



**BRITAIN  
OUT OF EUROPE  
YOUR FAMILY  
OUT OF POCKET**

Being in Europe means lower prices. If we left, you'd have to pay more.

**A PUBLICATION BY BRITAIN STRONGER IN EUROPE**

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## **INTRODUCTION: OUT OF EUROPE OUT OF POCKET**

The Leave campaigns claim that Britain will be able to leave Europe and secure a Free Trade Agreement.

However, the specific deal they are proposing – ending all budget contributions, ending free movement and repatriating economic regulations while retaining full access to the single market – is a pipedream. There is no precedent, nor is it in EU member states' interests to give Britain something they themselves do not have.

The fact is, the Leave campaigns do not have a credible or achievable alternative to EU membership and, therefore, there is now a real possibility of Britain leaving Europe with no trade deal in place.

Britain enjoys many benefits from our EU membership, including jobs, low prices, trade and investment. The cost of failure to secure a trade deal would be huge: family finances and Britain's economy would be under threat.

One major consequence would be higher prices at the shops. Leaving with no trade deal would mean new tariffs on EU imports, which would cost Britain's businesses £11bn and directly hit families through higher prices at the shops.

The Leave campaigns must now prove that they could reach the trade agreement they claim.

### **BRITAIN COULD LEAVE EUROPE WITH NO DEAL**

The Leave campaigns cannot tell us what 'out' looks like. They have advocated the 'Norway' and 'Switzerland' models, but both would reduce Britain's control over our own economic affairs, making us pay in to the EU budget and accept EU rules with no influence over them. We would pay, but have no say.

They have now suggested a new Free Trade Agreement (FTA) of unprecedented terms that is not in the EU's interests, but with no detail on how it could be achieved.

Their proposal is such an unrealistic fantasy that, assuming they mean what they say and will pursue these terms, there is now a real possibility of Britain leaving Europe with no trade deal in place at all.

### **LEAVING PUTS EU BENEFITS AT RISK**

Britain leaving the EU would put at risk the many benefits we get from our access to the single market.

The trade, jobs and investment linked to Britain being in Europe are the equivalent of an average £3,000 a year to each household.

Studies have shown that three million jobs are linked to the Britain's trade with the EU, and that further development of Europe's single market could deliver 800,000 additional jobs in Britain by 2030.

And the UK is the largest recipient of inward investment in the EU, which is due to our access to the single market.

**NEW TARIFFS MEAN HIGHER PRICES AT THE SHOPS**

If Britain were to leave Europe with no trade deal, we would move to trading with the EU according to World Trade Organisation rules. One consequence of this would be Britain facing new tariffs on our imports of goods from the EU.

Under this arrangement the additional cost of EU goods imports would be £11 billion. This would fall squarely on the shoulders of British businesses and be passed on directly to British families through higher prices at the shops.

The £11bn cost for British businesses and families would be £176 for every person and £426 for every household in Britain. This would be just a fraction of the cost for British businesses and families.

The Leave campaigns will say that they would not impose tariffs, but if Britain were to unilaterally reduce tariffs on EU imports there would be no incentive for the EU to give us a trade deal in the future.

**TEST THE LEAVE CAMPAIGNS**

The Leave campaigns must now prove that they have a credible and achievable alternative to EU membership which would strengthen Britain's economy and would avoid this price rise.

If they cannot, we know where their plans would lead Britain: leaving the EU with no trade deal in place, which means an £11bn cost for Britain's businesses and families, with jobs, trade and investment put at risk.

## **NO CREDIBLE ALTERNATIVES**

- Leave campaigners have consistently presented the EU's trading agreements with Norway, Switzerland and Turkey as viable alternatives to EU membership for the UK. Each of these alternatives would mean sacrificing control over our own economics affairs.<sup>1</sup>
- Leave campaigners have more recently proposed a Free Trade Agreement with the EU.

"After we vote leave, we will negotiate a new UK-EU deal based on free trade and friendly cooperation."

*Dominic Cummings, Vote Leave Campaign Director, 28 October 2015*

"Trade deals similar to the South Korea-EU FTA would be option for post-EU Britain."

*Richard Tice, Leave.EU, 29 October 2015*

"I want us to have a simple free trade agreement with the EU not to be a member of a political club."

*Nigel Farage, 1 November 2015*

- 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*

"We should stop paying the EU."

*Nigel Farage on Daily Politics, October 2014*

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

"We will bring back control including over trade deals and migration."

*Dominic Cummings, Vote Leave Campaign Director, 28 October 2015*

"If you want to take back control of your borders, if you want to put in place an Australian style points system, so that we can choose the quantity and quality of who comes to Britain if you want to do those things, then you have to say no to European Union. Take back control of our country, take back control of our borders."

*Nigel Farage, 12 October 2015*

"What's more, an overall cap on migration would allow the UK to ease some of the current (huge) pressure on public services."

*Leave.EU website*

- The Leave campaigns want to repatriate control over economic regulations.

"We regain legal control of things like trade, tax, economic regulation, energy and food bills, migration, crime, and civil liberties. British voters should be able to change our laws and control our taxes by voting out politicians."

*Vote Leave website*

"Leaving the EU would give us more control of our own laws and regulations"

*Leave.EU website*

- 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*  
  
"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*  
  
"[David Cameron] is talking Britain down - we could negotiate a free trade deal with EU & access to [Single Market] without accepting supremacy of EU law"  
*Dominic Cummings, Director Vote Leave, 28 October 2015*  
  
"We're told by politicians that leaving the EU means leaving the Single Market, and that this equals job losses. Only it doesn't make sense; the UK is the rest of the EU's biggest market, so an agreement to keep trading will be reached."  
*Leave.EU website*
- On the one hand Leave campaigns say that Britain should leave because we lack influence in Europe.  
  
"There is one place, though, where we truly do lack influence: Brussels."  
*Daniel Hannan, 21 October 2014*  
  
"The UK currently has very little influence in the EU."  
*Leave.EU website*
- But on the other they say Europe will be "friendly" and give us an unprecedented Free Trade Agreement.  
  
"Make no mistake, our friends across the Channel and in the Republic of Ireland will be out to secure a mutually beneficial trade deal."  
*Arron Banks, Leave.EU, 2 November 2015*  
  
"After we vote leave, we will negotiate a new UK-EU deal based on free trade and friendly cooperation."  
*Dominic Cummings, Vote Leave Campaign Director, 28 October 2015*

## **LEAVE CAMPAIGN'S TRADE DEAL IS A PIPE DREAM**

The specific deal the leave campaigns are proposing – ending all budget contributions, ending free movement and repatriating economic regulations while retaining full access to the single market – is a pipedream. There is no precedent, nor is it in the interests of EU member states, like France or Germany, to give Britain something they themselves do not have.

The fact is, the Leave campaigns do not have a credible or achievable alternative to EU membership and, therefore, there is now a real possibility of Britain leaving Europe with no trade deal in place.

### **A DEAL OF UNPRECEDENTED TERMS**

- The only countries who have full access to the single market, covering goods and services, without being full EU members are members of the European Economic Area (EEA).
- There is no country that has full access to the single market without paying in to the EU budget. Members of the EEA have full access but each makes annual financial contributions. Norway, for example, is the tenth largest financial contributor per head,<sup>ii</sup> the UK being the ninth.<sup>iii</sup> Even Switzerland, which has only partial access to the single market (covering goods only) makes contributions of £53 per head.<sup>iv</sup>
- There is no country that has full access to the single market without accepting free movement of people. EEA countries have higher rates of immigration per head, including from EU countries, than the UK,<sup>v</sup> and participate in the Schengen Agreement (the EU's passport-free zone), whereas the UK has opted out of this. Switzerland voted to restrict EU migration in a referendum in 2014, but the EU has said it cannot accept any compromise on the right to free movement.<sup>vi</sup>
- The EU extends laws to EEA countries in areas such as employment, consumer protection, environmental policy and competition. Of the 100 costliest EU regulations, EEA countries implement 93.<sup>vii</sup>

### **NOT IN EU MEMBER STATES' INTERESTS**

- Any agreement on a new trade deal requires support amongst EU member states through the agreement of the European Council and European Parliament.
- What is the logic of major economies giving us access to the whole EU marketplace for free, and allowing us to opt out of rules, when they themselves have to pay and have to abide by the rules? Why would countries like Germany, France, Italy, Spain give us a better deal than they have themselves; why would they do something that is not in their national interest?
- On average the UK accounts for 5% of each EU country's worldwide goods exports,<sup>viii</sup> whereas the EU accounts for 50% of the UK's goods exports.<sup>ix</sup> EU exports to the UK account for 3% of EU GDP,<sup>x</sup> whereas EU exports account for 13% of the UK's GDP.<sup>xi</sup>
- For further detail see annex 2.

## **£11 BILLION: ONE WAY BRITISH BUSINESSES AND FAMILIES WOULD BE HIT**

The Leave campaigns' unrealistic fantasy deal means that there is a real possibility that Britain could leave Europe with no Free Trade Agreement in place at all.

If this happens we will move to trading with the EU according to World Trade Organisation rules. Once consequence of this would be Britain facing new tariffs on our imports of goods from the EU.

This increase in tariffs would lead to an £11bn cost for British businesses and families. This is £176 for every person and £426 for every household in Britain. This is just one of the ways British businesses and families would be worse off.

### **HOW LEAVING THE EU WITHOUT A DEAL WILL HIT BRITISH BUSINESSES AND FAMILIES**

- If the UK were to leave the EU without an FTA in place and instead trade on WTO terms, it can be assumed that the UK would apply 'Most Favoured Nation' (MFN) tariff rates on all its imports from the EU and from all members of the World Trade Organisation (i.e. non-EU countries with whom the UK does not have a trade deal).
- It can be assumed that the UK would charge the EU the same import tariffs as it would set for other countries, and that this would be the same tariff rate as the EU charges other countries with whom it does not have a trade deal, which are set at the Common External Tariff rate.<sup>xii</sup>
- Looking specifically at the consequence of this for UK good imports from the EU, which had a value of £220bn in 2014, the cost of MFN tariff rates on these imports would be £11.3bn – a cost which would have to be paid by UK businesses and consumers through higher prices at the shops.
- £11.3bn equates to £176 for every person and £426 for every household in Britain.
- This calculation is generous to those arguing that Britain should leave Europe and underestimates the true impact of the increased cost of imports as it looks only at the consequence of Britain not having a FTA with the EU, therefore discounting the impact of Britain being excluded from the EU's existing FTAs with 50+ countries from which we currently benefit.
- The calculation also looks only at goods imports, not the resultant drop in demand for UK exports which would arise from the EU having to pay import tariffs on UK goods.
- If the UK were to unilaterally reduce import tariffs to a lower level than is assumed, this would further prevent a free trade deal with the EU from being agreed, since the UK would then have lower import tariffs than the EU, meaning the EU would have no incentive to give us a preferential trade deal. The EU would have the best of both worlds: their businesses would have good access to the UK, but their businesses wouldn't face competition domestically from UK businesses.
- For a full breakdown of how imports impact on specific product groups see Annex 1.



**EU BENEFITS AT RISK**

The costs of import tariffs from Britain leaving the EU without a Free Trade Agreement is just one consequence of Britain not having access to the EU's single market. There would be a risk to jobs, trade and investment. The many economic benefits of our membership would be sacrificed.

- The CBI conclude that annual UK GDP is 4-5% higher as a result of EU membership and each UK household is on average £3,000 a year better off.<sup>xiii</sup>
- Studies have shown that three million jobs are linked to the Britain's trade with the EU.<sup>xiv</sup> Further deepening the single market could deliver £58.6bn to the UK economy by 2030 and an additional 791,000 jobs.<sup>xv</sup>
- The EU is our largest trade partner, accounting for 44% of all UK exports, including 50% of goods exports.<sup>xvi</sup> UK exports to the EU were worth £229bn in 2014<sup>xvii</sup> and 200,000 UK businesses trade with the EU.<sup>xviii</sup>
- Access to larger markets allows UK businesses to increase productivity, with exporting firms accounting for 60% of UK productivity growth.<sup>xix</sup>
- EU membership also brings Foreign Direct Investment to Britain. The UK is the largest recipient of FDI in the EU and many firms invest in Britain because it gives them access to the single market. The EU accounts for 48% of the stock FDI in the UK.<sup>xx</sup>

**ANNEX 1**

- If the UK were to leave the EU without an FTA in place and instead trade on WTO terms, it can be assumed that the UK would apply 'Most Favoured Nation' (MFN) tariff rates on all its imports from the EU and from all members of the World Trade Organisation (i.e. non-EU countries with whom the UK does not have a trade deal).
- It can be assumed that the UK would charge the EU the same import tariffs as it would set for other countries, and that this would be the same tariff rate as the EU charges other countries with whom it does not have a trade deal, which are set at the Common External Tariff rate.<sup>xxi</sup>
- The cost of these tariffs to UK goods imports from the EU are calculated as totalling £11.3bn.
- The analysis assumes that there would be no initial change in demand in response to higher prices caused by new tariffs on imports. However, using long-term price elasticity of demand data from BIS, which shows how much demand would fall in the long term when costs of imports increase, the overall cost to UK consumers would still be £10.7bn.<sup>xxii</sup>

Product Group	Average MFN tariff (EU/UK) <sup>xxiii</sup>	UK Imports from EU, 2014, £m <sup>xxiv</sup>	Tariff cost on 2014 trade levels, £m
Animal products	17.7%	3,579	633
Dairy products	42.1%	2,626	1,105
Fruits, vegetables, plants	10.9%	6,670	727
Coffee, tea	6.1%	1,786	109
Cereals and preparations	14.9%	5,366	800
Oilseeds, fats & oils	6.8%	1,195	81
Sugars and confectionary	25.2%	809	204
Beverages and tobacco	20.7%	4,491	930
Cotton	0.0%	122	-
Other agricultural products	3.6%	1,806	65
Fish and fish products	12.0%	2,305	277
Minerals and metals	2.0%	19,496	390
Petroleum	2.5%	11,094	277
Chemicals	4.5%	38,147	1,717
Wood, paper, etc.	0.9%	10,830	97
Textiles	6.5%	2,431	158
Clothing	11.4%	4,150	473
Leather, footwear, etc.	4.1%	5,032	206
Non-electrical machinery	1.9%	26,302	500
Electrical machinery	2.8%	18,859	528
Transport equipment	4.3%	42,692	1,836
Manufactures, n. e. s.	2.6%	10,264	267
<b>Total</b>		<b>220,051</b>	<b>11,380</b>

**ANNEX 2**

- On average the UK accounts for 5% of each EU country's worldwide goods exports,<sup>xxv</sup> whereas the EU accounts for 50% of the UK's goods exports.<sup>xxvi</sup>

Country	Goods Exports to UK, % of Total Goods Exports, 2014	Country	Goods Exports to UK, % of Total Goods Exports, 2014
Croatia	1%	Slovakia	5%
Slovenia	2%	Italy	5%
Estonia	2%	Portugal	6%
Bulgaria	2%	Poland	6%
Malta	3%	Spain	7%
Austria	3%	Sweden	7%
Hungary	4%	Germany	7%
Greece	4%	France	7%
Luxembourg	4%	Denmark	7%
Lithuania	4%	Belgium	8%
Romania	4%	Netherlands	9%
Latvia	5%	Cyprus	10%
Czech Rep.	5%	Ireland	15%
Finland	5%	<b>Average</b>	5%

- EU Exports to the UK account for 3% of EU GDP,<sup>xxvii</sup> whereas EU Exports account for 13% of the UK's GDP.<sup>xxviii</sup>

Country	UK Exports as % of GDP, 2014	Country	UK Exports as % of GDP, 2014
Ireland	11%	Poland	3%
Malta	9%	Denmark	3%
Cyprus	8%	Sweden	3%
Belgium	7%	France	2%
Netherlands	7%	Greece	2%
Luxembourg	5%	Bulgaria	2%
Czech Republic	4%	Finland	2%
Latvia	4%	Italy	2%
Lithuania	4%	Austria	2%
Slovakia	4%	Romania	1%
Hungary	4%	Estonia	1%
Spain	3%	Slovenia	1%
Portugal	3%	Croatia	1%
Germany	3%	<b>EU 27</b>	<b>3%</b>

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- <sup>i</sup> Details of the alternatives to EU membership proposed by the Leave campaigns can be seen here: [http://www.strongerin.co.uk/vote\\_leave\\_lose\\_control](http://www.strongerin.co.uk/vote_leave_lose_control)
- <sup>ii</sup> CBI, 'Our Global Future', 2013, [http://www.cbi.org.uk/media/2451423/our\\_global\\_future.pdf](http://www.cbi.org.uk/media/2451423/our_global_future.pdf)
- <sup>iii</sup> Lord Ashton of Hyde Letter of Lord Hannay of Chiswick, 30 July 2015
- <sup>iv</sup> House of Commons Library, 'Leaving the EU', 2013, <http://researchbriefings.files.parliament.uk/documents/RP13-42/RP13-42.pdf>
- <sup>v</sup> House of Commons Library; Eurostat, *NB: data is per 1,000 population and 2009-2013*
- <sup>vi</sup> EurActiv, 'Steinmeier urges EU-Swiss talks on planned immigration quotas', August 2015, <http://www.euractiv.com/sections/global-europe/steinmeier-urges-eu-swiss-talks-planned-immigration-quotas-316892>
- <sup>vii</sup> Open Europe, 'Top 100 EU rules cost Britain £33.3bn', 2015, <http://openeurope.org.uk/intelligence/britain-and-the-eu/top-100-eu-rules-cost-britain-33-3bn/>
- <sup>viii</sup> UN Comtrade, <http://comtrade.un.org/data/>
- <sup>ix</sup> UK Pink Book (2015).
- <sup>x</sup> UK Pink Book (2015), Eurostat.
- <sup>xi</sup> UK Blue Book (2015), UK Pink Book (2015).
- <sup>xii</sup> The UK could have lower tariffs, but by MFN rules it would mean reducing tariffs for all countries.
- <sup>xiii</sup> CBI (2013), 'Our Global Future: the business vision for a reformed EU', London
- <sup>xiv</sup> House of Commons Library, June 2015, <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06091>, CEBR, October 2015, <http://www.cebr.com/reports/britain-stronger-in-europe/>
- <sup>xv</sup> CEBR (2015), <http://www.cebr.com/reports/britain-stronger-in-europe/>
- <sup>xvi</sup> ONS Pink Book 2015.
- <sup>xvii</sup> ONS Pink Book 2015.
- <sup>xviii</sup> HMRC.
- <sup>xix</sup> Productivity growth between 1996 to 2004. UKTI, 'Firm Level Empirical Study of the Contribution of Exporting to UK Productivity Growth', 2007
- <sup>xx</sup> ONS, Foreign Direct Investment involving UK companies 2014 Inward Reference Tables (Excel sheet 675Kb), <http://www.ons.gov.uk/ons/datasets-and-tables/index.html?pageSize=50&sortBy=none&sortDirection=none&newquery=FDI>
- <sup>xxi</sup> The UK could have lower tariffs, but by MFN rules it would mean reducing tariffs for all countries.
- <sup>xxii</sup> Long Term Price Elasticity Data has been used from Large European County averages across sectors: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/252490/bis-13-1262-long-run-income-elasticities-REVISED-1.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/252490/bis-13-1262-long-run-income-elasticities-REVISED-1.pdf)
- <sup>xxiii</sup> Source: WTO, [https://www.wto.org/english/res\\_e/booksp\\_e/tariff\\_profiles15\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/tariff_profiles15_e.pdf)
- <sup>xxiv</sup> Source: HMRC - UK Trade Info, <https://www.uktradeinfo.com/Statistics/OverseasTradeStatistics/Pages/ArchiveOTS.aspx>
- <sup>xxv</sup> UN Comtrade, <http://comtrade.un.org/data/>
- <sup>xxvi</sup> UK Pink Book (2015).
- <sup>xxvii</sup> UK Pink Book (2015), Eurostat.
- <sup>xxviii</sup> UK Blue Book (2015), UK Pink Book (2015).

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