



10 DOWNING STREET
LONDON SW1A 2AA

FULL CABINET - EYES ONLY COMMUNICATION

29th June, 2018

Right Honourable Colleagues and Friends,

I write with a sense of urgency following my meeting with the leaders of the European Union 27 countries yesterday evening. It was made extremely clear to me that the Article 50 negotiations have not made, what was termed as, 'Sufficient Progress' in order to develop our nations future arrangements with the European Union following our exit.

The EU-27 have been making, and continue to make, solid progress in their preparations for the departure of the United Kingdom from the EU with no prospect of future arrangements. In line with my Lancaster House speech where I announced the invocation of Article 50 of the Treaty of Lisbon and that the UK would be leaving the European Union on 29th March 2019, the current expectations from their side in the negotiations is that the UK will no longer be a Member State of the EU and as an effect of this under Article 218(3) all our membership and access to the Treaties shall cease.

As we all know, this sharp exit at 11pm UK time on 29th March next year will have extreme consequences for the United Kingdom. As I have said before, I do not believe that it is in the best interests of the people of our country nor the best interests of our economy which is why I have been trying to negotiate a transitional arrangement for a period after our departure. This option no longer is available, and we find ourselves unprepared for what approaches in nine months' time.

I have had multiple serious communications from business at various stages since 2017 and you saw the letter of comfort that we issued to Nissan Corporation to maintain their presence in the UK. I was informed that they have ceased new investment in the United Kingdom but have also seen evidence of significant spending freezes in other sectors outside of the automotive sector. Since June 23rd, 2016 we have seen a swing away from the United Kingdom of over £300 billion of Foreign Direct Investment which in turn equates to a £30 billion loss of taxes, both corporate and personal, to HM Treasury.

When we balance these losses to HM Treasury with the initial £29 billion that Philip set aside for Brexit costs as Chancellor last year and add our legal obligations of a further £39 billion in the Financial Settlement with the EU the effects of the vote to leave the European Union are already being felt and the Budget in the Autumn will show some very difficult choices have been made. From a purely financial perspective it would have been far more cost effective to have remained in the European Union.

It has become increasingly clear that since the real effects of leaving the European Union are being felt across the United Kingdom and our lack of preparedness for our departure that the People of the United Kingdom are changing their minds. While we, within Cabinet and the Brexit War Committee have

disputes, we must come to a consensus about how we move forward while at the same time ensuring that we preserve our individual positions in the Brexit debate.

The Chinese have a saying for losing one's dignity before others 'tiu lien', simply translated into 'to lose face' and I intend that none of you within my Government have this issue publicly. Therefore, the following proposal should be a method of our protecting the People of the United Kingdom that we serve, protecting our economy, and maintaining a way out for both those in Cabinet who wish to leave the European Union and those that wish to Remain.

I appreciate that feelings run high on both sides of this debate, but from a political perspective if we want to maintain a Conservative Government in this country, and we all agree on this point, we have to find a way to evade the effects of the decision of the People to leave the European Union. We have to do this in a way that enables is not to 'tiu lien' and protect our reputations and careers.

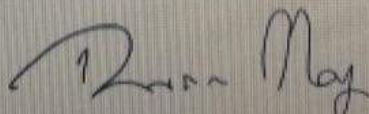
It is with the above in mind that I will propose at the next full Cabinet meeting on 5th July 2018 that I aim to announce a referendum on the terms offered to the United Kingdom by the European Union in October this year. When we entered the Article 50 negotiations we were convinced that we would be negotiating as an equal partner with the EU and what we have found out is that the EU-27 are standing firm by the Treaties of the European Union and their international obligations with the European Free Trade Association and other international agreements around the world. As a result, we have to simply look at the set of rules and decide where we fit and there is no prospective solution whereby we can protect our economy sufficiently to win another General Election on 5th May 2022.

All the polling data, both publicly available and internal polling, shows that the likelihood is that if we hold a referendum on our Withdrawal Agreement terms that the People will vote to reject it and vote to remain in the EU.

By holding this kind of referendum with an option to remain in the EU under previous terms the people will give us the mandate that we need. Those of us who have spent their careers trying to convince others to leave the EU without knowing what the consequences would be can save face since if we remain they can continue to claim that the UK would have been more successful had we left while at the same time not having to admit that the consequences were worse than previously thought – the people will have spoken. Those of us that wish to remain in the EU would have the benefit of also protecting their seats for the next General Election.

I believe that this is the way forward and that we would be able to obtain cross party support in the House for a peoples vote on the terms of the Withdrawal Bill. Stopping our withdrawal from the European Union would be of indescribable benefit to all our country and more specifically to us individually as Members of Parliament, as a collective as Government Ministers, as the Party of Business. This can be achieved without losing face.

In closing I would remind my Right Honourable friends that the consequences of the Withdrawal Act and immediate exit from the EU on 29th March 2019 will mean our access to the Treaties cease at 11pm on that day. From March 30th our National Emergency Planning will have to be activated at ports, airports, border crossings, and land transportation. There may be some adverse effect from some of the people that voted to leave on 23rd June 2016 but our nation will be in a far more adverse situation if we cannot escape this predicament as Labour would likely be in Government on 6th May 2022.



Theresa May
Prime Minister