

JOHN LONGWORTH & JOHN MILLS ON MEETING MR BARNIER – JAN 2018

http://www.telegraph.co.uk/politics/2018/01/11/michel-barnier-knows-winning-brex-it-negotiations-time-turned/?WT.mc_id=e_DM630285&WT.tsrc=email&etype=Edi_FAM_New_AEM_Recipient&utm_source=email&utm_medium=Edi_FAM_New_AEM_Recipient_2018_01_12&utm_campaign=DM630285

This week, I visited Brussels for the first time since the referendum in order to meet with Mr Barnier. While the mood in Brussels seemed glum, the town felt like an old glove having been a regular visitor over the past thirty five years, from when it didn't really matter to when it mattered very greatly.

The objective of my visit was to read the runes of the likely direction of the next stage of the Brexit negotiations and to deliver a message about the determination of the British People to take control of our laws, money and borders.

It may have come as a surprise to some of my colleagues at the meeting with Barnier, but not to me, that the EU are determined to put the EU project ahead of the employment prospects and wealth of its citizens and, as a consequence, take a very hard line with the UK in the upcoming negotiations. The fate of business people in Germany, Holland or Denmark is considered short-term collateral damage compared to the long term importance of the sacrosanct project.

The Gaullist Mr Barnier accepted my compliment that he had successfully won the first round of negotiations, albeit against a weak adversary in the form of UK government. It was clear he and his EPP (European People's Party) colleagues, who control all the major EU institutions, are determined that the UK should be shackled as much as possible in respect of our newly won economic freedoms in order that we may not compete with the EU.

The position of the Chief Negotiator is entirely rational and internally consistent if the project is key to the interests of the EU (and certainly to the EU paymaster, Germany) and it is vital that our government grasp this, as they don't seem to have done so far.

Britain has the prospect of prospering with or without an EU trade deal, provided we retain our newly won freedoms and are prepared to leverage these. As the chances of a special arrangement for the UK are limited, non-existent, or very expensive, an early resolution of the likely outcome is essential if business on both sides of the channel is to have time to plan and implement necessary measures - certainty of the direction of travel being more important than the outcome itself.

I made these things clear to Mr Barnier and also that there is an increasing majority in the U.K. in favour of getting on and leaving the EU, Brexit is happening and Britain is determined to see it through. It is a pity that the British government is simultaneously sending out entirely the wrong signals on this in respect of the absence of a Ministry for a no deal scenario.

Crucially, the meeting made it clear to me that the British government needs to adopt an equally tough line in the interests of our country, equal to that of the EU 27, and that will include an early view on whether a trade deal is likely to be forthcoming, with serious preparation for a no trade deal scenario.

In any event, the government must be prepared to leverage our economic freedoms to boost business and the economy, with or without a trade deal, rather than (as the Chancellor appears to be), trying to preserve a poorer version of what we have now, which can only result in us being worse off. Preparations for this must start now.

If the latest reports from Berlin are to be believed the Germans are insisting on substantial payments in order that the City banks have *access* to the EU Market. It is not clear whether *access* means equivalence, in which case UK based banks are being discriminated against versus US or Japanese banks which is outrageous, or something better in which case it would be unprecedented for the EU and completely undermine Barnier's position. It is clear that Barnier is being instructed to take a hard line in order that the Germans can mug us, if the reports are true.

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We should bear in mind that while financial services contribute to the Treasury they represent 8 per cent of the economy, less than manufacturing. Only 9 per cent of financial services is subject to passporting and thus there is a Single Market of sorts in these services. That therefore represents around 0.7 per cent of GDP. Of course there are additional professional services supporting this activity, but we should not let the tail wag the dog and it is only worth so much. As for the rest of financial services or indeed services in general, there is no single market in the EU, so why should we expect to have *access*?

We are now in real danger of having the Schrodinger's Cat solution to Brexit. An outcome so complicated that it is designed to persuade those who voted for Brexit that Brexit is what they have got - the paradox of Brexit in name only.

But, desperate as our politicians may be, there are more ways to skin a cat than capitulation dressed up as statesmanship. The government need to wake up to what is in the country's interests and start to bat for Britain and the British people.

John Longworth

IMPRESSIONS FROM MEETING MICHEL BARNIER IN BRUSSELS

ON WEDNESDAY, 10TH JANUARY 2018

Michel Barnier is an impressive person, tough and charming, who is evidently well on top of his Brexit brief and thus a formidable person to have on the other side of the table as the Brexit negotiations take place. He wants to get a deal completed but not at any cost to the EU27.

His primary aim is to secure the integrity and security of the Single Market and the Customs Union rather than to search for a deal which is necessarily in the overall best interest of both the UK and the EU27. The notion that the EU27 may make substantial concessions to avoid economic pain is therefore very probably misplaced.

While the best outcome from both the UK's and the EU27's point of view has always seemed to be for the UK to be outside the Single Market and the Customs Union but with a free trade deal in place covering goods and as many services as possible, this now looks as though it may be difficult to achieve. This is despite the fact that this is substantially the

relationship the EU27 has with other countries as varied as Israel, Peru, Mexico, South Korea, Canada and the Ukraine.

There are at least four major reasons why this is the case, these being:

4.A The UK is starting from a radically different position from these other countries – essentially looking for a divorce rather than marriage, with all the baggage that this brings with it.

4.B The UK is a much larger player in EU trade terms than any of these other countries, and thus potentially more disruptive if derogations are needed from the existing carefully balanced EU acquis..

4.C The UK's negotiation position has been gravely weakened both by the sequencing insisted on by the EU27 – dealing with money, Ireland and citizenship before trade – and by the result of the recent general election which has left no majority in Parliament for the WTO option which – although not the optimal outcome - is the only realistic fall-back position for the UK to have, without which the EU27 are left with all the cards in their hands.

4.D Time is running short, although some extension of time by suspending Article 50 to create the proposed transitional period may help.

In these circumstances, the most likely offer to the UK from the EU27 seems to be free movement of goods and some concessions on services with the UK formally outside the Single Market and probably the Customs Union too but with the UK having to continue to accept nearly all the legal and regulatory obligations currently in place. These will almost certainly include substantial annual net contributions to the EU budget, free movement of people, significant jurisdiction by the ECJ, constraints on the UK's capacity to negotiate trade deals on its own, and continuing membership of both the Common Agricultural Policy and the Common Fisheries Policy.

An offer to the UK along these lines would probably be supported by all the EU27, led by Germany and France, but may not be acceptable to Parliament, let alone the British electorate. In these circumstances, preparing for the UK to fall back on WTO terms appears to be essential both to safeguard the position if no acceptable deal is presented to the UK, and to stiffen the UK's negotiating position in the meantime.

There may well be calls in circumstances where no acceptable deal is offered to the UK, for a second referendum on the UK's EU membership, although probably only by a small minority of diehard Remainers. Even in the unlikely event of another referendum being held, current polls indicate that it would be unlikely to produce a different outcome from the one held in June 2016, thus confirming that Brexit in some form is likely to be inevitable.

If the EU27 want a deal with the UK it is therefore essential that this takes account of the political realities exposed by the 2016 EU referendum and current polls, which is that – if push comes to shove – the UK electorate would very probably be willing to opt for a clean break with the EU rather than finishing up being in a worse position than we were before Brexit started – with all the obligations against which people voted still in place, but with the UK having no say in how the EU develops in future.

John Mills 11th January 2018