

EU Referendum – responding to the Brexiteers

Summary

The Brexiteers wildly underestimate the costs of the UK leaving the EU. If we vote to do so, I believe we would put the health of our economy at risk; commit the whole basis of our trade with the EU to a prolonged and damaging period of uncertainty; lose the UK's ability to shape – or veto – EU rules, regs and policies affecting our vital trade and foreign policy interests; enrage our most important international partners; imperil our national security; undermine the confidence of our creditors at a time of major deficit; provoke further falls in both sterling and business investment from within and outside the UK; seriously weaken the stability of the EU at a critical juncture; launch the UK into the unknown without friends at a time of desperate international challenges; and delight President Putin.

Being a member of the global community today will always involve a pooling of common interests. And in the EU the UK gets a favourable associate deal because we have negotiated opt-outs from the euro, Schengen, 'ever closer union', the working time directive, a refugee quota and much else.

Of course Europe is cumbersome and inefficient in so many ways. But the answer to that is reform, not divorce. Once we have declared our commitment to our membership of the EU by voting to remain, the UK will surely be in a far stronger position to demand reform (which we know would have the backing of many other member states).

Here are 8 of the arguments most commonly put forward by the Brexiteers.

1. Sovereignty

Brexiteers: We need to recover our Sovereignty that has been ceded to unelected bureaucrats in Brussels over whom we have no control.

No country can simply go from non-sovereign to sovereign by pulling up an imaginary drawbridge to resuscitate a form of idealised parliamentary sovereignty on its own. This is simply a false choice: in an increasingly interdependent world, countries must opt, not between pure sovereignty and the pooled sort, but between the pooled sort and isolation. In today's world, we are all part of one another and real sovereignty will always be relative.

The Brexit mantra of "Regaining control over our own destiny" is an illusion. There is no strength in isolation and no power without allies.

Norway and Switzerland are certainly more "sovereign" than Britain. But in practice their economies and societies are so intertwined with those of their neighbours that they must subject themselves to rules over which they have no say.

If sovereignty is "the absence of mutual interference", which paraphrases the aim of many leading Brexiteers, then the most truly sovereign country in the world is North Korea.

2. Rules & Regulations.

Brexiters: The EU's rules & regulations imposed by unelected bureaucrats in Brussels, are stifling the UK and we must free ourselves from them.

Euroscptics paint an idealised picture of Britain outside the EU, set free from social, environmental and employment regulation from Brussels.

But Rules & Regs are part of life in the 21st century. They cannot be wished away. A country that refuses to pool authority is one that has no control over setting the rules that regulate such everyday things as: Food Standards, Product Safety, the cleanliness of our seas, the pollution drifting over our borders, standards of financial regulation the consumer and trade norms to which its exporters and importers are bound, completion of the Single Market – and so much more.

Outside the EU we would have no say in formulating, changing or controlling any of these. We live in a globalised world and must acknowledge that many laws have international reach whether we like it or not.

According to the Economist, if we left the EU and wished to continue trading with the Single Market, 93 of the top 100 EU rules & regs we have to observe today as an EU member would still remain in force for a UK outside the EU.

In fact by far the greater number of the regulations we observe in daily life are "home made" (e.g. the National Living Wage, the Apprenticeship Levy and so much more). Interference in the free market by official rules & regs generated by the UK Govt is greater than all EU's rules and regs put together

An OECD study in 2015 showed the UK to be among the least regulated modern economies, far less than US, Canada and Australia.

This "Rules & Regs" issue is tightly linked to Sovereignty. Britain is subject to some 700 international treaties involving multi-lateral submissions to multilateral compromises, such as:

- the UN
- the WTO,
- NATO,
- the COP climate talks,
- the IMF,
- the World Bank,
- nuclear test ban treaties
- and accords on energy, water, maritime law and air traffic.

All of these similarly 'infringe' the UK's self-determination, for we can be outvoted in all of them just as we can be in Brussels. They all require Britain to tolerate the sort of trade-offs that give us influence in exchange for standardisation, laws and rules set mostly by foreigners not elected by Britons. Yet we submit to all of these knowing that, as with the EU, we are free to leave whenever we want — but at a price we do not consider worth paying.

3. The Economy

Brexiteers: If we leave the EU our economy will prosper by being freed from the European shackles that currently bind us. “Leaps in the dark” have worked well for the UK in the past and will do so again if we have the courage.

The LSE's independently funded Centre for Economic Performance has estimated that Brexit would lead to a long-term fall in the UK's GDP of 1.3 – 2.6% - and if reduced trade led to a reduced productivity trend, the drop could be amplified to between 6.3 - 9.5%.

HM Treasury, the IMF and every investment bank in London has delivered its own analysis of what a British exit would mean for the UK economy: and almost without exception, they paint a gloomy picture.

On the other hand there is not one single reputable study that shows that leaving the EU would be favourable to the UK economy in the short, medium or long-term.

Most expect the inevitable combination of political instability and uncertainty to trigger a steep slide in sterling (Goldman Sachs forecasts a fall of up to 20 per cent). A sterling slide of this magnitude would put upward pressure on inflation, the UK would be downgraded by the rating agencies, and the confidence of foreign investors upon whom the UK relies to fund its giant trade deficit would be undermined.

The result could well be:

- higher borrowing costs for the government and private sector.
- the Bank of England could be forced to raise rates sooner than expected, even as the economy was deteriorating.
- the shock of Brexit could drive the UK economy back into recession, even this year (“a view privately shared by senior Treasury officials” – The Economist).

4. Cost

Brexiteers: We pay far more into the EU than we get out of it. Our EU levy is greater than all the £££ saved by “Austerity”. If we stop paying Brussels we can put an end to Austerity and devote the levy to funding school, hospitals and infrastructure in the UK.

It is wrong to say that we pay “far more” into the EU than we get out of it”. In 2015 we paid in **£17.8bn.** and received back **£11.2bn** (made up of the Thatcher rebate, regional & agricultural subsidies, research grants to companies, infrastructure projects and international aid from EU which includes part of the UK's international aid commitment of 0.7% of our national income). So the UK's *net* outlay is in fact £17.8 minus £(11.2) = **£6.6bn.** This deficit is:

- less than 1/3 of the deficit claimed by the Brexiteers
- just 0.8% of the size of our economy (incl. Govt spending) of £750bn

This is a small price to pay for access to the a Single Market of 500M people and the many other benefits of membership

5. Trade

Brexiteers: If we left the EU we would be able to retain full access to the markets of the EU while striking much more favourable free trade deals with everyone around the world.

(a) Trading with Europe

Membership of the EU has been a huge benefit to the UK's trade (up over 50% since 1975). On our own we'd lose the benefits of being members of the world's biggest trading bloc.

EU member states will be determined to prevent the contagion of disintegration among its member states resulting from a Brexit: so they will never make it easy for us to leave and will exact tough terms from us in prolonged negotiations. As President Hollande said, "there will be consequences".

We should not assume that we are such a huge market for them that it would be in their best interests to strike a deal favourable to us quickly. The EU takes 44% of our exports; but the UK takes merely 10% of theirs. They hold all the cards – and will not congratulate us on our decision to desert them.

So it is extremely unlikely that the UK will be able to retain access to the EU single market without protracted and difficult negotiations. UK exporters wouldn't find out the rules of the game for years.

For exporters, the free transit of UK goods across Europe would be replaced by the nightmare of multiple forms & admin costs in transiting across numerous frontiers and jurisdictions with all the economic and business uncertainty that will entail.

No Brexiteer has been able to say which of four possible trade scenarios would replace our EU membership, i.e.:

(a). ***Join the EEA*** (Norway, Iceland & Liechtenstein). They have full EU access in goods and services without any CAP or Fisheries constraints.

BUT

- they must abide by all the trade rules,
- they must accept Schengen's open frontiers
- they must make a huge budgetary contribution to the EU (Norway's per capita contribution is at 90% of the UK's)

and they have no say whatever in the way those rules are administered and develop.

(b). ***The Swiss Model***. In Switzerland's deal, the EU allows them:

- only partial access to the Single Market (financial services not included)
- no say over the application or development of the rules & regs

AND

- they must make a major budgetary contribution to the EU

- they must accept Schengen (free movement of people).

And Switzerland's financial services industry is excluded from their agreement on single market access.

(c). *Apply WTO rules* like everyone else. But EU tariffs are significant (10% on cars, 11% on clothing, 15% on food) and unavoidable, while services are outside WTO rules.

(d). A *special UK-EU trade deal*. See above. This would take many years of trade and economic uncertainty to negotiate (Canada's trade agreement with the EU – cited by Boris Johnson as a 'model' for the UK – has so far taken 7 years to negotiate and is still not signed).

Brexiters are quite wrong to suggest that our market is so important to Europe's member states that they would wish to see a new trade deal in place on favourable terms and quickly. They would be unforgiving if we turned our backs on them. As the Canada experience shows, negotiations would be complicated, time-consuming and tough,

Whichever of these relationship we choose, if we were outside the EU we would still have no say whatever in making, changing or proposing the subsequent rules under which we would operate with them, we would have to continue to make significant budgetary contributions and we would have to accept open frontiers.

Furthermore any EU-UK deal would have to be ratified by 27 separate countries, each with separate agendas for favoured industries or interest groups, as well as by the European Parliament. All complex, potentially acrimonious and very time-consuming.

Thus Brexit would be followed by several years of deep uncertainty, affecting economic and business confidence to the detriment of our national prosperity and highly discouraging to foreign direct investment into the UK.

(b) Trading with the wider world

It is quite unrealistic to think that China or India would give us more favourable trade deals on our own than as part of a trading and negotiating bloc of 500 million people.

Brexiters are also wrong to suggest that EU membership is a barrier to doing favourable trade deals with the rest of the world: negotiating as a member of a trading bloc of 500 million is far more powerful than we ever could be alone. Germany for example exports to China, India are **three times more** than the UK's.

Also a "Transatlantic Trade & Investment" (TTIP) deal is currently being negotiated between the EU and the USA. This will "set the standards or a huge chunk of world trade in the future, and we wouldn't be part of it" (The Economist). Outside the EU, the UK would not be part of that.

6. Migration

Brexiters: If we leave the EU we would regain control of our frontiers, reduce migration from the EU and increase our security. Leaving the EU would insulate Britain from the movement of people around the world

There are four separate but interconnected migration issues:

1. Free movement of labour within the EU
2. Visa-free travel - Schengen
3. Refugees and asylum
4. Undocumented migration

Free movement of labour within the EU: Brexit would require a negotiation in which terms of access to the single market would be made conditional on accepting the free movement of labour. Any attempt to restrict the free movement of labour would likely result in:

- Less favourable access to the single market
- Less favourable conditions for UK nationals living in the EU
- Fewer jobs for UK nationals in EU institutions

Visa-free travel – Schengen: Schengen is a visa-free travel zone including most EU members, but not the UK. There are no border controls within the Schengen area, except in an emergency. Countries outside the EU wishing to have access to the single market (Norway, Switzerland) have been obliged to join Schengen. If the UK tries to negotiate access to the Single Market post-Brexit, it will face the same problems as with the free movement of labour, above. Wolfgang Schauble, the German Finance Minister, said this month “Norway and Switzerland have had to sign up to Schengen to obtain access to the EU Single Market. The UK would have to do so too”.

Refugees and asylum: The UK is a party to the 1951 Convention and the 1967 Protocol on the Status of Refugees. This would not be affected by Brexit.

Undocumented migration: Unlike Italy and Greece, for example, the UK is not a prime destination for undocumented migration by land or sea. Access by air is difficult. However, migrants arriving in Italy or Greece attempt to reach the UK through Calais, leading to the appalling situation there. That these scenes are not played out in Dover is due to a bilateral agreement with France, negotiated in 1991 between two members of the EU, to move the UK border controls to Calais. In the event of Brexit, both the French Economic Minister and the Mayor of Calais have said “If Britain leaves the EU, all bets are off regarding the UK frontier continuing to be in Calais”. In that case, the French could seek additional concessions or payments from the UK as the price of continuing the agreement.

Note too that the economic benefits of immigration into the UK comfortably exceed the net cost since EU migration contributes massively to the UK’s flexible labour market. While non-EU migration would be unaffected by Brexit, any limits to EU migration would make it harder for businesses to find the skilled workers it needs; gaps in the job market would soon open up. Economically we would lose out.

7. Security:

Brexiteers: Leaving the EU would insulate Britain from the movement of people around the world and we'd be less open to Paris-style terrorism (IDS)

The EU is a significant part of the West's foreign and security structure alongside NATO. For all its flaws, the EU is a bulwark for a vital principle of international security, namely that a ruler cannot threaten and dismember a sovereign state through subversion or aggression. Milosevic's case shows how easily this can happen again within our own frontiers. It would be a triumph for Putin if British diplomacy and influence became unhinged from the EU's.

We live today in a world plagued with more uncertainties than most of us have known in our lifetimes. These are desperately dangerous days and we need more than ever to be part of the EU's security role in confronting the dangers that face us, especially the network of ISIS: "it takes a network to defeat a network" and Europol is Europe's network (access to databases, watchlists, passenger details, the European arrest warrant etc).

Our EU membership is a positive decision to build a stronger unit with which to confront the difficulties ahead. We need to intensify, not reduce, our cooperation with our EU partners; this is not the time to turn our back on them. The threat is a collective one which we shall tackle best by working together. The EU provides an extra layer to our own border controls. Remaining inside the EU but outside Schengen area gives us the right balance of security.

At the moment our defence and security rests on NATO, not on the EU, but the EU adds to that security...The EU can do things that NATO cannot. "It is through the EU that we exchange criminal records and passenger records and work together on counter-terrorism...We need the collective weight of the EU when dealing with Russian aggression or the terrorism of ISIS. It is vital that we are part of these big partnerships".

Brexit would also have heavily adverse implications for:

- the Anglo-Irish Treaty since border controls would have to be re-introduced between North and South and free trading access between the UK and Ireland would be in doubt.
- The integrity of the UK, since the Scots would insist on another referendum on Scottish independence
- Gibraltar, since the Spanish have said that they would vigorously renew their claim to the Rock.

6. Stability

Brexiteers: Brexit would have no impact on the stability of the EU.

Every economic and political problem today relies on cooperation between nations and a Brexit could set in motion an implosion of the EU – and therefore of the Euro.

This issue is far more than one of trade and investment. The economic consequences for the UK "pale into insignificance" besides the biggest risk that might arise from Brexit: that of a wider collapse of the EU itself. That is not beyond the realms of

possibility. The EU is already struggling to forge common responses to its multiple economic and migration challenges in the face of mounting nationalism across the continent. Eurosceptics everywhere are watching our referendum closely: if the UK were to walk away, those nationalist pressures could become impossible to contain.

So Brexit would significantly weaken the EU – and if it did, the Euro could be the ultimate casualty, leading to a potential economic crisis on a world scale at a time when the EU is faced today by a perfect storm of crises, including:

- migration
- Syria
- Ukraine
- the growing menace from Russia in central and eastern Europe
- instability in the Mediterranean neighbourhood
- the eurozone debt crisis
- and rising political instability across the EU.

In this context, the EU would see Brexit as a self-inflicted wound by a prime minister who has gambled Europe's stability for internal party reasons on a single question on a single day, in the context of events over which he has no control. Should he fail to win the referendum, it will be hard to prevent that frustration spilling over into outright bitterness that, as President Hollande has said, 'will undoubtedly have consequences'".