

The Rt. Honourable Theresa May, MP
Prime Minister
Office of the Prime Minister
10 Downing Street
London SW1A 2AA
United Kingdom

Vienna, 1 October 2018

Subject: 'Plan B' proposal for trade oriented post Brexit EU:UK relations

Dear Prime Minister,

Discussions on the terms of the UK withdrawal from the EU have reached a critical phase. EUROCHAMBRES' clear message to all concerned is that an orderly withdrawal must be ensured and the integrity of the single market's four freedoms respected. A 'no deal' scenario would be detrimental to businesses and the wider economy across Europe in very real, direct and tangible ways. On a more geopolitical level, it would also convey entirely the wrong message about Europe's commitment to a constructive trade agenda at a time when other economies are lurching towards protectionism.

We do not doubt the willingness of either party to ensure an orderly Brexit and transition phase until the end of 2020, or their dedication to the task. However, given the political approval processes needed both at EU level and in the UK, every day now counts. This challenge is not insurmountable if both parties avoid a damaging blame game and adopt a constructive, pragmatic approach.

I would also like to share with you some personal views on future relations. These are provided from my perspective as an entrepreneur, who – as President of the association of European Chambers of Commerce and Industry – recognises the need to ensure trade oriented, business friendly conditions that will allow commercial relations between the UK and the EU to remain strong.

I am pleased to set out below my 'Plan B' proposal for future EU:UK relations. I do not deny that it crosses red lines drawn by both the EU and the UK, but – as with any negotiation - we must blur such lines if we are to stand any chance of reaching an agreement.

This proposal in my view largely respects the UK objective of regaining political sovereignty. At the same time, it avoids the enormous economic damage that a 'hard Brexit' would incur, costing billions to all those involved and impacting widely in terms of jobs and business closures. The only growth industry in this scenario would be administration, with an estimated 10,000 new customs officials required and a huge increase in the red tape that the UK has so commendably fought against at European level for decades.

My Plan B is in fact very simple.

The UK should re-join the Single Market and enter into a customs union with the EU. In parallel, the EU should allow a multiannual period of transition in relation to the free movement of people.

Yes, this would oblige the UK to comply with a range of EU legislation and to recognise the supremacy of the European Court of Justice. Yes, it would also mean that the UK remains directly linked to the EU's external trade policy, but I do not consider this disadvantageous given the additional leverage it offers in relation to third countries.

In the current political and highly politicised context, this proposal may seem a major compromise for both parties. However, when seen from a more objective perspective, the economic advantages are undeniable:

- All possibility of tariffs on goods between the EU and UK would be avoided. It would also allow the continuation of common external tariffs and thus avoid the complexity of applying rules of origin requirements between the UK and the EU.
- Many new non-tariff barriers would also be circumvented, not just in the field of goods, but also in relation to capital and services, such key sectors for the UK and increasingly interwoven with the provision of products in many economic activities.
- Various other potential problems linked to UK withdrawal from the EU would be resolved, most tangibly in relation to the border with Ireland and the status of Gibraltar.

Finally, I turn to the issue of migration. This was seemingly a key factor in the outcome of the 2016 UK referendum on EU membership. Here, further compromise is required. EUROCHAMBRES fully supports the EU's insistence on the integrity of the single market and the indivisibility of the four freedoms. However, it is worth recalling that most member states triggered the option of restrictions on the right to work for citizens from the eight Central and Eastern European countries that acceded to the EU in 2004. The UK did not. My proposal is that, upon agreeing to re-join the single market (assuming withdrawal from the EU on 29 March 2019), the UK could trigger a similar transition period to phase back in free movement for citizens from other EU member states. As with the 2004 enlargement, this transition period might last for seven years or so.

This migration transition period is the most innovative element of my Plan B, but I believe that the unprecedented process of negotiating future relations with an outgoing member of the EU requires innovative solutions.

I have visited the UK many times and have numerous contacts with the British business community and with British citizens. I believe that, in the cold light of day and based on an objective assessment of the political and economic pros and cons, my Plan B represents a viable and mutually acceptable alternative. I also believe that the citizens of the United Kingdom would recognise it as a sensible compromise that combines the desire to acquire greater political sovereignty with the need to maintain strong economic ties with the EU.

I would welcome your careful consideration of this proposal and your reactions. I would be very happy to meet you at your convenience to discuss its elements. While I regret the UK's impending departure from the EU, I consider that it is my duty as President of EUROCHAMBRES to contribute in any way possible to achieving a mutually acceptable and trade oriented outcome.

Yours sincerely,

Christoph Leitl