Vote Leave, lose control

Leaving Europe means Britain losing control over our economic affairs

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Contents

Introduction

For centuries Britain has been a powerful trading nation with a dynamic economy at the centre of world affairs. That is what we want to remain, and that is what is at risk.

Leave campaigners argue that Britain can have an alternative relationship with Europe that simultaneously abandons the EU, ends free movement of people, ends EU budget contributions entirely and repatriates control over all regulations, while retaining full access to the European single market.

This is a deception. Britain can either continue to benefit from being part of the world's largest trading bloc, influencing rules so they work in our favour - or be on the outside looking in when decisions are made that affect our economy and our future. We cannot have it both ways.

Each of the alternative models to full EU membership that have been put forward by leave campaigners would weaken Britain's power over our own economic affairs and therefore represent a loss of control.

- The 'Norway model' would remove Britain's influence over rules we would be forced to adhere to, including free movement, while still paying in to the EU budget.

- The 'Switzerland model' would provide only partial access to the single market, excluding financial services, while still paying in to the EU budget and applying EU rules, again including free movement.

- The 'Turkey model' would offer access to the single market in goods only and would force Britain to follow EU trade policy, including permitting access to our own market by third countries without reciprocal access, while also accepting rules and regulations with no power to influence them.

- A free trade agreement would lead to an inferior trading arrangement than we currently enjoy and would lessen our clout in global trade negotiations – and there is not even a guarantee one could be negotiated.

- Without any of the above options, Britain would be left with a World Trade Organisation (WTO) relationship with the EU, which would subject UK-EU trade to new tariffs and increase costs for businesses and consumers.

Each of these would make us weaker: we would pay without a say, become rule takers not rule makers and remove ourselves from important negotiations both within the EU and with other nations.

Following any of these paths would damage our economy. We would pay a big price for being on the outside of the EU.

We cannot, however, be certain of the scale of the damage to growth, trade, investment, jobs, prices and wages, as this can only be assessed when the leave campaigns specify which alternative they actually propose. They are reluctant to do this, knowing that any of the alternatives would be hard to negotiate, would take many years to reach and in every instance would cost Britain dear.

Generalised assertions that Britain could prosper while standing alone from our largest trading partner are unacceptable in a debate of this magnitude.

The leave campaigns must give the British people clear, unequivocal answers to the following basic questions about the economic arrangement they believe Britain should follow outside the EU:

- Would Britain have full access to the single market, covering both goods and services?
- Would Britain adhere to free movement and European employment regulations?
- Is there an existing trading arrangement Britain would seek to emulate?
- Would Britain cease paying in to the EU budget completely and therefore make zero annual contribution?
- Under a free trade agreement, what terms would you campaign for and what evidence exists that this could be achieved?
- Which specific new free trade agreements would Britain sign with countries outside the EU, and by when, to give us equivalent benefits to the 50 EU agreements from which we currently benefit?

Britain Stronger In Europe is clear: all of the alternatives to membership are worse and the benefits gained by being in the EU outweigh the costs.

If the leave campaigns cannot be as open and outline their proposed alternative economic and trading arrangement for Britain outside the EU, people will conclude they are either concealing the truth or that they do not know. Either way, Britain would be weaker.

It is clearer than ever: if we vote leave, we lose control.

Leave campaigners' claims

Campaigners for Britain to leave the EU have cited a range of alternatives to EU membership that would not only weaken Britain, but are incompatible with their own claims that Britain can simultaneously abandon the EU, end free movement of people, end EU budget contributions entirely, repatriate control over employment regulations and retain full access to the European single market.

- Leave campaigners have consistently presented the EU's trading agreements with Norway, Switzerland and Turkey as viable alternatives to EU membership for the UK.

> "Single market access without 'political union' is secured under the EEA option."
> *Business for Britain, 'Change or Go', 2015, http://forbritain.org/cogwholebook.pdf*
>
> "Given that Norway's per capita GDP is considerably higher than ours, and that Norway manages to do far more trade with the EU from outside than we do from within, I can think of worse things than being "like Norway"."
> *Douglas Carswell, 2012, http://www.talkcarswell.com/home/after-the-eu/2478*
>
> "Norway exports 75% to EU member states without being a member of the EU...The Norwegians have no ties in foreign policy, their fishing industry, they are opted out and exempted from all the things that make the British mad."
> *Nigel Farage, 2009, https://www.youtube.com/watch?v=_Xz7S8eeFu4*
>
> "Our objective, when we leave the EU, should be to aim for a Swiss model, based on bilateral accords."
> *Daniel Hannan, 2012,*
> http://blogs.telegraph.co.uk/news/danielhannan/100194407/outside-the-eu-we-should-aim-to-copy-switzerland-not-norway/
>
> "As part of the EU's Customs Union, [Turkey] gets full access to the single market in goods (excluding agricultural products), but doesn't have to adopt European social and employment legislation or contribute to the EU budget. Were Britain to follow this model, it would have to negotiate the elements of the single market it wants access to."
> *Matthew Elliott, 2013, http://www.cityam.com/article/british-business-would-thrive-under-bespoke-new-deal-brussels*

- Leave campaigners have also proposed the 'WTO Option' and a Free Trade Agreement with the EU as alternatives.

> "We'd have more influence, not less. By regaining our seat on the WTO, which we gave up in 1973 on joining the EEC, we would have more say in global trade talks. We would also have a direct seat on numerous other international trade bodies that operate above the EU."
> *Richard Tice, 'Ignore Brexit scaremongers', 2015, http://www.cityam.com/212802/ignore-brexit-scaremongers-we-will-thrive-outside-eu-if-britain-embraces-free-trade*

"Once the UK leaves the EU, we, as a country, regain our ability to take back our vacant seat at the WTO and represent ourselves, negotiating our own trade agreements and advancing our own national trade interests. A first step would be to broker a bespoke UK-EU trade agreement, which we believe is desirable."
Ukip manifesto 2015

"We negotiate a new UK-EU deal based on free trade and friendly cooperation."
Vote Leave, http://www.voteleavetakecontrol.org/issues

- Meanwhile, the leave campaigns say that they want to repatriate contributions to the EU budget.

"We stop sending £350 million every week to Brussels and instead spend it on our priorities, like the NHS and science research."
Vote Leave website, http://www.voteleavetakecontrol.org/issues

"We should stop paying the EU."
Nigel Farage on Daily Politics, October 2014,
https://www.youtube.com/watch?v=HvErQLlrY3U

- The leave campaigns say that free movement of people needs to end.

"Britain can only control who comes in if we leave the EU."
Matthew Elliott, The Telegraph, 25 June 2015,
http://www.telegraph.co.uk/news/newstopics/eureferendum/11698869/Immigration-Britain-can-only-control-who-comes-in-if-we-leave-the-EU.html

"We can never control immigration while we continue to be members of the European Union."
UKIP Manifesto 2015,
https://d3n8a8pro7vhmx.cloudfront.net/ukipdev/pages/1103/attachments/original/1429295050/UKIPManifesto2015.pdf?1429295050

- The leave campaigns want to repatriate control over employment regulations, specifically the Working Time Directive.

"Outside the EU, the UK would be able to look at repealing provisions of the Working Time Directive (Directive 2003/88/EC) or amending it so that it does not apply within medical centres."
BfB Change or Go 2015, http://forbritain.org/cogwholebook.pdf

"We will scrap (...) the EU Working Time Directive which, by limiting working and training time to 48 hours in any one week, prevents medics learning essential new skills, putting patient care at risk."
UKIP Manifesto 2015,
https://d3n8a8pro7vhmx.cloudfront.net/ukipdev/pages/1103/attachments/original/1429295050/UKIPManifesto2015.pdf?1429295050

- And the leave campaigns say that they want to retain full single market access.

> "Outside the EU, the UK could retain access to the EU market via other initiatives"
> *BfB Change or Go 2015, http://forbritain.org/cogwholebook.pdf*
>
> "As a minimum, we will seek continued access on free-trade terms to the EU's single market. Our custom is valuable to the EU now and will continue to be so following Brexit."
> *UKIP Manifesto 2015*

This is a deception. Britain can either continue to benefit from being part of the world's largest trading bloc, influencing rules so they work in our favour - or be on the outside looking in when decisions are made that affect our economy and our future. We cannot have it both ways.

Leave campaigners must now outline clearly their proposed alternative economic and trading arrangement they believe Britain should follow outside the EU.

The 'Norway model'

Norway is a member of both the European Economic Area (EEA) and the European Free Trade Area (EFTA) alongside Lichtenstein and Iceland. Membership of the EEA and EFTA, known as the 'Norway model', is often cited by leave campaigners as an example for the UK to follow.

The Norway model in summary

- Full access to the single market
- Accept EU rules, including employment regulations, but have no say over them
- Pay in to the EU budget
- No solution to immigration concerns
- Loss of clout in global trade negotiations

What the 'Norway model' would mean for the UK

EEA countries accept EU rules, including employment regulations

- The EEA gives participating countries full access to the single market in exchange for accepting the four freedoms: goods, capital, services and people.

- The EU extends laws to EEA countries in areas such as employment, consumer protection, environmental policy and competition. The Norwegian Government itself has said: "Norway has incorporated approximately three-quarters of all EU legislative acts into Norwegian legislation".[i] Of the 100 costliest EU regulations, EEA countries implement 93.[ii]

- As the House of Commons Library puts it: "In practice, this means that the vast majority of the EU regulations identified as most burdensome to businesses, including the Working Time Directive, would still exist if the UK left the EU but remained a member of the EEA."[iii]

…but have no say over them

- Norway has no representation in EU institutions and only the right to be consulted on EU proposals affecting them. [iv]

- If the UK followed it would lose all its voting rights in the Council of the EU (including the right of veto over legislation requiring unanimity), it would lose its directly elected members of the European Parliament, its nominee to the European Commission and it would not participate in meetings of the European Council.

- The Norwegian Government has said that “the most problematic aspect of Norway’s form of association with the EU is the fact that Norway is in practice bound to adopt EU policies and rules on a broad range of issues without being a member and without voting rights”.[v]

EEA countries pay in to the EU budget

- EEA countries make annual financial contributions to the EU. Norway, although not a member, has to pay for its trading privileges with the EU and is the tenth largest financial contributor per head, according to the CBI,[vi] the UK being the ninth.[vii]

The EEA is no solution to immigration concerns

- EEA countries abide by free movement of people. This means that their citizens can live, work or study anywhere in the EU and equally EU citizens can exercise the same rights in EEA countries. Norway, Iceland and Liechtenstein also all participate in the Schengen Agreement (the EU’s passport-free zone) although they are not in the EU. The UK, by contrast, has opted out of Schengen.

- EEA countries have higher rates of immigration per head, including from EU countries, than the UK.[viii]

Trading outside the EU has its downsides

- EEA countries have the power to negotiate trade deals either on their own or through the European Free Trade Association (EFTA). However, trade agreements entered into by EFTA with third countries are weaker than the EU’s free trade agreements, reflecting the fact that the EU has far more political and economic clout than EFTA.[ix]

- These countries are not a part of the EU customs union. This means they lack clout in trade negotiations with the rest of the world. It also means that the EU has to go through customs controls to check that “goods from outside the EEA aren’t entering the EU through the back door.”[x]

- If it joined the EEA and EFTA, the UK could face a long period of uncertainty as it would not inherit the free trade agreements (FTAs) already negotiated by EFTA countries. These are agreed bilaterally between the current EFTA members and the countries concerned. New FTA negotiations could take as long as three to five years to negotiate.[xi]

How the 'Norway model' is viewed in Norway

- Senior Norwegian politicians have criticised their arrangement:

> "We have to implement all EU directives... we're not around the table when they're discussed in Brussels."
> *Borge Brende, Norway Foreign Minister, June 2015*
>
> "I don't believe that Great Britain, with its old empire mind-set should consider becoming a member of an organisation which basically means that laws and rules which are made in other countries are implemented directly."
> *Erna Solberg, Prime Minister of Norway, January 2014*
>
> "If you want to *run* Europe, you must be *in* Europe. If you want to be run *by* Europe, feel free to join Norway in the European Economic Area."
> *Nikolai Astrup, formerly the Europe spokesman for the Norwegian Conservative Party, 2013*

The 'Iceland model'

Iceland's relationship with the EU is often advocated by leave campaigners as a viable alternative to Britain's EU membership. Iceland, like Norway, is a member of both the European Economic Area (EEA) and the European Free Trade Area (EFTA) and therefore faces the same issues.

The Iceland model in summary

- Full access to the single market
- Accept EU rules but have no say over them – and support close co-operation over regulations
- Pay in to the EU budget
- No solution to immigration concerns
- Loss of clout in global trade negotiations

What the 'Iceland model' would mean for the UK

Iceland accepts EU rules, including employment regulations…

- As a member of the EEA, Iceland has full access to the single market in exchange for accepting the four freedoms: goods, capital, services and people. The EU extends laws to Iceland in areas such as employment, consumer protection, environmental policy and competition. According to the Icelandic Ministry of Foreign Affairs, the country aligns with EU statements on foreign policy in almost all cases.[xii]

…but has no say over them

- Iceland has no representation in EU institutions and only the right to be consulted on EU proposals affecting them.[xiii]

Iceland is increasing EU co-operation

- The Icelandic Government has made clear that it does not want to resume the accession process, but that it is intent on harmonising rules and regulations

> "One of the primary objectives of the EEA Agreement is harmonisation of the legislation of all parties to the Agreement so that individuals and enterprises enjoy the same rights anywhere in the internal market of the European Economic Area, which now comprises 31 states."
> *Icelandic Ministry of Foreign Affairs, June 2014, http://www.mfa.is/tasks/european-co-operation/*

- The Icelandic Government has said that it wants greater involvement in the EU legislative process

> "Thus the government reaffirms the importance for Iceland of participating earlier in the shaping of EU legislation and for the authorities to use to the maximum all opportunities to present their viewpoints, safeguard the country's interests and achieve understanding for Iceland's specificities."
> *Icelandic Ministry of Foreign Affairs, June 2014, http://www.mfa.is/tasks/european-co-operation/*

EEA countries pay in to the EU budget

- EEA countries make annual financial contributions to the EU. In 2013-14, Iceland contributed 3% of the EEA grants budget of €993.5m, which is €29.8m. [xiv]

The EEA is no solution to immigration concerns

- Iceland abides by free movement of people and is a member of the Schengen Agreement. The UK, by contrast, has opted out of Schengen. EEA countries have higher rates of immigration per head, including from EU countries, than the UK.[xv]

The 'Swiss model'

Switzerland is a member of the European Free Trade Association (EFTA), along with Norway, Iceland and Liechtenstein. Unlike those countries, however, Switzerland is not a member of the European Economic Area (EEA), meaning it is not part of the single market. Since concluding a free trade agreement with the EU in 1972, Switzerland has negotiated partial access to the single market through the bilateral treaties.

The 'Swiss model' in summary

- Partial access to the single market, excluding services
- A long and uncertain process of negotiation
- Abide by EU rules, including employment regulations, without any say over them
- Pay in to the EU budget
- No solution to immigration concerns, and Switzerland cannot alter free movement arrangements
- Unlikely to be extended to another country

What the 'Swiss model' would mean for the UK

Partial access to the single market, excluding services

- Although Switzerland has access to the single market in goods, it does not in services, which make up 78% of the UK economy and are the only sector in which Britain has a trade surplus. There is no access in financial services and Swiss firms "face licensing and other barriers in many Member States if they wish to conduct cross-border business."[xvi] It would be hugely damaging to the UK financial services industry if this were replicated in the UK.

- A 2013 City of London report notes that roughly 40% of Swiss financial services legislation is based on that of the EU. An attempt to reach a Swiss-EU agreement on financial services failed in 2003.[xvii]

- Any agreement that did not cover the whole of the single market could impact UK jobs and growth. According to a study conducted by Deloitte and London First, "40% of the world's largest 250 companies choose London for their European or global headquarters, with almost half citing access to Europe as the core reason for investing."[xviii]

- A 2014 submission to the Treasury's Balance of Competences Review by the International Regulatory Strategy Group (IRSG) noted that "a large majority of business leaders support the UK's membership of the EU and believe that access to the single market is essential for the UK's economic competitiveness."[xix]

A long and uncertain process of negotiation

- Swiss access to the single market comes in the form of around 120 bilateral agreements between the EU and Switzerland. Negotiations some took up to nine years to complete, showing the level of uncertainty that could arise if this path was followed.[xx]

Abiding by EU rules and regulations without any say over them

- Switzerland abides by free movement, which, according to the House of Commons Library, "means that it must introduce equivalent employment legislation to that in operation throughout the EU, including the Working Times Directive."[xxi]

- Switzerland like the EEA countries, obeys EU standards on its exported goods. However, it has no control over these regulations and, unlike the EEA countries, does not have access to working parties that design legislation.[xxii]

- According to the CBI, Switzerland "autonomously introduces" very similar legislation to that passed by the EU in order to prevent barriers to its exports.[xxiii]

Paying in to the EU budget

- Switzerland pays in to the EU budget, even for its limited access to EU markets. Since 2008, it has spent 1.302bn Swiss francs (£860bn) on projects in Eastern European countries. It also pays in to access EU programmes such as Erasmus and Horizon 2020, but does not control how these programmes are designed or run.[xxiv] Swiss contributions amount to £53 per head[xxv] (compared to the UK's per person contribution of £140).[xxvi]

Accepting free movement of people - Switzerland cannot alter free movement arrangements

- Switzerland cannot restrict migration from the EU. It voted to do so in a referendum in 2014, but the EU has said it cannot accept any compromise on its core principle that European citizens have the right to free movement.[xxvii]

Unlikely to be extended to another country

- The EU does not consider the Swiss arrangement to be viable on a continuing basis. In 2010, the Council of the EU stated:

> *"...the approach taken by Switzerland to participate in EU policies and programmes through sectoral agreements in more and more areas in the absence of any horizontal institutional framework, has reached its limits and needs to be reconsidered...In the light of the high level of integration of Switzerland with the EU, any further extension of this system would in addition bear the risk of undermining the EU's relations with the EEA/ EFTA partners."*[xxviii]

- The Centre for European Reform has said that "the EU-Swiss bilateral relationship is not a template that the EU wants to offer others."[xxix] And Clifford Chance has said: "it is therefore unlikely that the EU would be willing for a country much larger than Switzerland to enter into what it already considers to be a flawed arrangement."[xxx]

The 'Turkey model'

Turkey is a member of the EU's Customs Union. Customs Union countries operate under a common trade policy, common rules of origin and a common external tariff. The agreement does not cover services or agriculture.

The 'Turkey model' in summary

- No EU budget contributions and opt-outs from employment regulations and free movement
- Partial access to the single market, as its agreement excludes services
- Accept EU rules and regulations, without any say over them
- Trade policy is outsourced to the EU

What the 'Turkey model' would mean for the UK

Partial access to the single market

- The agreement does not cover services or finance, which make up 78% of the UK economy. The UK would lose its current right to provide services, including financial services, on equal terms with EU members.

Accepting EU rules and regulations, without any say over them

- The UK would need to abide by numerous aspects of EU law, namely: state aid and competition laws; the common commercial policy; the common external tariff; common EU rules for imports; the EU procedure for administering quantitative quotas; EU protective measures against dumped and subsidised imports; common rules for exports; and common rules for export credits.[xxxi]

- Despite having to abide by these rules, Turkey does not have power or influence in the EU decision-making bodies where these rules are designed. The CBI concludes "this lack of influence would be negative for the UK."[xxxii]

Trade policy is outsourced to the EU

- Turkey is at a disadvantage because it effectively outsources its international trade policy to an organisation of which it is not a member. It has no vote or say over the trade deals the EU pursues and so cannot ensure they align with its interests. The CBI has said that, if Britain went down the Turkish route: "We would have to allow access to our market for any country with a trade deal with the EU, but not necessarily have access to their market in return. The UK would have no influence over EU rules and trade deals and become a silent partner."[xxxiii]

Free Trade Agreement

Leave campaigners have asserted that on leaving the UK would negotiate a "free trade agreement" with the rest of the EU, allowing for tariff-free trade. This is vague, but leave campaigners sometimes point to the agreement between the EU and Canada as an example of what could be achieved. The UK would not be a member of EFTA and would not, either wholly or partially, be part of the single market.

FTA model summary

- There is no guarantee a new FTA could be negotiated, or how long it would take
- Any agreement would be made largely on the EU's terms
- The terms would be inferior to our current trading relationship as we would not be part of the single market
- The UK would still need to comply with Brussels regulations
- The UK would cease to benefit from being a signatory to the free trade agreements negotiated by the EU and would lose clout in global trade negotiations

What the FTA model would mean for the UK

There is no guarantee a new FTA could be negotiated, or how long it would take

- There is no guarantee that a good free trade agreement would be concluded, or how long it would take to agree.

- A UK-EU FTA would be more complex and take longer than other agreements the EU has made with other countries since it would involve undoing market integration in order to exit the single market, followed by negotiations for re-entry in to the European market, to a lesser degree than we currently have.

- The process is long and complex. The European Commission would seek a negotiating mandate from the Council. Once negotiations were completed, the Council and European Parliament would formally agree the conclusions. Depending on the depth of integration posed by the agreement, it may have to be ratified by each Member State's Parliament.[xxxiv]

- As an example of how long the process could take, the EU free trade agreement with Canada (CETA) took five years and five months from the start of negotiations until the singing of the agreement.[xxxv] Ratification of the agreement is estimated to take another two years,[xxxvi] meaning that it will likely take over seven years to complete.

Any agreement would be made largely on the EU's terms

- It is worth considering that of all the goods we sell, 50% goes to the EU.[xxxvii] Of all the goods the EU sells, just 6% come to the UK.[xxxviii] UK exports to the EU represent 14% of UK GDP, whereas EU exports to the UK represent less than 3% of their GDP,[xxxix] and whereas EU GDP is 16.9% of global GDP, UK GDP is 2.3%.

The terms would be inferior to our current trading relationship

- Free trade agreements are not as comprehensive as the membership of the single market which we currently enjoy, which covers all sectors of the economy and eliminates non-tariff barriers to trade, such as differing national regulations. The EU-Canada trade agreement does not give Canada full access to services.[xl] Similarly, the agreement between the EU and South Korea does not harmonise product standards in key sectors such as food and drink, aerospace and machinery, does not provide full access to financial services and keeps tariffs in place on important agricultural products.[xli]

- British businesses who wanted to sell their products in to the EU would still have to adhere to European product standards and regulations. Outside the EU, however, Britain would have no influence over the rules determining these standards.

- There would still be a democratic deficit, as the CBI has suggested: "Removing non-tariff barriers would require compliance with EU regulation imposed from Brussels without Britain playing a role in its formation."[xlii]

The UK would cease to benefit from being a signatory to the free trade agreements negotiated by the EU

- By being a member of the EU, the UK is a signatory to free trade agreements with over 50 countries, including substantial economies like South Korea, South Africa and Mexico. The UK Government has assessed that these agreements contribute £20bn to UK GDP.[xliii] Furthermore, the UK Government has estimated that EU FTAs with Canada and, when they are finalised, the US and japan will bring an annual combined additional value to UK GDP of £16.3 billion.[xliv]

- Were it to leave the EU, the UK would have to negotiate market access with countries with the 50+ countries with whom the EU has an FTA. There is no way of knowing how long this might take or what steps these countries might take to protect their industries from British competition.

- Further, the UK would have to negotiate new global trade deals alone. As a country of 65 million people rather than a bloc of 500 million, the UK would have a weaker hand negotiating alone than it does as part of the EU.

- A Clifford Chance report notes that “True, the UK would be free, outside the EU, to negotiate its own FTAs which might contain similar provisions; but this would depend on substantial diplomatic effort with reduced negotiating weight due to the fact that the UK would be offering access to a reduced market compared to that of the EU”.[xlv]

Swiss and Icelandic Free Trade Agreements with China

Switzerland and Iceland, both members of the European Free Trade Association, have recently negotiated Free Trade Agreements with China, which Leave campaigners point to as examples of what the UK could achieve outside the EU.

A closer look at the terms of the FTAs, however, reveals that Switzerland and Iceland, both lacking the clout of full access to the EU single market in their trade negotiations, have negotiated one-sided agreements, accepting inferior terms than those accepted by China. Both FTAs leave the smaller nation at a disadvantage.

Leave campaigners point to the Swiss and Icelandic deals as a reason to leave

- Leave campaigners repeatedly cite the Swiss and Icelandic deals as examples of what Britain can achieve outside the EU

> "The EU is not a free trade area but a customs union, and one which has spectacularly failed to deliver trade deals with rising economic giants like China. This is a damning failure: over the last few years, countries far smaller than the UK but, crucially, outside the EU (including Iceland and Switzerland) have been able to secure free trade agreements with Beijing."
> *Matthew Elliott, 'The true costs and benefits of staying in the EU – or leaving', 2015,* *http://www.telegraph.co.uk/news/politics/11686488/The-true-costs-and-benefits-of-staying-in-the-EU-or-leaving.html*
>
> "China's free trade agreements with Iceland & Switzerland came into effect today. Britain can't sign one while it's in the EU. #BetterOffOut"
> *Daniel Hannan 2014, https://twitter.com/danhannanmep/status/484082563024420864*
>
> "Switzerland is the best example of how this is just plainly wrong: outside of the EU, with an economy one quarter the size of the UK's, they consistently export more than four times what Britain manages per head of population. In 2013, China exported goods to the EU worth close to €280 billion. Nobody is saying they must join the EU to export, so why must we remain?[xlvi]"
> *Nigel Farage, 'It is 'bonkers' to stay in the European Union', 2015,* *http://www.telegraph.co.uk/news/politics/nigel-farage/11679048/Nigel-Farage-It-is-bonkers-to-stay-in-the-European-Union.html*

But the free trade agreements disadvantage the smaller nation

- While Iceland and Switzerland had to opt for an almost full reduction of tariffs, China excluded many product categories from a reduction and set a limit for lowering on others.

- Iceland and Switzerland both had to drop tariffs on Chinese imports from the day the agreements came into force, whereas China gradually phased out tariffs for exports to their market.

- Iceland and Switzerland lack clout in trade negotiations due to their relatively small population size and GDP. The Swiss population is 8m, and Swiss gross GDP is £448bn. Iceland's population is 323,000 and Icelandic gross GDP is £10bn. By comparison, China has a population of 1.3bn and Chinese gross GDP of £6 trillion.[xlvii] China therefore holds the upper hand in negotiations. Britain has a population of 64.1m and a gross GDP of £1.7 trillion, compared to the EU's population of 503m and a gross GDP of £10.3 trillion.[xlviii]

Background: Iceland-China deal

- The Icelandic Government has outlined the imbalance in the terms of the agreement.

> "With the entry into force of the FTA, tariffs on most goods will be removed. For a small number of products, the Chinese tariff will be dismantled during a transition period of 5 or 10 years. Chinese exports into Iceland are duty-free as from the entry into force of the FTA."
> *Iceland Ministry of Foreign Affairs (2013) Free Trade Agreement between Iceland and China: Fact Sheet.* http://www.mfa.is/media/fta-kina/China_fact_sheet_enska_15042013_Final.pdf

Background: Iceland-Switzerland deal

- Swiss tariffs were dropped from day one, whereas transitional periods and partial dismantling of Chinese tariffs takes place over 5 or 10 (in some cases 12 or 15) years.[xlix]

- Even after such a long time, the Swiss don't get full access to Chinese markets. After 15 years, up to 99.7 percent of Chinese exports to Switzerland will be exempted from tariffs, while approximately 84.2 per cent of Swiss exports to China will achieve zero tariffs, which comes in to force almost immediately.[l]

- A KPMG study of the agreement stated that it appears that more market access opportunities have been granted for Chinese products being imported into Switzerland than vice versa.[li]

World Trade Organisation (WTO) membership

If none of the above models were sought, Britain could follow the 'WTO Option'. In such a scenario, Britain would leave the EU and the single market and set its future trade policy under WTO rules.

WTO option summary

- The UK would be fully outside the single market and would therefore not have to apply EU rules, would not have to make EU budget contributions and would be exempt from freedom of movement
- UK trade would be subject to new tariffs, which would mean increased costs for businesses and consumers
- The UK would lose clout in global trade negotiations
- No access to the single market could threaten investment
- British businesses would still have to implement agreed EU product standards in order to sell to European markets

What the WTO option would mean for the UK

New tariffs would mean increased costs for businesses and consumers

- As Britain would have no free access to the single market, the EU's common external tariff would apply, which could see food exports subjected to a 15% tariff and cars facing a tariff of 10%.[lii] Other export tariffs the UK would face outside of the single market include an average 5% on chemicals, 12% on clothing and 5.7% on nuclear industrial machinery parts.[liii]

- According to the House of Commons Library, tariffs would apply to 90% would be imposed on around 90% of the UK's goods exports to the EU by value.[liv]

- The CBI has noted that "access to European markets on WTO terms would hit British exporters and importers – as well as those in their supply chains – with tariffs and logistical delays, and this restricted market access would see investment into the UK fall over time.[lv]"

- WTO 'most favoured nations' tariffs would harm trade. Dutch bank ING has said that "the costs of tariffs make it unlikely that the UK would choose this option since it removes the advantages of free trade with the EU.[lvi]"

The UK would lose its clout in trade negotiations

- The UK would no longer benefit from the 50 trade deals the EU has and would need to attempt to renegotiate these alone. The UK would lose the clout of the single market in any such negotiations, offering only access to a market of 65 million consumers, not a bloc of 500 million.

No access to the single market could threaten investment

- The EU is the largest source of investment to the UK – that brings business growth, new jobs, better jobs and higher wages. Japanese car manufacturers such as Nissan and Honda come here take advantage of British business conditions but also to gain free access to the huge European market. They have expressed concern at the prospect of the UK leaving.

> "The UK is part of the European Union — that's very important. From the foreign investor's point of view, I hope that the UK will remain an EU member. A lot of regulations are under the EU. If the UK, after departing from the EU, made unique regulations, unique standards, that would become an obstacle."
> *Toshiyuki Shiga, COO, Nissan, October 2013*
> http://www.huffingtonpost.co.uk/2013/10/08/european-union-uk_n_4064620.html
>
> Anything that weakens our ability to trade with the region would be detrimental to UK manufacturing....It depends on what's negotiated. There would have to be some penalty to being outside rather than inside that's the risk I think....But when we see an anti-competitive situation if we were outside the EU then we wouldn't support that.
> *Dave Hodgetts, Honda's UK Managing Director, January 2013,*
> http://www.telegraph.co.uk/finance/newsbysector/industry/9796813/Hondas-UK-boss-warns-Britain-must-stay-at-heart-of-EU-as-it-cuts-800-jobs.html

- Over the ten years 2004-2013, the average annual Foreign Direct Investment inflow to the UK from the EU was £26.5 billion.[lvii]

The UK would still need to comply with Brussels regulations

- British businesses who wanted to sell their products in European markets would still have to adhere to European product standards and regulations. Having multiple sets of standards to apply may increase the regulatory burden on business.

- Outside the EU, Britain would have no influence over the rules determining these standards. There would still be a democratic deficit, as the CBI has suggested: "Removing non-tariff barriers would require compliance with EU regulation imposed from Brussels without Britain playing a role in its formation."[lviii]

Conclusion

Leave campaigners argue that Britain can have an alternative relationship with Europe that simultaneously abandons the EU, ends free movement of people, ends EU budget contributions entirely and repatriates control over all regulations, while retaining full access to the European single market.

This is a deception. Britain can either continue to benefit from being part of the world's largest trading bloc, influencing rules so they work in our favour - or be on the outside looking in when decisions are made that affect our economy and our future. We cannot have it both ways.

Generalised assertions that Britain could prosper while standing alone from our largest trading partner are unacceptable in a debate of this magnitude.

The leave campaigns must give the British people clear, unequivocal answers to the following basic questions about the economic arrangement they believe Britain should follow outside the EU:

- Would Britain have full access to the single market, covering both goods and services?
- Would Britain adhere to free movement and European employment regulations?
- Is there an existing trading arrangement Britain would seek to emulate?
- Would Britain cease paying in to the EU budget completely and therefore make zero annual contribution?
- Under a free trade agreement, what terms would you campaign for and what evidence exists that this could be achieved?
- Which specific new free trade agreements would Britain sign with countries outside the EU, and by when, to give us equivalent benefits to the 50 EU agreements from which we currently benefit?

If the leave campaigns cannot be as open and outline their proposed alternative economic and trading arrangement for Britain outside the EU, people will conclude they are either concealing the truth or that they do not know. Either way, Britain would be weaker.

It is clearer than ever: if we vote leave, we lose control.

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