

A photograph of a worker in a quarry or construction site. The worker is wearing a yellow hard hat with a headlamp, a clear face shield, and purple work gloves. They are holding a long, thin pneumatic tool, possibly a jackhammer or a similar rock-cutting tool, and are working on a large, light-colored rock face. The background is dark and shows more of the quarry environment. The overall tone of the image is industrial and gritty.

THE EU'S SINGLE MARKET IS VITAL FOR BRITAIN'S NATIONAL PROSPERITY

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INTRODUCTION: BENEFITS OF THE SINGLE MARKET

The single market is vital for Britain's national prosperity and wellbeing. Outside, our economy would be permanently weaker and families permanently worse off.

The single market is unique. It removes tariffs and quotas on all goods trade within the EU – something no other arrangement offers. It creates a customs union, removing costly and time-consuming customs controls. It removes non-tariff barriers, such as differing standards and specifications, by harmonising rules and regulations. It provides a guaranteed right to access and deliver services in the same way in every EU country.

Within the single market we are part of the EU's Free Trade Agreements with over 50 other countries. These privileged agreements cover 60% of Britain's trade.

The single market benefits every region of our country and every major sector of our economy, as this document outlines.

UK agriculture, pharmaceuticals, financial services, manufacturing, aerospace and telecommunications sectors are all hugely more productive thanks to the EU's single market. As a result, our regional growth is stronger and employment is higher now and in to the future.

Outside, these benefits to us would be lost. Tariffs would be imposed on some goods, pushing up prices. We would face regulatory barriers, hitting businesses and adding £34bn to the bottom lines British businesses. We would have only limited access to EU service markets. Services now make up 80% of the UK economy. This would directly hit British jobs.

We would have no say over the rules of doing business but would have to accept them, handing competitive advantage to Germany, France and every other European competitor.

We would also have to renegotiate EU trade deals as new bilateral agreements with no guarantee that, as a nation with a market of 65 million not 500 million, we would be able to secure similar terms or how many decades this could take.

In truth, the consequence would be less trade in Europe, less access to the rest of the world, lower growth, lower inward investment and fewer jobs, as independent experts from the Governor of the Bank of England to the Institute for Fiscal Studies have repeatedly demonstrated.

Both of the main alternatives offered by the Leave campaign, a Free Trade Agreement or falling back by default on to World Trade Organisation trading rules, offer inferior, more restrictive arrangements.

The EU's single market is the world's highest commitment to free trade, so it is one of the most illogical and self-contradictory arguments of the Leave campaign that our quitting Europe's single market would increase free and global trade.

The UK is stronger, safer and better off within the EU's free trade single market.

UNIQUE FEATURES OF THE SINGLE MARKET

Tariff-free trade. The single market removes tariffs and quotas on goods trade within the EU. EEA membership provides for tariff-free trade in most goods but would not give tariff-free access for agriculture and fisheries, which are largely excluded. Any new tariff on UK imports from the EU would increase costs on UK businesses and consumers; any new tariff on UK exports would reduce demand for UK goods.

Customs union. The single market creates a customs union within the EU. This requires a common external tariff for goods arriving from outside it and allows for the removal of costly and time-consuming customs controls within the EU. Outside, the UK would face these barriers.

Non-tariff barriers. Non-tariff barriers include different specifications which make it hard to trade, for example product standards in goods and recognition of qualifications in services. The single market eliminates these by harmonising regulations. The single market has gone further than any other free trade area in achieving this. Removal of such barriers are vital to cross-border supply chains, where different stages of production are located in different countries.

Service trade. The single market provides a guaranteed right to access and deliver services in the same way as any domestic firm in every EU country. Outside, this would be lost. Switzerland and Canada both have Free Trade Agreements with the EU, but neither have service market access to the extent the UK enjoys.

Influence over regulations. As a full member of the single market, the UK has influence over the EU decision making process, with representation in the Parliament, Commission and Council. UK Ministers and elected MEPs can influence regulations so they work in our national economic interests. Outside, Brussels would set regulations which UK exporters to the EU would be forced to adhere to.

Common commercial policy. Single market members participate in the EU's common commercial trade policy, which means we are part of EU free trade agreements (FTAs) with other nations. The EU has FTAs with over 50 other countries and is negotiating further agreements with the US, Canada, Japan and Australia, amongst others. Outside these would have to be renegotiated by the UK as bilateral agreements with no guarantee that, as a nation with a smaller market than the EU's, we would be able to secure similar terms, or how long this would take.

Special status. Within the single market, the UK has special status. We enjoy full membership and access to the EU's single market but we are outside the Euro and are not required to pay for Eurozone bail outs. Our special status also means UK businesses cannot be discriminated against by Eurozone countries and that our financial stability supervision remains in the hands of UK authorities. This unique deal means we have the best of both worlds.

Defined in Treaties. The "internal market" is defined in the Treaty on the Functioning of the European Union, outlining the four freedoms of goods, persons, services and capital. This means you are either inside EU's single market, with its benefits and its conditions, or outside, with the economic costs that entails.

If the UK were to leave the single market, these benefits would be lost.

ECONOMIC BENEFITS OF BRITAIN BEING IN THE SINGLE MARKET

Membership of the EU's single market, the world's largest free trade zone with free trade agreements with over 50 countries, boosts living standards and UK national prosperity.

The Bank of England and HM Treasury have both shown that greater international trade raises productivity and therefore living standards. Access to a larger market allows the most productive UK firms to expand, taking advantage of economies of scale and expanding the range and variety of products that can be produced, while also increasing competition and innovation, driving lower prices and higher employment.

The economic evidence is clear: Britain's economy is stronger because we are in the single market and working people would be hit if we were to leave.

- **Up to 820,000 people unemployed.** The immediate impact of leaving the EU would leave between 520,000-820,000 more people unemployed in 2 years.
Source: 'HM Treasury analysis: the immediate economic impact of leaving the EU', May 2016, [link](#)
- **Families would be worse off to the tune of £4,300:** GDP would be 6.2% lower, which is the equivalent to each UK family being £4,300 worse off.
Source: 'HM Treasury analysis: the long-term economic impact of EU membership and the alternatives', April 2016, [link](#)
- **Public services would be hit by £36bn in cuts.** Tax receipts would face an annual £36 billion black hole by 2030. This is more than a third of the NHS budget and equivalent to 8p on the basic rate of income tax. The IFS have also highlighted how in the short term the UK would also face a £20-£40bn black hole in the public finances.
Sources: 'HM Treasury analysis: the long-term economic impact of EU membership and the alternatives', April 2016, [link](#). The IFS: 'Brexit and the UK's Public Finances', May 2016, [link](#)
- **Prices would be higher.** Independent experts have found that prices are £350 lower than they would be if we were outside the EU. The CEBR have noted how food prices would be higher.
Sources: Centre for Economic Performance (LSE), Centre for Economics Business and Research
- **£250bn of UK trade would be at risk.** Trade with the EU, EEA and countries with who the EU has trade agreements is £250bn a year higher than it would have been if the UK was not a member of the EU. This £250bn a year is at risk if the UK leaves its preferential trading relationship within the EU's single market.
Sources: 'HM Treasury analysis: the long-term economic impact of EU membership and the alternatives'; ONS trade data
- **£200bn in investment would be at risk.** Experts have predicted that the stock of FDI would fall by 20% if the UK does not have a Free Trade Agreement with the EU, which implies £206bn could be lost from the stock of FDI in the UK.
Sources: Euler Hermes, Economic Insight, November 30, 2015, [link](#); ONS data
- **Wages would be hit.** EU membership has increased average UK salaries by £1,800. If Britain leaves Europe annual real wages would be nearly 3% lower, which is a pay cut of almost £800 a year for someone working full time on average wages.
Sources: London First and Frontier Economics, 8 May 2016, [link](#). HM Treasury, May 2016, [link](#)

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VOTE LEAVE'S ALTERNATIVES

The Leave campaign have confirmed that they want to leave the EU's single market, but have yet to present a credible or comprehensive alternative trading relationship for the UK and EU. They have named over 20 different countries the UK should follow and a range of trading models, each of which is different but has one thing in common: they are inferior to full single market access.

There are essentially three main trading relationships the UK could opt for outside the EU. The first – the so-called 'Norway option' – would be for the UK to join the European Economic Area, which would allow the UK to retain almost full access to the single market, but would mean having to pay budget contributions, follow EU rules with no say and accept the free movement of people. This was ruled out by Vote Leave [in May](#).

This leaves two further options: a Free Trade Agreement (FTA) or the World Trade Organisation (WTO) option.

The 'Swiss option' has been mentioned and is a form of FTA, but also involves making budget contributions and accepting free movement of people, both red lines for Vote Leave.

The implications of the UK following a WTO or FTA trading relationship with the EU are discussed below.

World Trade Organisation

- **Boris Johnson has suggested a WTO-rules trading relationship.** "I think it was very interesting that there wasn't much commentary by the Treasury on a simple WTO arrangement."
BBC News, 18 April 2016
- **Nigel Lawson has given his backing to trading with Europe under WTO rules.** "WTO status is a perfectly acceptable one. We may well be able to negotiate something better. I think it is likely we would be able to negotiate something better. But even as a baseline it is far from a disaster."
Oxford Economics report launch, 22 March 2016

Implications of a WTO model

- **Summary.** Trading under WTO rules means having no access to the EU's service markets; being outside the customs unions so facing regulatory barriers; no access to financial service markets; no influence over EU regulations; not being party to the EU's trade deals with the rest of the world; and no influence over EU regulations.
- **The worst of all worlds.** This is the worst possible trading option for the UK. This would hit the UK economy to the tune of £5,200 a year for the average household and would lead to a black hole in the public finances of £45 billion. This would decimate the NHS.
HM Treasury, April 2016, [link](#)

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- **Tariffs would apply.** The House of Commons Library has said that tariffs would be imposed on around 90% of the UK's goods exports to the EU by value. The average tariff rate World Trade Organization (WTO) members apply to imports of countries with which there is no preferential agreement is 9%. The average tariff on tobacco and cigars is 75%; for cars 10%; 12% on clothing; 40% on lamb.
House of Commons Library, 'The economic impact of EU membership on the UK', September 2013, [link](#); HM Treasury, April 2016, [link](#) – underlying source: Trade and Tariffs, WTO (2015)
- **An £11bn cost for businesses and consumers.** If the UK were to leave the EU, and trade on WTO terms, UK businesses and consumers would face tariffs of £11bn in import tariffs on their goods imports from the EU.
Source: HMRC, World Trade Organisation.
- **The WTO is inefficient.** The WTO's Doha Development Round was an effort to lower trade barriers for goods and services between the members. Eight different summits were held over ten years, and talks ultimately broke down with no progress and no agreement. Failed trade negotiations such as these show that the WTO is far from being able to match the EU's efficiency in negotiating and implementing trade agreements, which deliver real benefits to the UK economy.

Bilateral Free Trade Agreement

- **Vote Leave have said a new trade deal with Europe would be negotiated.** "We negotiate a new UK-EU deal based on free trade and friendly cooperation."
Vote Leave website, [link](#)
- **Lord Lawson, Chair of Vote Leave, has said we could have a new UK-EU deal after leaving.** "If we vote leave, we can have a new UK-EU deal based on free trade without having to accept the supremacy of EU law."
Vote Leave press release, 28 October 2015, [link](#)
- **Boris Johnson has said new trade deals would have to be negotiated.** "If the 'Leave' side wins, it will indeed be necessary to negotiate a large number of trade deals at great speed."
Boris Johnson, Telegraph, 22 February 2016, [link](#)

Implications of a bilateral FTA

- **Summary.** A FTA means accepting tariff and quota-free trade with the EU on most goods but not all; being outside the customs unions so facing regulatory barriers; only partial access to service sectors included; not being party to the EU's trade deals with the rest of the world; no influence over EU regulations.
- **Quotas and tariffs.** There is no single EU FTA which grants tariff-free and quota-free trade in all goods, meaning that tariffs would apply to some goods under an FTA. Canada, for example, has permanent exclusions for some agricultural produce and tariffs remaining for key goods, such as car exports, beef and lamb.

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- **Regulatory burden.** Outside the single market, British exports to the EU would face non-tariff barriers driving up costs and causing firms to lose business. Countries that have FTAs are outside the customs union, meaning their financial businesses exporting to the EU face administrative costs. Using data on the level of non-tariff barriers faced by firms outside the EU, new analysis shows that British exporters would face non-tariff barriers equivalent to £34bn. This is equivalent to one third of the value of exports to the EU of these sectors. This is equivalent to an average of almost £80,000 per business which exports to the EU.
- **Limited access to services.** Countries that have FTAs only have limited access to service markets, for example without full 'passporting rights' for financial services.
- **Excluded from trade deals.** Countries that have FTAs are not party to the EU's trade deals with the rest of the world.
- **No influence over EU regulations.** Countries that have FTAs have no influence over EU regulations and their exporting companies are required to comply with EU product standards and technical requirements. They have no say over future EU rules and so have no ability to try to block measures that put their companies at a disadvantage.

HOW THE SINGLE MARKET BENEFITS SPECIFIC SECTORS

The single market has been beneficial to the entire UK economy, increasing trade, bringing in investment, driving productivity and lowering prices.

This section outlines how being part of the European Union's single market benefits different sectors of the economy.

Impact of the EU on UK agriculture

How UK agriculture benefits from being in the EU

As a member of the EU, the UK participates in the Common Agricultural Policy (CAP), and British farmers are free to export to our home market of over 500 million people without tariffs or trade barriers. Under any of the alternatives, UK farmers and food manufacturers would face new barriers to trading. There would be additional rules and burdens for exporting products, as well as tariffs to access the EU market.

Regional footprint

This table outlines the agricultural sector's GVA contribution, the number of jobs linked to EU exports, and the number of jobs that will be created thanks to Britain's membership of the single market by 2030, broken down by region. Agriculture has a particularly large presence in Scotland, the South West, and the South East.

Region	GVA (£m)	# of jobs linked to EU exports	# of jobs that will be created by 2030
North East	346	1,770	240
North West	701	6,700	750
Yorkshire & Humber	1,121	6,120	700
East Midlands	1,109	4,980	610
West Midlands	1,022	6,600	760
East of England	1,823	9,440	1,030
London	51	810	10
South East	1,270	10,820	810
South West	1,419	11,750	1,320
Wales	363	7,400	870
Scotland	1,465	13,810	1,550
Northern Ireland	816	5,090	620
United Kingdom	11,506	85,290	9,270

Office for National Statistics, Centre for Economics and Business Research

Implications of leaving the EU

- **Food prices would rise.** If the UK moved on to the WTO, tariffs would apply. In 2014, tariffs for dairy products averaged 36% and the EU's agricultural tariffs average 13% on fruit, vegetables and plants. This is significant because the EU accounted for 61% of UK agri-food exports in 2014/15, with EU member states accounting for 7 of the UK's top 8 agricultural export markets. If the UK replicated the EU's agricultural tariff regime for EU imports, this could result in a significant increase in the cost of food in the UK.

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Even under an FTA tariffs would apply. In the terms of the FTA with Canada agricultural tariffs are eliminated in most areas, but trade in beef, pork, poultry and fruit and vegetables remain protected. For some of these products, quotas allowing a limited amount of low or tariff-free trade are introduced. For example, Canada will only be able to export about 50,000 tonnes of beef to the EU, beyond which it will be subject to the EU's MFN tariffs, which are equivalent to over 70% on some beef products.

More than 90% of UK beef and UK mutton and lamb exports go to the EU (over 90,000 tonnes and 75,000 tonnes per year respectively). Based on the Canada agreement, whatever beef exports the UK made to the EU beyond the agreed quota would face these high MFN tariffs (the UK's annual beef exports to the EU are worth more than £300 million).

Even Norway, which has almost full access to the single market as part of the EEA, faces tariffs on agricultural exports to the EU. On pork these are 15%, on prepared fish these are 16%, 15% on raspberries, and 8% on eggs.¹

- **Farmers' income would fall.** [An April 2016, independent academic impact assessment commissioned by the NFU](#) concluded that "there could be serious risks to farm income from leaving the EU". Depending on post-withdrawal UK-EU trade terms and the level of domestic farm support, average farm incomes could fall by £14,000-£29,000 a year, under both the WTO options modelled.
- **Farms' subsidies would be lost.** There would need to be a decision about whether farmers and the wider rural community would receive support outside of the CAP, and if so, at what level, and with what conditions attached. Fully replacing UK CAP receipts, for example, would require an increase in the domestic support for agriculture of approximately £3 billion, which would be subject to the spending priorities of the government at the time.

[The independent academic impact assessment commissioned by the NFU](#) concluded under a new free trade agreement option and the abolition of direct support, average farm incomes would fall on average by £19,000.

- **Jobs would be lost.** Even the Leave campaign admits that UK farming jobs would be lost if the UK left the EU. Dominic Cummings, Campaign Director of Vote Leave, said at a Spectator debate in October 2015 that agricultural jobs would be lost if the UK left the EU.²

¹ Source: World Trade Organization Tariff Database, 2016, [link](#)

² <http://www.independent.co.uk/news/uk/politics/eu-referendum-britain-stronger-in-europe-to-launch-campaign-showing-vote-leave-director-admitting-a6707566.html>

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Impact of the EU on UK pharmaceutical industry

How the UK pharmaceutical sector benefits from being in the EU

The UK pharmaceutical industry contributes £13.0bn of UK Gross Value Added (GVA) and employs around 93,000 people.

The UK has 80 different companies involved in one or more stage of pharmaceutical manufacturing. These companies operate on 91 different sites and are involved in one or more of the stages in producing 216 products authorised across the EU market. Exports of pharmaceuticals are significant with over half going to the EU, worth £29m each day.

The Association of the British Pharmaceutical Industry, whose members supply 90% of all medicines used by the NHS, is “overwhelmingly supportive of remaining in the EU”, according to its Chief Executive Mike Thompson, who cites disruption to the pan-European drug approval system provided by the European Medicines Agency (EMA) as a major concern about leaving the EU. The EMA is headquartered at Canary Wharf in London.

Regional footprint

This table outlines the pharmaceutical sector’s GVA contribution, broken down by region. The industry has a specifically large presence in the North West, East of England, and the South East.

Region	GVA (£m)
North East	802
North West	3,836
Yorkshire & Humber	871
East Midlands	510
West Midlands	170
East of England	2,159
London	489
South East	1,888
South West	1,022
Wales	479
Scotland	859
Northern Ireland	598
United Kingdom	13,683

Office for National Statistics

Implications of leaving the EU

- **Losing the benefits of safety regulation.** The EU provides a single framework for regulating and improving pharmaceutical products. This ensures a high standard of patient safety, raises productivity through economies of scale and increased competition, and reduces the cost of supplying drugs across the EU.

The UK has strong influence over the EU’s regulatory framework for pharmaceuticals, which would be lost under any of the alternative relationships with the EU. Specific measures which currently help the UK pharmaceutical industry thrive and would be lost if Britain left the EU include:ⁱ

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- **Losing the benefits of the EU Clinical Trials Directive.** This EU measure, welcomed by the NHS, Cancer Research UK and the Association of the British Pharmaceutical Industry, aims to ensure a common standard of clinical research performed in the EU, making trials quicker. A Government report on cutting EU red tape stated that the new directive “will make it easier and quicker for business to apply and seek approval to undertake clinical trials. It is expected to save UK businesses some £60 million a year.”
- **Losing harmonised manufacturing practice would discourage investment.** Harmonisation in relation to Good Manufacturing Practice (GMP) benefits organisations which manufacture and distribute medicines for global supply. This harmonised approach ensures consistent public health protection and simplifies previously heterogeneous processes and regions, making it more attractive for global companies to invest within the UK.
- **Counterfeit medicines.** The EU is taking steps to tackle the threat from counterfeit medicines contaminating the legitimate medicines supply chain, potentially causing harm to those who take them. The Falsified Medicines Directive is an EU-wide approach to combat counterfeiting. The Association of the British Pharmaceutical Industry calls this “a good example of beneficial and appropriate EU competence given that medicines, including fake medicines, move from country to country in line with the Internal Market.”
- **Losing Research and Development funding.** Investment in research and innovation is vital to securing economic growth through the life science industries. Until 2020, the UK is expected to receive over £8.3bn in EU research funding, much of which will be used to fund life sciences or pharmaceutical research. The Association of the British Pharmaceutical Industry has said that “maintaining the Commission investment target into EU2020, and full adoption of Horizon2020 will be critical” for the success of the UK pharma sector.

Impact of the EU on UK aerospace industry

The UK aerospace industry contributes £8.7 billion of UK GVA and employs 110,000 people. 47% of the sector's total exports goes to the EU.

ADS, the UK trade association for the aerospace, defence and security industries, reported that there were almost 3,000 companies operating in the aerospace sector or in the wider supply chain.

Aerospace is an example of an industry which relies on European supply chains. Many companies which do not directly export themselves produce intermediate inputs for exporters.

70% of members of ADS state that it would be better for their business if the UK remained in the European Union.ⁱⁱ

Regional footprint

The aerospace industry has large presences specifically in the South West, East Midlands, and the North West. The below table gives an overview of major aerospace industry businesses located in the UK, by location and staff size.

Company	Location	Employees
AgustaWestland	Yeovil	4,000
Airbus	Bristol / Broughton	5,000
Astrium	Stevenage	1,200
Astrium	Portsmouth	1,400
Astrium	Poynton	120
BAE Systems	Warton / Samlesbury/ Brough	14,000
Britten-Norman Group	Isle of Wight	100
Bombardier UK	Belfast	5,000
Cobham	Wimborne Minster	12,000 (UK & other)
GE Aviation Systems	Feltham	5,000
GKN Aerospace	Isle of Wight	5,000
QinetiQ	Farnborough	12,000
Rolls-Royce	Derby / Bristol	23,000

Implications of leaving the EU

- **Increase in tariffs pushes up import and export costs.** Britain currently trades tariff-free across the EU. Outside the EU, manufacturers would have to pay to import parts, pushing up the price of construction, and would have exports subject to tariffs, which would limit overseas sales. UK aerospace manufacturers would face tariffs of up to 7.7% in the case of small aeroplanes, which would be felt across the supply chain.

Good	Tariff
Aeroplanes <= 2,000 kg	7.7%
Helicopters	4.6%
Spacecraft, satellites, space launch vehicles	4.2%
Aeroplanes => 2,000 kg	2.7%
Parts of aeroplanes or helicopters	2.7%
Parts of aircraft and spacecraft	2.0%

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- **Higher admin costs.** Full access to the single market, particularly the customs union, reduces the administrative cost of transporting goods across borders, cutting costs for businesses, like those in the aerospace sector, that rely on international supply chains. Any of the existing alternative relationships would require firms to comply with customs rules.

Exporters from Norway, Switzerland and Canada (once its FTA is in force) need to comply with rules of origin to benefit from preferential access to the EU. These may require a firm to provide detailed documentation to prove that a sufficient proportion of its product's value originated domestically or from partners covered by relevant trade agreements.

Exporters would still be required to face the same regulatory regime if they wanted to export to the EU. A divergence in standard could create difficulties for firms that have cross-border supply chains, and could impose additional costs. The Centre for European Reform has found that "the economy's supply side might be hurt if divergent regulations between the EU and the UK made trade more difficult."

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Impact of the EU on UK financial services sector

The UK financial services sector contributes slightly more than 7% of UK GDP, employing more than one million people, of which two thirds are based outside London. The sector exports around 33% of its financial, insurance and pensions services exports to the EU.

The financial services industry is crucial to the success of the UK economy. EU financial integration has helped UK financial firms grow both in size and in breadth of services they offer.

Many financial services firms from non-EEA countries, notably including the US and Switzerland, access the single market via subsidiaries located in an EU country, and in particular the UK.

This is possible because of the fundamental principle that all member states share a common regulatory 'rule book' for the financial sector. The subsidiaries of these non-EU firms need to comply with both EU rules and local requirements, including on the amount of capital they must hold.

Access to the EU single market has therefore been a significant factor in the UK becoming a major global financial centre, and host to Europe's largest financial centre, as international firms see the UK as a gateway to accessing European markets.

Regional footprint

While London – with around 399,000 jobs in financial services – is a key global financial centre, much of the sector's economic activity is based outside the capital: almost 85,000 people in Scotland and 98,000 people in the North West have jobs in financial services. For example, 40% of JP Morgan's staff are based outside London, it employs 4,000 people in Bournemouth alone, making it the largest employer in Dorset; Deutsche Bank has around 1,500 staff in Birmingham; and Bank of America Merrill Lynch employs around 2,000 staff in Chester.

This table outlines the financial services industry's GVA contribution, the number of jobs linked to EU exports, and the number of jobs that will be created thanks to Britain's membership of the single market by 2030, broken down by region. Financial services have a specifically large presence in London, Scotland and the North West.

Region	GVA (£m)	# of jobs linked to EU exports	# of jobs will be created, 2030
North East	2,021	5,100	6,550
North West	8,208	24,710	14,120
Yorkshire & Humber	6,116	19,160	9,430
East Midlands	2,956	7,110	9,420
West Midlands	8,869	12,380	8,730
East of England	6,618	18,600	10,650
London	68,698	104,300	17,320
South East	12,907	34,480	13,120
South West	7,354	20,280	12,120
Wales	2,323	6,270	7,780
Scotland	8,690	21,100	12,160
Northern Ireland	2,958	3,740	6,920
United Kingdom	137,718	277,230	128,320

Office for National Statistics, Centre for Economics and Business Research

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Implications of leaving the EU

- **Loss of 'passporting' rights.** 'Passporting' rights allow firms with operations established in the UK to trade across the entire single market with lower costs and complexity. Financial firms are able to establish a European headquarters in one of the member states, such as the UK, and then offer services across the whole of the EU without requiring further authorisations. No FTAs have equivalent provisions on market access for financial services.

Experts such as [Oxford Economics](#), [HM Government](#), [CBI](#), [DLA Piper](#), and [Allen and Overy](#), are clear that UK firms would lose access to the highly value 'passporting' regime, as has the French economy minister, Emmanuel Macron, who said that "Those who pretend that passporting will be preserved exactly following the same rules, without any contribution to the budget are making a big mistake. Because it's completely wrong."

His comments were echoed by Jonathan Hill, the UK's EU Commissioner for financial services, who said that leaving the EU "could leave our financial services industry without its passport".

The [Governor of the Bank of England](#) and others have made clear that this would lead to relocation of activities elsewhere.

- **Losing trade in Euros.** The UK is currently the global and European centre for foreign currency exchange and Euro-denominated wholesale banking. Britain accounts for 45% of total global Euro trading. The European Central Bank is pushing for requirements for Euro clearing houses to be largely based in the Eurozone, which would impact the trade in the UK. But through its membership of the EU, the UK was successful in challenging the ECB's efforts and retaining its status. Outside of the EU, PwC finds "it is likely that the UK would lose the right to challenge the ECB's decisions on such matters".

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Impact of the EU on UK auto industry

The UK auto industry contributes over £11.6 billion of UK GVA and directly supports 147,000 jobs, and 300,000 more in the wider automotive manufacturing supply chain. The sector exports £15bn to the EU, 43% of the sector's total exports.

The UK automotive industry is the fourth largest in Europe. The sector relies extensively on exports, with nearly 4 out of every 5 vehicles made in the UK go to overseas markets.

The sector benefits substantially from EU membership through access to the single market and other FTAs agreed by the EU. The supply chains for the sector frequently extend across the single market, facilitated by the reduced trade costs the single market provides.

Access to the single market is also one of the key reasons why the industry is a major beneficiary of FDI.

The industry relies on technological development to keep pace with competition. Access to the EU market brings certainty, which in turn brings investment in innovation, but it also brings significant EU R&D funding from which the industry benefits. Approximately £3.5 billion has been awarded to UK businesses and universities across all sectors to encourage growth.

The industry relies on high skill levels. Access to skills is of course determined by domestic education and training policies, but also benefits from free movement of labour within Europe, which gives the auto businesses the ability to combine UK and international talent.

The car industry overwhelmingly backs EU membership. 77% of members of the SMMT - the voice of the UK motor industry – say remaining in Europe is best for their business.ⁱⁱⁱ [Audi](#), [BMW](#), [Mercedes](#), [Hyundai](#), [Peugeot-Citroen](#), [Honda](#), [Nissan](#), [Toyota](#), [Ford](#), and [Kia](#) have all outlined how they think the industry's best interests are served by remaining in the European Union.

Regional footprint

Car manufacturing is a vital industry in the UK, and it impacts the local economy and jobs across regions. The below table outlines major car manufacturers across Britain by location and sector.

Manufacturer	Location	Sector
Alexander Dennis	Falkirk and Guildford	Bus and coach
Aston Martin	Gaydon	Car
Bentley	Crewe	Car and engine
BMW	Hams Hall	Engine
Caterham	Dartford	Car
Cummins	Darlington	Engine
Dennis Eagle	Warwick	Commercial vehicles
Euromotive	Hythe	Bus and coach
Ford	Bridgend and Dagenham	Engine
Honda	Swindon	Car and engine
Jaguar Land Rover	Castle Bromich / Wolverhampton	Car and engine
Jaguar Land Rover	Solihull and Harlewood	Car
John Dennis Coachbuilders	Guildford	Bus and coach
Leyland Trucks	Leyland	Commercial vehicles
Lotus	Norwich	Car
LTC	Coventry	Commercial vehicles
McLaren Automotive	Woking	Car
Mellor	Rochdale	Bus and coach

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MG Motor	Longbridge	Car
MINI	Oxford	Car
Minibus Options	Whaley Bridge	Bus and coach
Morgan	Malvern	Car
Nissan	Sunderland	Car and engine
Optare	Leeds	Bus and coach
Plaxton	Scarborough	Bus and coach
Rolls-Royce	Goodwood	Car
Toyota	Burnaston	Car and engine
Vauxhall	Ellesmere Port	Car, commercial vehicles, bus & coach
Warnerbus	Dunstable	Bus and coach
Wrightbus	Ballymena	Bus and coach

SMMT, 2015

Implications of leaving the EU

Under the WTO model

- **Tariffs would increase costs.** Currently the UK auto industry can trade tariff-free across the EU. Outside, manufacturers would have to pay to import parts, pushing up the price of construction, and would have exports subject to tariffs, which would limit overseas sales. UK car manufacturers would face tariff of 10% when exporting to the European Union, hurting sales, and costing British jobs.^{iv}

Good	Tariff
Motor vehicles for transport of goods	15.8%
Motor vehicles for transport of > 10 person	13%
Motor cars for transport of persons	10%
Chassis fitted with engines	9.9%
Rear view mirrors	4.0%
Tyres	4.0%
Seats for motor vehicles	3.7%
Car lighting and signalling	2.7%
Car air conditioning	2.7%

- **Losing control of regulations.** The industry is technical and complex, which requires regulatory clarity. As an influential member of the single market Britain helps set important regulations, whether concerning the safety or environmental friendliness of products. Outside, these regulations would be set by European competitors to suit their interests, not ours. Having to adapt to the European market, our largest customer, without any influence would be costly. According to the Centre for Economic Policy Research, transatlantic auto regulatory divergences are equivalent to a tariff of 26%.^v

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Impact of the EU on UK Transport Services

The UK transport services industry contributes £77 billion of UK GVA and employs 1.1 million people. 44% of the sector's total exports goes to the EU.

An efficient, sustainable, cost-effective transport sector is vital for the functioning of the UK economy (and indeed the single market). UK membership of the EU has helped shape the development of the sector, moving it towards a more open market while at the same time enabling the UK to benefit from pan-European economies of scale in areas such as the 'Single European Skies' initiative on air traffic control.

This approach has reduced costs for existing providers who have benefitted from harmonisation of regulations and the removal of restrictive practices and, through deregulation, allowed new business models to come into the sector.

Specifically, the EU's aviation markets have been gradually liberalised through measures across air carrier licensing, market access and fares to create a single market. This has allowed new entrants to operate in the EU, particularly low-cost airlines.

The number of intra-EU routes has more than doubled since 1993; while the number of European routes covered by more than 2 airlines has increased from 93 in 1992 to 482 in 2011. 130 Fares at the lower end of the market fell by 41% between 1992 and 2000. The result has been lower fares and more rate choices for British travellers.

Regional footprint

This table outlines the transport services industry's GVA contribution, the number of jobs linked to EU exports, and the number of jobs that will be created thanks to Britain's membership of the single market by 2030, broken down by region. Transport services have a specifically large presence in London, the South East and the West Midlands.

Region	GVA (£m)	# of jobs linked to EU exports	# of jobs will be created until 2030
North East	2,231	7,250	1,980
North West	7,177	26,560	4,610
Yorkshire & Humber	5,697	19,900	3,560
East Midlands	4,955	14,200	3,290
West Midlands	8,536	18,960	3,580
East of England	6,749	21,990	3,540
London	16,720	50,980	3,150
South East	10,271	36,110	4,020
South West	4,139	14,370	2,970
Wales	2,002	3,940	1,790
Scotland	5,788	17,900	3,560
Northern Ireland	2,590	1,510	1,390
United Kingdom	76,855	233,670	37,440

Centre for Economics and Business Research, Office for National Statistics

Implications of leaving the EU

- **Transport would become more expensive and complex.** Both WTO rules or a Free Trade Agreement would leave us outside common regulatory provisions to make the sector more efficient and help it operate across a bigger market more easily.

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Listed below are current EU initiatives which, among other things, will improve infrastructure connections in the UK and Europe, making it easier to link airports, harbours, railways and urban centres, will make it easier and cheaper for haulage companies to operate across borders and ship goods more effectively (including to destinations outside of the EU), and make it easier for people to find work in the transport sector.

Specific EU measures on which the UK transportation sector would miss out on include:

- the EU's roadmap for a single European transport area, which aims to:
 - o connect major airports to rail and core seaports and rail and inland waterways by 2050;
 - o ensure a more efficient flow of goods in projects using more than one mode of transportation;
 - o switch 30% of road freight travelling over 300 km to rail and waterborne transport by 2030, and over 50% by 2050; and
 - o reduce congestion on European roads and make transport greener.
- EU plans to establish an EU-wide vehicle maintenance certificate, which will make it easier and cheaper for transport operators to repair and maintain stock across member states;
- mutual recognition of driving licenses across the EU, which eliminates bureaucratic burdens of obtaining international licenses and registering drivers in other member states;
- the Eurovignette initiative, which harmonises licensing for charges for heavy goods vehicles, meaning that rather than different charges in different countries around Europe, all that is needed is one certificate and one set of rules. This makes it easier to do business;
- EU plans to establish 9 international freight corridors across Europe, which will hasten transport across the EU and onwards to non-EU states, benefitting trade and wider supply chains; and
- harmonised train driver licensing across the EU, which makes it easy for train operators' qualifications to be recognised in other countries and employed across the EU.

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Impact of the EU on UK telecommunications

The UK telecommunications industry contributes over £28 billion of UK GVA and employs 218,000 people. 46% of the sector's total exports goes to the EU.

The EU's regulatory framework for electronic communications has played an important role in breaking down barriers in the telecommunications industry and providing a better deal for consumers.

Regulation introduced in 2007 has enabled roaming charges on calls, SMS and data to be reduced, delivering savings of 75% to consumers, compared to 2007 prices. Agreement has been reached for roaming charges to be abolished by June 2017, saving UK customers up to 38p per minute on calls.

As part of the EU's Digital Single Market undertaking, EU investment is used to improve telecommunications infrastructure such as mobile networks and high speed broadband, improving supply and access to these services for British citizens. A complete Digital Single Market is expected to boost EU GDP by over £300bn and create over 40,000 jobs by 2030.^{vi}

The tech and communications sector clearly values the improved conditions and prospects to do business that come with Britain's membership of the EU. A survey for the industry body TechUK showed that 71% of TechUK members want Britain to stay in the EU, while 78% believed EU exit would leave UK with less influence on issues that matter to their business.

Regional footprint

This table outlines the telecommunications industry's GVA contribution, the number of jobs linked to EU exports, and the number of jobs that will be created thanks to Britain's membership of the single market by 2030, broken down by region. Telecommunications have a specifically large presence in London, the South East, East of England and the North West.

Region	GVA (£m)	# of jobs linked to EU exports	# of jobs will be created until 2030
North East	2,064	3,530	2,250
North West	6,616	12,670	3,450
Yorkshire & Humber	3,912	8,490	2,540
East Midlands	3,303	4,930	2,890
West Midlands	6,947	7,850	2,680
East of England	7,243	16,630	3,740
London	37,639	68,700	6,020
South East	22,497	36,660	5,710
South West	4,980	9,710	3,350
Wales	1,537	2,610	2,620
Scotland	4,089	8,550	3,120
Northern Ireland	2,252	1,470	2,360
United Kingdom	103,079	181,800	40,730

Centre for Economics and Business Research, Office for National Statistics

Implications of leaving the EU

- **Unable to establish across the EU.** An increase in non-tariff barriers would make trade in this sector more difficult, and tech firms would lose the right to free establishment and the provision of services across the EU. Other EU countries could discriminate against UK telecommunications providers in an effort to protect their national industries.

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- **Excluded from the EU's digital single market.** Outside of the single market, UK telecommunications firms would find themselves excluded from the EU's Digital Single Market project and will likely miss out on many of the substantial benefits this is expected to deliver. The EU is making an effort to break down barriers in trade and the supply of services even further, and UK telecommunications companies would suffer from being outside of this advantageous set of rules that makes doing business easier. Digital Single Market measures which UK firms would miss out on include^{vii}:
 - a common regulatory framework for e-communications to promote competition and growth;
 - an end to geo-blocking of online content within the EU;
 - investment in broadband networks and high-speed internet;
 - the Radio Spectrum Policy Programme to support wireless infrastructure such as 3G and LTE; and
 - an amplified common European telecommunications voice in international discussions on internet development and communications governance.
- **Consumers will miss out on benefits.** The Digital Single Market will improve the ease and reduce the cost of doing e-commerce across borders; will improve the access to broadband and wireless high speed internet access for UK citizens; and will allow people to enjoy online content from the UK when they are abroad, or from other EU countries – including football and other sports on broadcast.

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Impact of the EU on UK professional services

The UK professional services industry contributes over £110 billion of UK GVA and employs almost 2 million people. 32% of the sector's total exports goes to the EU.

The professional services sector is comprised of a range of high value-added services industries, including: management consultancy, architecture, marketing, legal, accounting, engineering and other scientific and technical activities.

The UK professional services sector is internationally successful and includes many globally prominent companies.

The sector makes the second highest contribution to the UK's large trade surplus in services with the EU, after the financial services sector.

Regional footprint

This table outlines the professional services industry's GVA contribution, the number of jobs linked to EU exports, and the number of jobs that will be created thanks to Britain's membership of the single market by 2030, broken down by region. Professional services have a specifically large presence in London, the South East, and the North West.

Region	GVA (£m), 2014	# of jobs linked to EU exports
North East	2,091	8,300
North West	10,330	41,040
Yorkshire & Humber	5,542	21,260
East Midlands	5,036	16,710
West Midlands	9,438	20,190
East of England	10,483	37,420
London	40,832	129,760
South East	19,355	65,510
South West	7,514	26,640
Wales	2,156	5,090
Scotland	8,070	25,490
Northern Ireland	2,752	3,230
United Kingdom	123,599	400,640

Centre for Economics and Business Research, Office for National Statistics

Implications of leaving the EU

- **Excluded from the single market in services.** If the UK was to leave the EU, the professional services industry would be worse off because of a reduction in access to the single market. An increase in non-tariff barriers would make trade in this sector more difficult. The 'Services Directive' ensures that EU professional services firms can establish subsidiaries in other member states or trade across borders without facing discriminatory or unjustified barriers.

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- **Excluded from the Mutual Recognition Qualifications.** The Mutual Recognition of Professional Qualifications system means that a firm's employees can have their training and qualifications recognised throughout the EU, making this process easier in a way unparalleled outside the EU.

These EU laws allow a UK architect to be recognised as qualified in other member states, and to provide their services across EU borders without the need to set up a subsidiary or requalify.

ⁱ Association of the British Pharmaceutical Industry, 2013

ⁱⁱ <https://www.adsgroup.org.uk/policy-and-media/newsroom/ads-members-are-clear-remaining-part-of-the-eu-is-better-for-business/>

ⁱⁱⁱ <http://www.smmmt.co.uk/2016/03/101076/>

^{iv} http://ec.europa.eu/taxation_customs/dds2/taric/measures.jsp?Lang=en&SimDate=20160523&Area=US&Taric=8703221000&LangDescr=en

^v <http://www.smmmt.co.uk/wp-content/uploads/sites/2/SMMT-KPMG-EU-Report-100414.pdf>

^{vi} European Commission

^{vii} European Commission

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