minford said, on the economic and sovereignty issues, but I think that they will be arguing politically, and politics means something quite different to us than to what it means to them. How else would we still have the Euro, it's perfectly clear that it is ruinous to Southern Europe and all those hundreds and hundreds of thousands of young people who are unemployed but they carry on regardless. The Commission has everything to lose in the negotiations, the Commission has power to lose, influence, their inflated incomes and jobs and pensions, the Commission has everything to lose although I think the Member States frankly, have much to gain because we will be introducing the kind of democracy which is actually what we've been arguing for the last 30 years, and got nowhere.

You may think of me as a politician and I've been trying to live that down for the last 35 years, I've spent far more time in business and in the City than I ever spent in politics; I want to give you just one or two of my experiences on the way. First of all I started my business career in Warburg's. Warburg's no longer exists, but it was a very successful merchant bank in the 60s. And it was in Warburg's, when I was there, that we single-handedly invented the Eurobond market. The Eurobond market in the 60s brought the City back to the prominence that it had in the 19th century. Ever since, the Eurobond market represented an independent, third party, regulation-free system, which 'they' tried to undo. Particularly the French, and the Commission.

Then, in the 1970s, occurred one of the greatest privileges of my political career, I just happened at the time to be Economic Secretary to the Treasury, and when Tony Barber, my boss, the Chancellor met with Ted Heath to decide what on earth we were going to do about a run on the pound – we had them continuously because we had a fixed exchange rate and runs on the pound were very serious at that time – we met together, I was one of four people there and Ted. Against all his instincts, was forced to float the pound. Now I cannot tell you what a great moment that was, a great moment. The economic independence that a floating pound gives us cannot be exaggerated.

There have been aberrations, I'm afraid. My friend, Nigel, shadowed the Deutschmark, a mistake, and then John Major wanted the ERM, an even worse mistake, but now we have a floating pound and the scaremongering of course has forced the pound down lower probably than it should have gone, but it will have its pros and cons, it will help the overseas deficit but it will have some problems, it will of course bring inflation and price rises. It will force the Governor and his coven of technocrats in the Bank of England probably to raise

interest rates eventually, and stop printing money, that will be no bad thing, but I have to say that the Prime Minister was absolutely right to say what she did at the Conservative Conference; she's perfectly entitled to complain about short termism in monetary policy.

We had the Election in '79 and I become Trade Secretary, the first one in the Thatcher Government. Michael Heseltine succeeded me, he called himself President of the Board of Trade in his rather grand-standing way, I just called myself Trade Secretary, it was sufficient, but I went backwards and forwards to Brussels, endless meetings about policy. Frankly I was dealing very often with protectionist members and I found it humiliating and counter-productive. And Michael, who is a friend of mine, he strangled his mother's dog. I can think of plenty of his friends who would deserve that treatment.

Where do we go from here? I must say I wholly agree with Peter Lilley, we must make a clear distinction between matters, which are for our decision, and issues, which are subject to negotiation. I think it is sensible initially to adopt the existing body of EU law, which is part of our law anyhow, and if we can make changes as soon as we've recovered our sovereignty. When we've recovered our sovereignty, we can make whatever changes we want, but initially I would be against making changes to the existing body of EU law because then there's nothing to negotiate there, we just accept it knowing that we can change it all later. And of course, as everybody says in this meeting, we should require full access to the European market tariff-free and we should grant the same to them.

Whilst I think the Professor did not say so in so many words, if they put tariffs against us, I must say I'm very much in favour of us retaliating. The problem is the Treasury will want the revenue and we will have to squash them down, that's not unusual, we have to squash them down the whole time. So, we go for tariff-free free trade and if, for political reasons, the Europeans argue against it. Then of course, if necessary, as we all agree, we have to go to the WTO arrangements, which Patrick Minford has talked about.

I find it really hard to accept that if we keep to tariff-free imports from the EU, that it would be in their interest to provoke retaliation against us. I don't think it would but you can never tell. I mean are the European manufacturers, their food producers, their wine producers, are they really going to put up tariffs fearing that we might retaliate? I think not.

So, I just want to say a few words about financial services and passporting, where much of the scaremongering is going on; but before I do so I want to slightly differ, not fundamentally, from the last speaker I really do think that immigration, particularly from Eastern Europe has been enormously beneficial to our economy. Now we owe it of course to the supporters of our campaign, who have seen their real wages undermined and schools

and hospitals overloaded. We have to take control, as we always said we would, of immigration, but how we do it I think is still quite tricky. In fact, the Polish, which is the largest number of Eastern Europeans, the Polish numbers are diminishing anyhow because Poland is very much richer than it was and a lot of the Poles are going home. But I look at it I'm afraid from the rather selfish subjective point of view, I have a farm in Cornwall and we had 80 acres of daffodils at one stage, which my wife ran, and we had 70-100 flower pickers every day coming to our farm and all those flower pickers were locals, they were all local people. Now I tell you, you couldn't recruit any local people to work on the farms, it's too hard, it's too wet, it's too difficult and all the people working on vegetables in our part of the world are from Eastern Europe, from Bulgaria, from the Baltic states and we have to be very careful how we organise these work permits because it isn't just for skilled labour; we do need unskilled labour too and we have to find some way in which the gang masters who bring these people in obtain work permits. It's a tricky one I think and I'm worried about it.

The City of London is overwhelmingly a wholesale market. In so many of these discussions about what will happen to the city assume that the City is somehow a retail market, that people in the City go out knocking on doors to gain business, that isn't what happens. Customers come from all over the world for the city's expertise, for its professionalism, the infrastructure, the time zone, the English language and the idea that all of this can be replaced or switched to Paris or Frankfurt I think is completely absurd. Now if Goldman Sachs wants to put 100 of their M&A people in Frankfurt or Paris, it's no great loss to this country frankly, Goldman Sachs is no great loss to me. I was one of their competitors when I was the Chairman of Lazard. But of course, the M&A people of Goldman Sachs who are earning £2 or £3 million a year, they're not going to really enjoy taxes in Paris are they, and they're going to die of boredom in Frankfurt? The danger is that financial services will go to New York and how can that be of any benefit to Europe. I don't believe there will be an upheaval of the banks, they would be damaging themselves; I don't think it's going to happen. We do need to look at the city's products one by one and here I'm in debt to Stanley Yussokovitch. Have you ever heard of Stanley? he knows more about city markets than most, Stanley went through all these city products one by one, and it is worth quoting him very briefly because this is so much in the centre of this discussion about passporting; We don't need passporting; it's useful to have it but it is not absolutely necessary. Stanley said in his letter to me, there's no documented evidence of why the wholesale markets will suffer from a loss of passporting. Which of these services requires access? Participation of the interbank market – NO. Buying re-insurance at Lloyds – NO. Raising capital in the City needs passporting for bond and share issues – NO. Syndicating credit – NO. Participating in these deals – NO. Seeking corporate MA advice – NO. Establishment of branches or

subsidiaries relying on home country – yes. But who establishes branches and subsidiaries on the Continent for wholesale services in the digital age.

He then goes on; the threat of the Eurozone somehow repatriating clearing and settlement services for euro denominated instruments has been around for a long time. To do so the Eurozone would have to restrict access to its banks by non-Eurozone banks. I mean it just simply won't happen. I think all the scares about the city are misplaced.

I do worry about the Treasury. I was in the Treasury, at very difficult times. In the so-called Barber Boom and you know, I've learnt all about cooking the books, I know how to cook the books. We had to cook the books, the situation was so dire. But I worry about the Treasury because do you know, one of my recent heroes was William Hague, I spent so much time helping William to fend off the euro when he was leader of the party, he was a reliable euro sceptic and look what's happened to him in the Foreign Office.

And the misfortune of our Chancellor is that he spent time in the Foreign Office, I'm very suspicious of anyone who spent time in the Foreign Office. So we must watch the Treasury. The Treasury institutionally is jealous of the fact that there are other departments now responsible for Brexit and the Treasury think, particularly under Osborne, it was running the country and then under Blair, Brown was running the country. Now suddenly the Treasury feels it's being side-lined by the Prime Minister and it's institutional jealousy which is causing some of these problems. So I conclude by saying this; I must tell you this and I'm really not proud of it, not proud of it at all, that I am allergic in principle to all Prime Ministers. I have not been keen on any of them since Margaret Thatcher and I used to quarrel a lot with her, but she loved an argument and one of the many memories I have is sitting through the debate internally in this country about the European Budget contribution. Peter Carrington, who was Foreign Secretary, came back eight times seeking the Prime Minister's agreement to the revised budgetary contribution. Margaret Thatcher turned down every one of them. But the eighth time, I was in these meetings, I thought my God you know, how long is this woman going to go on being as obstinate as this, and in the end she won out because we got a reasonably good agreement on budgetary contribution but she fought it, she fought it, she fought it.

May I say, I've got nothing against the former Prime Minister but you know how anybody could have come back from the European Union with the agreement that he had in his pocket I don't know. Margaret Thatcher would never have come back from any meeting with that agreement, ever.

Now I'm not allergic to Theresa May, I think she has started splendidly, not least by putting the Treasury in its proper place. She may have to make some concessions on the way, but we all of us I think, enthusiastic Brexiteers must back her all the way, even if she makes some concessions, which she may have to. She is our best hope of coming out of this whole thing with honour and we hope with her, we'll come out of it as a free country again. Thank you.

Peter Lilley Speech

Thank you, Barry, it's a great privilege to share a platform with you and Johan and Patrick and it is also a wonderful opportunity to pay tribute to the Bruges Group, which was founded to carry through the message Mrs Thatcher gave in her Bruges speech.

On the day of that speech I was in Cyprus representing Britain at a meeting of the Commonwealth Finance Ministers, I was in the department of the financial secretary to the Treasury. And the news came through in the early morning of her speech and there was consternation, not just in the chancelleries of Europe, but throughout the Foreign Offices of the world. And as all the Commonwealth Finance Ministers gathered together, they turned to me and said, 'what does this mean? What does this speech mean? We don't understand' and I said 'but surely you understand, all of you represent countries which at some stage have gained or regained their independence. Mrs Thatcher is simply saying that Britain wants to get back the powers to govern ourselves'. 'Ah', they said, 'now we understand'. And since the 23 June, even some of our own commentarial are beginning to understand that Brexit means independence. Nobody in Cyprus asked me what does independence mean. They all knew it meant that you would have a government that you chose which would have the power to set your laws through its parliament to control your money and to control your borders, and that's what the British people chose on the 23rd. June

Now before I get down to my remarks, I must rebut a misleading statement in the biographies of speakers which may be on your chairs before you. It says, 'according to Peter Lilley, Brexit is an interminable process, the haunting last couplet of the Eagles' hit, California...' – which you will hum nightly I am sure before you go to bed – '...of the Eagles' hit. California, has been likened to leaving the EU, it goes, 'you can check out any time you like but you can never leave''. In fact I did quote this couplet but I said it was wrong. The Brexit process need not be interminable and I invoked another line in that song which said, 'we are all prisoners of our own device', and it's only if we want to be prisoners that the process will take a long time and we should also remember the other Eagles' hit, which is on your minds, 'Get Over It'.

That is a message I delivered to the remooaners, but I distinguish between remooaners and remain voters. I represent a constituency, which as far as we can tell, because the votes weren't counted on a constituency basis, voted to remain. And I respect my voters who voted to remain, they are good, patriotic, intelligent, thoughtful people, but a great many of them were afraid, and I think their fears were perfectly reasonable. If voting to leave would cause a long and dangerous damaging period of uncertainty and they said beforehand, we don't want a long and damaging period of uncertainty so we're voting to remain. Now that we've left they're saying we are afraid that a long and damaging period of uncertainty would be bad for the economy, so let's get on and do it quickly.

That's what we ought to be thinking about, how do we expedite this process while doing it thoroughly and reflecting all the interests and complexities involved. I think we can speed up the process if we approach it rationally and don't get bogged down in all the propaganda that was put out before about how difficult it is.

The first step is to distinguish between the issues that arise as we leave, which are matters for decision by the British Government, and issues which are matters for negotiation with our European neighbours. Then we get on and make the decisions which matter, the decision by the British Government. This has two great advantages, it then reduces uncertainty as far as those areas of decision making are concerned and it reduces the scope for potential negotiation simplifying the negotiating process meaning we can get on with it more rapidly.

Now among the issues which are within the power of the British Government to decide are, firstly the position of European Union citizens who came to this country to work legally and exercising a right which they had as members of the European Union. I think we should get on and say you will continue to have that right to stay. No party in Britain proposes to expel you; no party on the continent proposes to expel British citizens there. But even if they did, that would be a horrifying and repugnant thing to do and not something that we would want to retaliate with in kind. When Uganda expelled all British passport holders we didn't for a moment even hint that we would expel Ugandan passport holders from Britain. So, let's give those people who came here, who are now our neighbours, our friends, our work colleagues, the certainty that they can stay and their employers the certainty that they can continue.

But then of course we will need to bring in laws for newcomers from whatever date we make this announcement, and we should get on and do that too. And then we've taken out of the area of negotiation the issue of free movement and immigration rules, which are a matter for the British Government and not a matter for negotiation with our neighbours, and I'll come back to that issue later.

Once we've taken the decisions where we can take them, we come to the issues which are a matter of negotiation. And actually the sort of things that are envisaged by the EU and when the Article 50 was written are things like who is responsible for paying the pensions of British citizens who are employed by the EU in future, when do we cease to pay our contribution and when do we cease to receive payments from the EU, who is liable for which liabilities, who owns which assets, the sort of housekeeping things that occur when people have been cohabiting and – we weren't married by the way, we were cohabiting – leave and split up the household.

But the major issue that arises once we've simplified matters is simply what our trading relationship should be with the rest of Europe. And there are only two realistic options once we've ruled out effectively membership of the European economic area. And that was ruled out by the remain side during the campaign, they said it would be the worst possible option, the worst of all worlds. It has been ruled out by the Government since because the Government said that we are going to take back control of our borders and you can't belong to the European economic area if you don't accept free movement of people within it, and it would be wrong because it would involve a huge cost. If you are members of the European economic area not only do you have to pay a contribution but a greater cost still that you cannot make trade agreements with the rest of the world in services, even if you can to some extent in goods. And since roughly half of all our value added exported is in services, that would be to tie our hands behind our backs and a foolish loss of an opportunity so all sides have ruled that out.

That leaves only two realistic opportunities; one is to continue the status quo, trading with our European partners without any tariffs and without any new barriers to trade in services, and the other is to trade, as do the EU's three biggest trade partners, America, China and Russia, based on WTO tariffs, and of course they might want to re-erect barriers or try to re-erect barriers against our service industry. Those are the only two realistic options.

The two things to recognise, first both are very simple. To negotiate the continuation of tariffless trade, the status quo, is very simple. To go from no tariffs to no tariffs I could do in an afternoon. The BBC of course constantly invokes the fact that it took seven years to negotiate the Canadian EU free trade area. They started off with 10,000 different tariff lines on each side of the Atlantic and they had to trade off one against another and behind those tariffs were protected industries which were saying well we don't want our tariff reduced, reduce another one and so on or reduce it more slowly. We don't start from that position, we start from the position of no tariffs and it can be easily agreed in an afternoon to continue that if we want to. Obviously once we start negotiating free trade agreements with the rest of the world the EU will perfectly reasonably want to issue what I call rules of origin to ensure that goods and services don't find their way into the European market via our market and avoid paying European tariffs if they are not part of a free trade agreement in Europe.

But it's simple, it is quite simple too to go to WTO tariffs; that too could be sort of the default position, that's what happens if you don't agree to continue with the status quo. And all the talk about having to re-join the WTO and so on is complete nonsense, we are a member, look at their website, it lists us as a member. The WTO system is simple, both are simple, both are acceptable.

I would prefer to continue with the status quo and I asked a room full of my colleagues in the House of Commons, some of whom were passionate Remainers, some of whom were

leavers, some of whom were pretty lukewarm on either side. I said are we not all agreed that we'd prefer to continue trading with our European neighbours without tariffs and with no new barriers, they said yes. There's unanimity on that but we should also be clear that we can perfectly well trade on a WTO basis to use the shorthand, and we can do so because the average tariff on our manufactured exports would be some 2.5%, there are higher tariffs, the highest import tariff on manufactured goods is on cars, which is nearly 10% and there are higher tariffs still on some agricultural products, if you include agricultural products the average goes up to 4%. But we've just experienced a 15% improvement in our competitiveness through the movement in the exchange rate and by contrast, continental countries have experienced a 15% loss in competitiveness because of the reverse side of that exchange rate movement. We would enjoy a 15% improvement less any rise in tariffs, they'd have to put up with a 15% increase in their costs of their exports plus any increase in tariffs. So, we can live with it, just as most countries in the world do trade on the basis of WTO tariffs.

And it is very important that we make that known. Johan Eliasch, is an experienced businessman and he made it clear, and most businesspeople I know, know how to negotiate and you can only negotiate satisfactorily if you are prepared to walk away with no deal, and we must make it clear that we can do that. We can and we will thrive and prosper if we do.

There is a tendency to assume that trade deals are the be all and end all of prosperity. Trade deals are of limited importance and they are least important among developed countries because the tariffs tend to be low. They are of most advantage if you're negotiating a trade deal with a large and fast-growing country with still a high degree of protection like India or China. But even there, one shouldn't exaggerate the importance of trade deals, and I say that as somebody who has got a vested interest in the importance of trade deals as I am the only remaining parliamentarian who has ever been involved in one, the Uruguay Round back in the 1990s; the last successful international trade deal we were involved in.

But then, as important, if you look back even to the impact of our membership in the EU when we joined in 1972, it didn't produce a dramatic rise in our prosperity. There was a shift in trade away from the Commonwealth and towards the EU but come 1976 we had to be bailed out, the biggest bail out there's ever been by the IMF and come 1978-9 we experienced the Winter of Discontent. Joining the EU, didn't produce a paradise on earth, even if overall it might have been marginally beneficial from an economic point of view. The idea that leaving is going to cause hell on earth is equally silly.

The Uruguay Round, which was the last major trade agreement across the world, which sliced tariffs particularly again between developed countries. If you look back and see what impact that had on growth worldwide, it was too small to measure. In the long term, it has probably been beneficial but it doesn't produce a profound beneficial shock to the

economy, moving to trading on WTO tariffs won't produce a profound negative shock to the economy; people will adjust.

It is very important we simply say to our continental partners, there's a choice, trading on the basis of no tariffs and no new barriers or going to WTO tariffs, which do you want.

There is an illusion that everything depends on what we choose, not just in this area but almost in every area, there's still this sort of hangover from when a quarter of the world was painted pink that British people tend to assume that everything depends on what we do and the bourgeois sense of guilt means everything bad also depends on what we do or don't do. Actually, I've got news, there are other countries in the world and other people and they will take decisions too. Essentially on this issue we can offer a choice; we can say we can live with either outcome; we'd prefer continuation of tariff-free trade and no new barriers but if you wish, we will operate on the WTO basis as America, China, Russia and others do. Up to you and there's nothing we can do to bargain about that, all we can do is try and persuade, to point out that they will be the big losers if they insist on imposing tariffs, particularly, as Johan said, the German car industry and car workers, the French wine growers, the Italian luxury goods makers, the Dutch cut flower exporters and all those, they will be the losers.

And that's the reason I believe we should move on with the process ahead of elections on the continent because the only people who will be wanting to go to the less attractive of those two options, particularly for them, are those who want to punish Britain, who think that if they punish us enough we might change our mind or even, failing that, they need to punish us to stop anybody else following our good example. They don't normally call it a good example but by implications they're saying it would be a good example if they didn't punish us, it would be so attractive that others might follow.

Which group wins on the continent, whether it's those who believe so powerfully in the creation of a single integrated Europe that it's important to punish us to prevent anyone else thinking otherwise or those who are interested in the material self-interest of their own citizens, which predominate will only depend on how persuasive we are, not how we negotiate.

And we should be going around and pointing it out before the elections, that if a politician stands up in France – I had a house in France for 30 years – if you stood up in front and said it's important that Britain bears a cost for their reckless decision to leave the European Union you'll get a cheer. And if you say and we should impose tariffs on them, you'll probably get a cheer. And then someone says but will that mean they'll impose tariffs on us and you'll say yes, you'll get boos because then they know that their jobs will be at risk and twice as many jobs will be at risk on the continent as at risk here.

All we can do is offer calmly and thoughtfully a simple choice and say we want to continue with the optimum solution, which is tariff-free trade but we're prepared to go with plan B because we will still be better off and we will still have the opportunity there to negotiate free trade deals with 60% of our trade and rising, which is outside the EU.

Just one further thought, there is a tendency to say well we should bring back into the negotiations freedom of movement. I'm glad the Prime Minister has ruled that out. But it is a mistake to imagine that that's a magic elixir. There are only three reasons why countries in Europe are in favour of free movement or could be, one is a belief in a sort of international liberal ideal that there should be no barriers to movement across the world, that's not the reason the EU has free movement within the EU, they have no intention of removing barriers to free movement at the external borders of the EU. The second reason, the main reason that people on the continent created this doctrine of free movement is that they believe they are creating a single country called Europe and within a single country you have free movement for its citizens to move, work, travel and everything else.

We are no longer going to be part of that embryonic country and therefore there's no reason for them to want free movement with us unless they think that we can be lured back in. They required free movement of the Norwegians and the Icelanders because they were countries whose governments were trying to negotiate entry to the EU, but whose people were a bit reluctant and they thought they could sort of be nudged in. They were in the anteroom, we're in the departure lounge and there's no similarity and parallel.

So, the three reasons you might be in favour of free movement are internationalism, the EU is not interested in that, creating a single country, we're not part of that or, on a pragmatic basis if you're an Eastern European country or Southern European country, you might want opportunities for your unemployed, and there are disgracefully high levels following the euro of unemployment in Southern Europe as well as in Eastern Europe, to come and get jobs in the UK. But that's a comparatively minor pragmatic thing, they're mainly concerned about the people that are already here, that they should not be evicted and we should give that assurance as I said earlier.

We shouldn't imagine that playing the free movement card will actually win much for us unless we say that's part of our re-entry into the European Union and we're sort of keeping one foot in there, a sort of hokey-cokey Brexit, you take your left leg out, you put your left leg in, you take your left leg out and you shake it all about. No, we don't want a hokey-cokey Brexit, we want a straight clean Brexit and that's what we're here to discuss today.

Patrick Minford Speech

Well, very kind words, thank you very much Barry, very generous, excessively so. Ladies and gentlemen, it is a great privilege really to be invited to address you in a Bruges Conference and the last time I addressed this Conference I was given a regular mauling, I can't remember what I did wrong but I certainly suffered for it. I expect I'll put my foot in my mouth again, so feel free to have a go.

I won't say too much but let me say that I'm not going to say anything about the law or the courts or what we do about it. I'll leave that to others who understand these matters. I'm going to stick to the basics and the economics really, which I think I know a little bit more about.

So, I think the first thing is what was the Brexit vote for. I think it is very simple; it was to take back democratic control of our country and our laws and by implication, our borders. And of course, in 1972, when we joined the EEC, we were told that there was going to be no overriding of our democracy; it was going to be a trade relationship. And o that was economical with the truth and it turned out very different and that has been the problem.

And people say well that's a political thing, it is indeed a political thing but it is also an economic thing because if you control your laws you control your economy and the way in which you do business and that is really important for us. We want to be a prosperous country and what we discovered was that within the EU there were a lot of problems with the conduct of our economy but we had no way to remedy them... because that's primarily what the EU was about and it has got more and more ambitious to control more and more aspects of our life, which is obviously another problem in itself. But on the economy where it had these huge powers over us, the problem was that they had no accountability, nobody could tell it to change course.

Obviously, the euro has been a complete disaster, they had no way of dealing with the problems that it created and what are they doing? They're trying to solve it on the hoof by doing more of it, more Europe. The answer to every problem in Europe, I was told by European politicians, is always more Europe and obviously the answer to the disaster of monetary union was a lot more Europe. And so if you go to Europe today and ask what are they doing, it's an alphabet soup of committees and councils and this and that all ending with the word union, Banking Union, every sort of union.

The problem is that this is imposing a lot of costs on us and that brings us to why the economics of the EU are very much upfront, why is the economics so wrong. And there are basically three big things that the EU does that damages our economic interest, firstly it is highly protectionist. And on the remain side they never mention this, they never mention the common agricultural policy, which raises food prices 20%, they never mention the

Customs Union which raises manufacturing prices about 20%, mainly through non-tariff barriers against cheap labour countries. And those are big, big, items.

If you get rid of that protectionism it lowers our cost of living 8%. Now 8% is a big number particularly for poor people, you know 8% off food, I mean 8% off the Consumer Price Index is just for the average person, but 20% off food is very big in the budgets of poorer people. And so the EU is very bad for poor people because of its protectionism. That's a big item and when you get rid of that it has a dynamic effect on the economy because consumer prices come down and you get the economy into a better shape because the parts of the economy that are not dependent on protection grow faster than the parts that do and you get a better economy, a better shaped economy as well as consumers being a lot better off. And that is the central motor really behind the good result if we leave the EU.

Now the second big motor is regulation. The regulation done by the EU is incredibly top-down dirigiste regulation and it goes into all parts of our economic life. When we're in the EU we can't just have regulations on what our product standards are and so forth, we need to have regulations on everything, on finance, on the labour market, on energy and climate change and on products. All the products we produce in our economy are regulated by EU regulations.

Now when Mrs Thatcher got the single market going for Monsieur Delors in the mid-80s, the idea about regulation was there would be mutual recognition of standards across countries in Europe and so we would have our regulations, Germany would have theirs, etc, etc, and we'd just do business together on the basis that the other guy's regulations were as good as yours. And that all went very rapidly and it became uniform regulation, top-down, very interventionist and we reckon that the costs of that are probably the biggest cost of all of us being in the EU, something between 6% as we've experienced so far and going up to very much bigger numbers if the EU really kind of cut loose in a sort of socialist direction.

I can remember when the first Commissioner of the Social Market, as it was called, was a Greek lady and she just wanted to bring in communism basically as fast as possible. Well that would have been damaging wouldn't it. Luckily, she lost her job fairly quickly and it didn't quite turn out as bad as that, but it could do. And what a lot of people don't realise is how socialist and interventionist the whole political economy of the continent is. I mean I wouldn't say all my best friends, but a lot of my best friends are European economists, I know these guys, I know what they get up to and they want to control you, that's the bottom line.

And this is a big item, EU regulation and by getting back to our own regulation of the city, of energy, the labour market, we'll get back to the sort of pragmatic practical pro-business but balancing it off with the human element, which is what we've always done.

Now the last element, which I think is very important and has to be understood because there is so much disinformation about it, is immigration. Now during this campaign, the Remainers always said oh immigration is great because you know on average immigration brings in a lot of income and so on, but they missed the point, no one is against skilled immigration, we need skilled immigration. Skilled immigrants bring skills, they bring value and they pay a lot of taxes, which easily pays for the costs of the welfare benefits that we give them. However, unskilled immigrants are a very different story and unlimited entry to unskilled immigrants – you mentioned Milton Friedman Barry – he was one of the first that said no country with a welfare state can afford to let unlimited numbers or any numbers really of unskilled immigrants in because they cost more than they bring in.

We did a calculation which we've now refined and I think is reasonably accurate, that every adult unskilled immigrant from the EU costs the taxpayer £3,500 a year and that is because you know if they came in without any dependents that would be okay because they pay a bit of tax and they pay their way and a lot of farms require unskilled immigrants to help with the harvest and so forth. But the problem about the basis on which they come into this country is there are no limits on their rights and obviously they can bring in their family and all the rest of it. The problem about that is that creates a huge welfare bill and one must be quite upfront about this because that welfare bill lands on the doorsteps of the poor communities of this country where they settle. And what's more, just to add insult to injury, the unskilled workers in that area find their wages drop. So, this is very important of course and a very big element in the cost and this adds about £3.5 billion to the cost of the EU and it's also obviously very much of an issue politically.

So those are the three things, protectionism, intrusive regulation and the issue of unlimited unskilled immigration, which is clearly expensive and potentially very much more expensive as you go forward.

Okay so that's the background for why we wanted to be out of the EU and why the arguments of the Treasury, which just project fear, if you leave the EU you'll be worse off are a complete reverse of the truth. I mean if we leave the EU we're a lot better off; according to our calculations well over £100 billion better off: if you like billions, a billion or two, it doesn't mean a lot to me, probably not a lot to you. For what it's worth it's a lot of billions being out.

So, then you get to the nitty-gritty question, how do you get out, the options for Brexit. And this is of course where the Remainers have tried to frustrate the process because they said you should go for soft Brexit: Norway, a European Economic Area Brexit. The problem about that is it doesn't achieve the job. In order to have a soft Brexit, a Norway type arrangement or any of the variants on that, you have to submit to the laws of the single market, all those

regulations I talked about basically, and you also must have free migration. So, everybody I think by now, as it's been debated quite a lot, knows that and therefore the so called soft Brexit EEA option is not really an option at all in terms of the vote, it just doesn't achieve the job; basically it's the status quo, we stay in the EU. And all the costs are the same, all we've done is have a referendum with a lot of expenditure of blood, sweat and toil with a result the people wanted, to be completely frustrated. Of course, that is really what this court thing is all about, it's about forcing that back onto the agenda and saying well that's what we'll have.

So, what's the alternative? The alternative is a clean Brexit, where you leave the EU straight forwardly, you leave the single market, you leave the Customs Union, you just leave the whole shooting match and of course you get the gains. Now then the question is you see, which is obviously a big problem in practical terms, what sort of relationship do you have with the EU in terms of cooperation in trade. One possibility is that the EU is very reasonable and does a free trade agreement, that's to say gets rid of all its tariffs against us and we get rid of all our tariffs against them and then we would go on, because we would be outside the single market, and do free trade deals or get rid of our barriers against the rest of the world, either unilaterally or we might do a few trade deals with more prominent countries and that would all be agreed with the EU.

That would be a wonderful world of reason and one would hope that it would happen. The trouble is the EU, currently it is riven with disagreements and we've just seen the Canadian trade agreement, which was held up by Wallonia. Does anyone know where Wallonia is? I have a Belgian friend so I had an unfair advantage. But anyway, it held it all up and in the end the Canadians cut stuff out and they all got to agree it. And the difficulty unfortunately, there's 27 countries, the EU Commission is now quite weak and that's why it allowed the Canadian agreement to become unanimous because it just didn't think it could force it through.

So, as they used to say at school: a fortiori since dealing with Canada is a nothing problem, dealing with the UK is *the* problem for Europe is they want to punish us; and what's more Poland, Bulgaria, Romania et al, et al, et al, they want free migration and we don't really know that there's any mechanism by which something that they don't agree to can be agreed because they may well have a veto. In other words, we really don't know what the EU will come up with in the way of agreement.

Now there are certain things that they have got to agree to like how you do customs recognition and how you do tariffs on inputs, on car parts for example because if they don't agree on anything like that they'll destroy their own car industry and they'll just destroy their own industry because without customs nuts and bolts working in a reasonable way everyone gets destroyed. And that's what you might call mutually agreed destruction

(MAD). So I think we can assume that they won't go mad. But it is possible that we won't be able to negotiate a full trade agreement because someone or other or maybe many will insist that we have to have free migration and that we have to have subjection to the EU regulations and if that's the case it just isn't acceptable, it is not an acceptable deal because it violates the whole idea of Brexit.

So I suppose the big question is what do you do if you can't get a deal other than on these MAD things. Suppose they insist that you're going to have to have the general tariff of the EU and we say well what do we do about that? Well what I would say is don't worry about it too much because the average tariff rate on manufacturers, which I'm talking about here, is 3.5%. The cost of the tariff we pay going into the EU, under £4 billion, now a billion is a lot of money to you and me but I tell you it is chicken feed in this debate as we're going to gain £100+ billion and what I would say is don't fuss about that too much, let's not put tariffs on them. Let's have unilateral free trade, which is the sort of thing we did in the 19th century and it was pretty good for the world and for us, let's have free trade with everybody else and generalise that to the rest of the world and if the EU are stupid enough to put a 3.5% tariff on us well we can help our own manufacturers to deal with it: we can help them in various ways to absorb the cost. And that's what I would recommend.

I wouldn't recommend getting into a tit for tat thing because for us the big gain of leaving the EU is to get rid of protection. It would be really stupid if, because we had some sort of fight with all sorts of people we said oh we're going to put big tariffs on you and try and persuade you, by tit for tat warfare. The trouble about that sort of tit for tat warfare it damages us as well. Our best bet is to just say look we're in favour of free trade, we go to that unilaterally, if you're stupid enough to put a 3.5% tariff on us we can absorb that.

Sir James Dyson said that more or less the other day, he said he wasn't bothered about any of that and rightly so because it is a small amount. You know we can effectively deal with that for the whole of British manufacturing without raising a sweat.

And so that's what I would recommend and that's really at the heart of the big sort of struggle that's going on with the Remainers, they're saying oh we've got to be in the single market because otherwise terrible things will happen like they'll put tariffs on us. They haven't done the numbers, the numbers are pretty small and as I say, if you rule out the MAD stuff, which no one is going to do, you're left with these tariffs which are pretty trivial. And so I would say don't let that worry you, it's no reason to go to the EEA option, we can do the proper one, leave the single market, leave the protectionist union, put our own free trade zero open economy to the rest of the world in place and absorb anything anyone else does.

And we don't need a free trade agreement with the US for example. Do you know we've traded with the US ever since it existed, I think that's a few hundred years; we've never had a trade agreement with the US, never. You know the US is our biggest trading partner and we've never had a trade agreement. So, forget all the stuff about trade agreements, don't worry about the EU, let's go for the thing that suits us which is straightforwardly to leave, eliminate protection, reform regulation and resume control of our borders.

Bill Cash Speech

Well Barry thank you very much for the introduction and compliments. I'd like to reciprocate because the fact is that in those dark days during the Maastricht rebellion, Barry was the one that I always knew I could always rely upon. There were others, but Barry was always completely and totally reliable. And that was so important because there weren't many of us.

And I'd also like to thank all of you because back in 1988, all those years ago, in the run up to the Bruges speech I sent a memorandum to Margaret Thatcher, which has mysteriously disappeared. In it I set out what I feared by way of creeping federalism. And that was a catalyst because it led to an enormous battle which went on between number 10, Margaret Thatcher and Geoffrey Howe and his advisors, one of whom by the way is Lord Kerr who has been pontificating recently about the fact that we could go back on the decision that was taken by the British people.

The fact is that back in the days when the Bruges speech was made I thought I'm going to ring up some young fellow who I'd heard of, who was then at Oxford. He was at Keble College Oxford. I rang up the Porters' Lodge and I said "Is this chap called Patrick Robertson an undergraduate here, and they said yes he is and I said could you get me through to him. And we had a discussion and then I said come down to London and let's have a chat about what you've been saying about making the Bruges speech a permanent feature of our political scene.

So, I just simply wanted to say thank you to all of you because from that discussion Patrick Robertson then set up the Bruges Group and here it is under the more than able leadership and chairmanship of Barry Legg. I just simply wanted to say that we've got the result we wanted. This was at the heart of the reason why the Bruges Group was created and that was at the heart of the reason why Margaret made that speech. Everything that was set out in the Bruges speech had to be delivered and you could only do that with a referendum.

And why did I conclude in 1992-3 that a referendum was absolutely vital. We had to fight the Maastricht Bill right the way through the House of Commons, we had the people like Barry there but we also had to get and galvanise the British people and their sentiments and emotions as well, so they would understand what was really going on.

And my strategy was very simple, I looked at the House of Commons, I'd been there since 1984, I was elected in a by-election, and I looked at the situation across the floor of the house and you had John Major, Prime Minister, successor to Margaret Thatcher who'd just

been displaced for daring, daring to suggest in the Bruges speech that we had to effectively get out of the European Union. Because believe me, that Bruges speech was tantamount to that because there is no way and there never has been any way that the European Union was going to lead the way other than towards political union. There has never been any time at which the European Union was ever going to reform itself from within.

So basically, I looked at the position and I saw something very clear, which was that we would never get the changes or ever stop any of the treaties from being passed through Parliament because there was collusion between the two front benches. And if you've got the Labour Party on the one side, apart from some very principled opponents such as have already been mentioned, Peter Shore and now Kelvin, I mean my admiration for these people, I wrote about this in the Daily Telegraph only this week,

I said it wasn't UKIP, although they did play a significant part in the whole process and I'm not going to deny that. In fact, I was partly involved in setting up the Anti-Federal League but that's another story altogether, but the reality is that the principled Labour members had played a magnificent part in the national interest. This has been about our democracy and this is what people fought and died about. This is not just a political machination of a kind I heard Patience Wheatcroft, in a debate the day before yesterday on the radio, she said 'we have the right in the House of Lords to amend and we have a duty'. Getting more and more self-important, 'we have a duty to ensure that we review what goes on in the House of Commons and for example, the Communications Act'. So, I was brought on as the other person in the interview and I said 'I can't believe what I'm hearing, is she comparing one individual Act of Parliament like the Communications Act to the right of the British people to govern themselves?' That is the point. And she's only one.

We are, as the Chairman said just now, on the brink of a constitutional crisis, make no doubt about that and I tell you I welcome it. I would love to have believed that we were going to be faced with acquiescence and complete acceptance from top to bottom after the dreadful disgraceful machinations of Project Fear and that was a disgrace. My European Scrutiny Committee revealed and demonstrated that there were no treaty negotiations that gave rise to treaty change. That is something which has been kept right out of the picture in the last few months. David Cameron did not bring back any treaty changes; but he said so in public, on television and radio, right the way through the campaign and he also made a mistake of saying it in the House of Commons.

Now let me just simply say this, the decision of the British people is sacred because it is the means whereby Parliament gave the right to the British people by consent of the British Parliament going through the European Referendum Act of 2015 from being a Bill to an Act of Parliament, passed by 6/1 in the House of Commons. The only people who opposed it

were the SNP in the House of Commons, everybody else let it through. I had to fight with my amendments to stop the Government from using the Government machinery. It's called the Purdah issue, and we managed to get that stopped and then the Bill went through. So, Parliament agreed to the European Referendum Act 2015.

It is not, having given that consent to the British people to entitle them to make the decision to stand back to say we abdicate our responsibilities as Members of Parliament on this crucial matter because we believe that it is the right of the British people to govern themselves. We know that within Parliament there are many different views, we believe the British people have the right to be able to make that decision.

The collusion between the two front benches, which certainly persisted right the way through the whole of the Referendum Campaign, throw your mind back, look at the people who lined up to remain in the European Union, it was all the big panjandra, the big self-important Labour and Conservative people, they all stood there didn't they. The Cabinet and the people from the opposition right the way through, but the decision was taken to allow the British people to make up their own minds. It was their spirit and it was their emotion and it was their knowledge and their belief in both their country and the right to govern themselves which led to the result. So many of the other people just simply didn't believe it could ever happen, they were wrong. And it will not be undone.

Let me tell you, I just briefly want to refer to some of the real reasons why it is so important that we had that Referendum. When you've got a big debate going on in a referendum campaign, many things get said and there were big criticisms of some of the things that were said by the leave side. But let me just say this, at the very root, it was about democracy. That was it.

What does that mean? It means something terribly simple. I don't even have to explain it to you, but I'm just going to spell it out and it's this. It means that each one of you and every single person in my constituency and every single person in the United Kingdom. All those tens of millions of people have the absolute total inviolable right to be able to choose the Government that they want through the vote that they cast in a General Election. That's what democracy means, and that is what we are currently considering.

I gave evidence to the Irish (X) the other day, I didn't much like it but I did say that I thought that they might benefit enormously from accepting the idea of coming back into the fold of the British islands. But I'm not sure if I'm expecting that to happen too soon. But I think it is incredibly important because the stability of Ireland is going to be deeply affected by everything that he said and it's a very important contribution to the debate.

But I want to make this point, the freedom of choice is what, as our Chairman opened the meeting today with a reference to 1940 and what Churchill said and did at that time. Curiously enough you may not know this; I didn't really at the time for obvious reasons which I'm going to explain. I was born on the 10 May 1940. Now some of you laughed there because you know what that meant. That was the day that my mother, having given birth to her first child with her husband down at Warminster doing his Royal Artillery training at the age of 21 or something or other, she hears from the nurses that Hitler has invaded Holland and France and by that evening Churchill had become Prime Minister. So that's a pretty remarkable coincidence I have to say. On the 10 May 1941, when I was one year old, on my first birthday, Hitler dropped a bomb on the House of Commons.

But the point I want to make is this, that the whole business and the manner, and I'm not going to spend a great deal of time on this, but I just want to get it crystal clear, democracy means that you run your own country, democracy means that you have your own Parliament, only then can you have your own laws.

You can't have your own laws if they are made by qualified majority voting in the Council of Ministers behind closed doors, where there are no votes, it's almost always done by consensus. In other words that they do a deal. And everybody knows before the decisions are taken in each Council of Ministers meeting, how the vote is going to turn out. This is not democratic.

The second thing is it doesn't work. I mean just look around, I mean the unemployment rates for young people, as Kelvin was indicating, in parts of Europe, in Greece, in Spain etc running at 50/60%, this is a disgrace. They couldn't run a wheel stall. In addition to that you have got massive economic problems between Germany and Italy for example, between Germany and Greece. I was in a meeting in Bratislava because I am Chairman of the European Committee, I was over there the other day and I'm going again next week. I meet the Chairmen of all the national parliamentary committees, in other words there are 28 of them and we have very interesting discussions, which, regrettably do not get into the press.

The Chairman of the European Parliament's Budget Committee said in his speech only two weeks ago, that the Member States simply don't trust one another. He said there is far too much intrusion and over-regulation in the European Union, it is undemocratic, he went on to say that the EU needs an electric shock. That's what he said. Now this is the Chairman of a Parliamentary Committee of the European Parliament and is the Chairman in charge of all the financial Chancellors of the Exchequer of all the Member States said that: – Leave aside Brexit – Europe is facing the biggest political and economic crisis in modern history and it is. Barry Legg was right, this is a hopeless setup, it doesn't work and it is causing instability, which is what everyone thought they would be able to overcome after the Second World

War. They have put in place something which has become inherently unstable and can't work.

There is one other thing which I want to mention and it is the role of Germany in all this. The bottom line is this, that you heard this morning perhaps on the radio some of you that the wise men of Germany are telling us that this European decision in the Referendum actually can be reversed. They are saying not only that many of them think that there could be a second Referendum but that really it was not a good idea for Britain to have done this and this is something that can be reversed.

Well I've got news for them, we didn't say that in 1940 and we didn't say it in 1914 and we're not saying it in 2016 either. We are sticking with our decision.

And they effectively run the show. I don't need to go into all that, that's a speech for another day but it's a very important thing to understand. Germany effectively runs the European Union and that means that it's not a European Union and Helmut Schmidt told me in the 1990s that he agreed with what I was saying at the time. European Germany and a German Europe, that is the problem because you cannot have a democracy where your own Parliament is completely dumbed-down by all the constitutional machinations of qualified majority voting. You can't make your own laws, you have to take what's served up to you by the Council of Ministers, which is completely undemocratic and, at the same time, be in the second tier of a two-tier Europe which is run by one country, it's just not on, we won't accept it.

Now I'll move onto the next issue, immigration, it's a numbers issue. There are some people who quite frankly do try to make out that we don't want any immigration at all. Now I'm not one of those because we've had immigration coming in for centuries, but the problem is who and I'm not going to get this into a debate over immigration but basically the numbers are completely and totally unacceptable, it had to be dealt with. When we get the Repeal Bill through, and I'll come onto that in a minute, we will then be able to pass our own Immigration Act within our own Parliament on our own terms and we will decide about our borders and not the European Union.

So, to the Repeal Bill: just let me say this, it may be of some interest to you that when Theresa May got up to make the speech at the Conservative Party Conference about the Great Repeal Bill I sat there, I wasn't at the Conference, I was watching it on television, and I suddenly heard her talking about this which was the centrepiece of her speech. You may or may not be interested to know that I had drafted that very Bill and send round the paper

which is called 'Achieving Leaving by Repealing' several weeks before the Referendum itself was declared, because I believed that we were going to win.

Now I'm not going to ask people here if you thought we were going to win or not. I believed it and did so because of the message I was getting in my area in Staffordshire and from the people I was meeting as I travelled over the country. I thought we'd better be ready. So I drafted this and I won't go into the details of it except to say that the transposition of all the laws into UK law is the means of doing it. We can then control the outcomes and when we've repealed the '72 Act, we can get down to the business of passing our own legislation under our own Westminster jurisdiction on our own terms in line with the freedom of the British people to choose their own government.

Now I am going to briefly say this regarding three other questions. The courts, we see what the decision is now. I was on a lot of television yesterday and radio, but I have not been saying that the courts are somehow or other out of order on this. I think they're wrong, but they've performed the function as they have seen it. Now that is not something that a lot of people like to hear, but, I'm more interested in the Supreme Court decision than I am in the court of first instance. Because whatever they say there, the real question is can the Government lawyers get their act together sufficiently to get the right case in front the Supreme Court itself. That's what I want to see and I'm working on that with colleagues in the House of Commons and with a lot of distinguished lawyers. That is the most important thing.

Now the second thing therefore, and I just want to quote just to give you an example of the kind of line that I think could be taken. The Court said that the Referendum Act of 2015, which we think transferred the consent of the entire United Kingdom from Parliament to the people. An important, vital, fundamental, sacred decision. The Court said that the Act leads to the conclusion that a referendum on any topic can only be advisory for the lawmakers in Parliament unless very clear language to the contrary is used in the referendum legislation in question. And then they say no such language is used in the 2015 Referendum Act.

Now I'm a bit of a lawyer and can I say I used to be Shadow Attorney General. The first question that occurs to me is the court is saying that there was no very clear language in the referendum legislation and therefore it is only an advisory referendum.

It was very clear and the question that was put to the British people could not have been clearer, it said should the United Kingdom remain in or leave the European Union, that was given to the whole of the United Kingdom for an answer, they gave the answer, it couldn't

be clearer. The Referendum Act itself quite clearly, on their own terms, can't in my judgement be regarded as advisory because the clear language was there in the question that was put.

Now lastly, I want to just move onto the House of Lords, I can deal with them quite quickly. They do not have a right, in my judgement, to stand in the way of a Conservative Manifesto, I had a real ding-dong with Dominic Grieve and Anna Soubry the other day and Nicky Morgan over this in the debate. Oh yeah! I had all that and I said by the way, would you like me to read out the Conservative manifesto and I just read out the headlines and it said that we had a commitment that we would go for what was then called an in or out referendum, It does talk about the single market, but if the answer to the question that was put in the Referendum was to leave, that means leave. That means you cannot remain in the European Union, you have to repeal the 1972 Act, if you have to repeal the 1972 Act it means you cannot be in the single market full stop and you can't be in the Customs Union either, so that deals with that one.

The third point is the House of Lords. In my judgement under what is called the Salisbury Convention have no right to stand in the way of the Repeal Act when it's going through, because that's the critical moment. When the Repeal Bill, goes through the House of Commons, because we're hearing this from the Labour side as well now, Hilary Benn on the radio saying he accepts the outcome. Now I know there are some absolutely, impossible rescinders in the Labour Party who actually are determined to remain at any cost. Well you know something, they've got also the problem, as they well know of the Boundary Commission Review. Labour could be in a lot of trouble and they are not going to win the General Election. They're not going to hold their seats if they persist in the views that they've been pursuing so far. My view is that an awful lot of those people will eventually find that their seat in the House of Commons is a bit more important to them than hanging onto this remain argument. I think that they will find de-selection looming.

Now the last thing I wanted to say is regarding Scotland. I find Nicola Sturgeon impossible. Let us be clear, their deficit is 14 billion, it's about the worst in Europe, it can't get worse, but they are also absolutely and totally reliant on the Barnett formula, without which they couldn't possibly function and we give them that money every year. And on top of that there is also the very important question which is that they themselves didn't get the referendum result for which they were looking.

They've got their 59 seats but on the question of remaining in the European Union or not, although they did vote to remain in general, the bottom line is that there are very powerful reasons why they can't afford it, even if they could persuade the Spanish and the Catalans and the others, because that's another issue for them, I don't believe for a minute that

we're going to end up with the Scottish card being played in the way in which Nicola Sturgeon is pretending and I think she knows it too.

For all these reasons, it is my clear belief that what happened on June 23rd, stands out as one of the really, great landmarks in British history. It ranks with the Civil War in the 1640s in terms of who governs Britain; is it the King by absolute majority or is it Parliament. That was resolved. Then there is the question of James II and the Stewarts, that was resolved in favour of the Act of Settlement; that was another great landmark.

Then there was the question of the American War of Independence and the French Revolution. Then in the 19th century John White in Cobden – the repeal of the Corn Laws; that was another landmark. This was followed immediately by his campaign for parliamentary reform, which drove Disraeli to pass the 1867 Reform Act. Then we have home rule, tariff reform and then we have appeasement in the 1930s. Then we had our going into the European Communities Act 1972 and now, I'm glad to tell you, we're going to come out of it. Thank you very much.

THE BRUGES GROUP

The Bruges Group is an independent all-party think tank. Set up in February 1989, its aim was to promote the idea of a less centralised European structure than that emerging in Brussels. Its inspiration was Margaret Thatcher's Bruges speech in September 1988, in which she remarked that "We have not successfully rolled back the frontiers of the state in Britain, only to see them re-imposed at a European level...". The Bruges Group has had a major effect on public opinion and forged links with Members of Parliament as well as with similarly minded groups in other countries. The Bruges Group spearheads the intellectual battle against the notion of "ever-closer Union" in Europe. Through its ground-breaking publications and wide-ranging discussions it will continue its fight against further integration and, above all, against British involvement in a single European state.

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For further information about the Bruges Group, to attend our meetings, or join and receive our publications, please see the membership form at the end of this paper. Alternatively, you can visit our website www.brugesgroup.com or contact us at info@brugesgroup.com.

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