PRESS RELEASE

The Rt Hon David Owen speaking at *The Times* Forum Meeting at the Cheltenham Literary Festival at 10:30.a.m, Sunday, 8 October 2017. He will be addressing the UK Default Position now that the German and French Governments have vetoed starting negotiations on the Prime Minister's Florence speech.

It is now clear that the German and French governments have vetoed moving into discussions on the Prime Minister's speech in Florence. We will lose at least two months of negotiating time. We are witnessing the classic Brussels rolling out of delaying tactics compounded by the UK Government's dithering. It is all creating political uncertainty.

If there is not greater clarity by the turn of the year, it will really start to hurt: investment projects can't be held on hold indefinitely, and there will probably be the first material cancellations in the first quarter if this continues.

Since it looks as if the EU will keep stringing things out, my own strong preference now is for a UK unilateral declaration (as quickly as possible) of how the UK intends to operate in the absence of the EU being prepared to discuss the Prime Minister's speech in Florence. This should be our Default Position for leaving the EU under Article 20 at the end of March 2019 involving a transition period of two years prior to operating under WTO in 2021.

Firstly, the UK should stay in the EEA for two years and seek to make arrangements with Norway and others under the Non-EU governance pillar arrangements to do that. We should operate that agreement 'as is'. The UK would not give the one year's notice of our intention to leave the EEA agreement in March 2018 (i.e. In six months' time.)

If the EU challenge our position as a Non-EU contracting party to the EEAA, we should go to international dispute resolution using the Vienna Convention. (If the EU wish to open themselves up to legal action by any business that is adversely affected by their lack of cooperation with an established procedure for international agreement that is an EU responsibility).

The UK should start as a Non-EU contracting party to introduce, after the fullest negotiations, our own UK management measures in our own UK fishing waters and our own agricultural policies again after fullest negotiation with all 31 other Contracting parties to the EEA Agreement. Consultations will start to introduce EEAA-compliant limitations on free movement of workers in 2019.

The UK should continue to operate the common external tariff for two years and run things exactly as now. Eg. French, Spanish, Italian, Greek, Bulgarian wine, etc. can come in tariff free and on the current arrangements provided only that they reciprocate. If they don't, the UK should follow the time honoured practice of tit-for-tat, up to WTO levels.

Within the two year period, the UK should start to negotiate international FTAs while giving a priority to the EU. If there is no readiness on behalf of the EU to negotiate a FTA seriously, other FTAs might become operative before March 2021.

The UK can collect customs duties as now, but not (as now) pay the great bulk of that revenue to the EU. Rather we will take a slice from it to cover the Financial Mechanism payments entailed by the EEAA, which are paid by the UK direct to the beneficiaries (Poland, the Baltics, Romania, etc, etc.) The beneficiaries will appreciate that since they need it. We would pay the rest of the customs duties into the general budget for the two-year period, provided other EEA states reciprocate on the other aspects. If they don't, we should keep that revenue.

The UK should settle our pension obligations soon and separately. It shouldn't be much when assets are netted off. This is what the EU have always said they wanted.

This Default Position which would not involve the ECJ but the EFTA Court is a reasonable and fair way to proceed. Is it too much to hope that the House of Commons on a cross party basis could come together on such a basis if the EU stand-off continues after October?

END

NOTE TO EDITORS

The Financial Mechanism section of the Agreement provides for the only mandatory payments of non-EU states. It is basically a compulsory regional policy. The EFTA website describes it as follows.

First, the EEA EFTA States contribute towards reducing economic and social disparities in the EEA through the EEA Grants. Currently the beneficiary states include Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Slovenia. In addition to the EEA Grants, Norway has funded a parallel scheme since 2004 - the Norway Grants. The funding period covering 2014-2021 has a total financial envelope of approximately EUR 400 million per year. These contributions are not managed by the EU, but by the EFTA Financial Mechanism Office in collaboration with the beneficiary countries.

Over 40% of the Norwegian payment (the Norway Grants) is voluntary, instituted when oil prices were high, so we could avoid that. A better estimate of the mandatory amount for Norway is probably around EUR 225 million per annum. Since our GDP is a little over seven times higher, the implied figure for the UK might be around £1.6 billion per year.