David Lidington Letter Rebuttal

Triggered by an enquiry from a constituent of Philip Davies MP, a series of correspondence began between Mr Davies, the Bruges Group and the Europe Minister, the Rt Hon David Lidington MP. The Minister originally claimed that there were a number of benefits that follow from Britain's EU membership. The Bruges Group rebutted these erroneous claims. The Europe Minister then responded to the Bruges Group's countering of his pro-EU propaganda. Here the Bruges Group analyses David Lidington's assertions. His response to the Bruges Group analysis poses important questions about the Governments attitude to the EU. These questions need to be answered.

1) **In response to the Bruges Group explaining to the Europe Minister the costs of the EU and challenging him to establish an inquiry into the costs and benefits of EU membership David Lidington responded by stating that the benefits are, *'difficult to quantify'* and *'hard to verify'* and that it is *'difficult to draw clear-cut conclusions.'***

The Bruges Group were clear about the costs of the EU Membership which are unambiguous and substantial. These costs, at a time of economic hardship, are hurting British economic growth. It is bewildering that the future of Britain's role in the world and the surrendering of Parliamentary sovereignty to the institutions of the European Union has not been planned on the basis of firm evidence but instead on vaguely defined assumptions which are accepted as articles of faith. The Governments approach is so dogmatic that they consider that these suppositions are beyond being questioned.

The Europe Minister should consider that no other group of countries in the world has copied the EU model of a customs union governed by centralised bureaucracy.

Question: *Will the Minister now admit that there is not clear evidence that the UK procures any net benefit whatsoever from EU membership?*

2) **David Lidington claimed that Britain's EU membership gives the United Kingdom 'a global voice.'**

This had already been addressed in our earlier correspondence. As members of the EU the UK's global voice in trade is managed by a bureaucrat from Belgium. The Minister failed to mention that trade is a sole EU competence and the UK does not have the power to agree to trading terms with other states, that is a matter for the EU's Trade Commissioner.

Currently the differing interests in the EU, as highlighted by the anti-competitive and ill-liberal agricultural policy, has meant that trade with emerging markets has not been fully liberalised. The EU has therefore inhibited Britain's ability to take advantage of the numerous opportunities in the emerging markets of developing nations.

Britain as an important economy, outside of the EU, can reclaim its active and influential place on the World Trade Organisation. There is nothing to prevent the UK, free of the EU forming alliances with like-minded nation-states be they in Europe or around the globe and encouraging international trade in a way that suits our own national interest.

The UK's current approach in trusting members of the European Commission who may have a very different set of priorities to the British government is another act of faith that fails to recognise the global opportunities and alliances available to the UK.

Question: *As the Bruges Group has explained to the Europe Minister the costs of the EU; does he consider that this is a price worth paying to have the European Commission handle Britain's trade policy?*

Question: *Even if having the EU speak for Britain in world trade talks does deliver a tangible benefit for the UK; does the Europe Minister consider that this is price worth paying for the loss of say over our own domestic affairs ranging from environmental policy to the regulation of the City of London?*

3) The Minister claims that the UK is backed up by the resources of the European Union.

The EU is far from the economic power house which the Minister's communication implies. The reality is that the EU is becoming a debt union whose global significance is rapidly declining and to shackle the UK's future to a failing economic model means that Britain is neglecting its traditional and more dependable international alliances across the Atlantic and the fast growing economies of the Commonwealth states. What is more, David Lidington should be aware that the EU is a drain on British resources and costs the Exchequer and British businesses billions each year. The figures were clearly set-out in our earlier correspondence.

Question: *As the reality is that the UK excessively supports the European Union with gross taxpayer contributions to the EU now approaching the huge sum of £19 billion per annum does the Europe Minister not think that this sum can be better used at home supporting the UK?*

4) Failing to set out clear benefits to the UK, David Lidington MP wrote that Britain's EU membership is of benefit to those in Eastern Europe; and he wrote that 'Our membership has ensured the export of a British model of economic liberalisation to the former communist states in Eastern Europe'.

That statement is factually incorrect. The process of economic liberalisation in Eastern Europe began in the early 1990s when the Iron Curtain fell. The EU did not admit the first of the former communist states until as late as 2004 with others joining in 2007 and some have still not been admitted to the European Union.

What is more, the economies of those Eastern European states are now as burdened by EU red-tape and bureaucratic interference as businesses in the UK. Their currencies have also been made uncompetitive as they are either pegged with the euro or have the Single Currency as their sole legal tender. Their markets are now dominated by exports from German manufacturers. This trade deficit has added to their external debt and helped create the unsustainable budget deficits which are growing throughout much of the EU.

Freedom of travel which is mentioned by David Lidington as a benefit of the EU also has a little understood implication for Eastern Europe. Mass immigration from those states in Eastern Europe to the UK may have harmed their economic growth. Since Eastern European countries joined the EU there has been a huge flow of people to western EU countries, indeed some estimates show that 1 million people from Poland have moved to the UK. These migrants tend to have certain characteristics; highly motivated, highly skilled and happy to start new businesses. This brain drain does not benefit Eastern Europe. The exodus from those states of skilled people has not been to their advantage. The influx of people to the UK has meant higher rents and house prices, especially for low income people and it has depressed wages.

It is, however, correct that countries in Eastern Europe are in receipt of spending from the EU, with a disproportionate amount of this coming from the British taxpayer.

Question: *Given that the UK has to pay billions of pounds each year to the EU can the Europe Minister clarify whether or not the UK is a member of the European Union for the benefit of the British taxpayer or to help those on the continent?*

5) In the earlier correspondence the Bruges Group mentioned that as members of the European Economic Area (EEA) the free movement of goods, services, capital and people will continue between Britain and other EU states regardless of whether we are in the European Union or not. The Europe Minister then attempted to disparage membership of the EEA.

Currently Norway has 3% unemployment and the UK has 8%. Norway has broadly a trade balance with EU countries, the UK has a deficit of over £35 billion, equivalent to exporting around 1 million jobs to EU countries.

Furthermore, EEA countries are part of the EU's law making process are consulted on future legislation. The more prosperous EFTA countries are treated well, and their opinions respected and valued.

Cancelling membership of the European Union but keeping our membership of the EEA will lead to a 70% reduction in the regulations emanating from outside of Britain. The Europe Minister should know that under the rules of the European Economic Area, a country cannot be expelled from this organisation.

Question: *To what factor(s) does the Europe Minister attribute the far lower unemployment in states that are members of the EEA and EFTA and the higher GDP per capita?*

6) David Lidington repeated the erroneous assertion that 50% of the UK's trade is done with the EU.

There are several misleading claims used by Europhiles to justify the surrendering of the UK's sovereignty to the EU, one is that 3.5 million jobs in the UK depend upon Britain's membership; this was rebutted in our earlier correspondence. The other misleading claim is that 50% of the UK's trade is done with the EU. This claim was repeated by David Lidington in his response to the Bruges Group in order to justify Britain being governed by the institutions of the EU.

The reality is that the 50% figure also includes re-exports where goods are shipped to Rotterdam only to be sent onto larger vessels and delivered to their intended destination in other markets around the globe; this is the so-called Rotterdam-Antwerp effect. Both Labour and Conservative Governments are misleadingly including re-exports to make the importance of the EU as a market seem more important than it actually is. If the Rotterdam-Antwerp effect is not included the UK's exports to the EU are just over 40% which is less than 10% of GDP. This trade will continue with the people and business on the continent regardless of whether the Britain remains a part of the political project of European integration or not.

The Eurozone only accounts for 17% of global economic output and this figure is deteriorating rapidly. What is more, the economic activity in the EU only accounts for around 20% of global GDP and this figure may half to just 10% by 2050. The British Government's myopic approach means that the UK is only focused on the declining EU, the world's slowest growth area, at the expense of other opportunities.

The economist Roger Bootle has said that *'In global terms, the EU is most assuredly in the slow lane. If we weren't in it already, surely this is a club we shouldn't want to join.'* Furthermore, John Cridland of the CBI said recently; *"We've concentrated too much on Europe – we need to get out and build export markets in the rest of the world"*.

Question: *Does the Europe Minister recognise the decline of the EU and the fact that there are alternatives to EU membership which can deliver greater opportunities for British businesses?*

7) David Lidington in his original correspondence claimed that the benefits of EU membership are 'real' and in the same sentence stated that 3.5 million jobs are 'reliant on exports to EU Member States.'

The Bruges Group has already rebutted this claim which is misleading and nonsensical. When Britain is free from the bureaucratic interference of the EU businesses in the UK will be able to achieve a competitive advantage over other corporations on the continent. UK plc will also be able to re-join the parts of the world that are enjoying economic growth.

Since the Bruges Group's original rebuttal one of the UK's leading economists, Roger Bootle, has argues that; '*In any case, being outside the EU would not imply being unable to export into it. The tariffs that non-EU goods pay to enter the European market are minor, being governed by world trade agreements. Moreover, there is every prospect of being able to negotiate favoured access, not least because we are their largest export market.'*

Question: *Will the Europe Minister consider how many UK jobs are lost each year as a result of the EU's excessive regulation which is estimated to cost business £20 billion each year and holds back UK GDP by at least 2%?*

8) The Minister even claims that 'Many foreign firms from all over the world invest here because they see the UK as the most attractive location within the EU.'

Interestingly David Lidington uses interesting language which seeks to suggest that firms from overseas invest in the UK because we are in the EU but does not directly make that claim.

There is no evidence to suggest that membership of the European Union, a transnational political organisation, is an important factor when a company is deciding whether or not to invest in the UK. There are far more important considerations. The UK will always have access to the EU's Single Market; however, as members of the European Union the UK must accept the supremacy of EU law and as such are bound by the EU's costly regulations. This limits the UK's ability to achieve a competitive advantage and makes this country a less attractive place to do business.

70% of the costs of regulations on British businesses come from the EU and as trade will always exist between British businesses and those on the continent Britain, outside of the EU, can gain a competitive advantage by freeing itself from the burdens placed on them by the bureaucracy of the European Commission in Brussels.

According to the Ernst & Young European Attractiveness Survey 2011 the UK remains a popular destination because;

> *'The UK maintained its leadership in FDI projects and FDI jobs, which grew by 7% and 6% respectively. Investors came to the UK for its strength in services and increasingly its industry, investing in business services (14% of the projects received), machinery and equipment (11%), computers (7%) and software (7%). The UK remains a highly attractive destination given its position as a global player in the world economy and its capacity to reform a difficult economic situation. Furthermore, the weaker pound has*

enticed investors already considering the UK for service sector investments to evaluate its industrial potential as well.'

The main reasons for investment to the UK are set out by the UK Trade & Investment (UKTI) which is a UK Government department working with businesses. According to the UKTI the main reasons to invest in the UK are:

- **The UK provides an unrivalled and highly cost effective environment for global companies to thrive.**
  It is a recognised leader in the fields of creativity and innovation, and is the sixth largest economy in the world, with a GDP of US $2,174 billion.

- **Setting up in the UK**
  The UK is the easiest place to set up and run a business in Europe (World Bank: 'Doing Business 2011). It ranks first in Europe and fourth in the world for ease of doing business.
  "We chose London specifically because of its excellent infrastructure, the ease of setting up and operating a business, the access to highly skilled staff and the ability to find partner companies"
  Ravi Kumar, Zanec

- **UK Tax and regulatory environment**
  The UK is an internationally competitive location for tax. Advantages include one of the lowest main corporate tax rates in the EU, generous tax allowances and competitive personal rates, the most extensive network of double taxation treaties in the world and low social welfare contributions.

- **Springboard UK**
  The UK is the number one gateway to Europe, giving easy access to the 27 member states of the European Union, the world's largest single market. It offers world-class transport links - with Heathrow's new Terminal 5 , and more expansion planned for international airports, sea containers and the rail network.
  "London is an energy capital, an unequalled business and financial centre, and a global transportation hub"
  Ma Weihua, President, China Merchant Bank

- **UK labour market**
  The UK's labour market is one of the worlds' most flexible. This factor combined with its strong skills base in the UK is reflected in its excellent record of attracting major foreign investors from all over the world.

- **Innovation, research and creativity in the UK**
  The UK is one of the world's leading locations for commercial and academic R&D and creative industries such as film and TV production and computer gaming. With world-

class universities and research institutes involved in undertaking leading-edge R&D in all business sectors, many leading companies have already made considerable investments in R&D activities across the UK.

- **Quality of life in the UK**
  UK residents enjoy a high standard of living, education and recreation. Publicly funded health care is free to all and there is a rich cultural heritage and abundance of leisure facilities.

The EU's Single Market, which incidentally is of declining importance, will always be open to British businesses. However, the EU harms the attractiveness of the UK as it limits British competitiveness and its costs mean that the UK's tax burden is higher than it otherwise needs to be. This is not only caused by the increasingly excessive payments that the UK has to make to the EU but also through the EU's involvement in legislation concerning direct business taxation and indirect taxation.

Question: *Does the Europe Minister recognise that the costs of EU membership are undermining some of the factors that make the UK competitive?*

9) The Minister states that the UK may soon be enjoying the benefits of a free trade agreement between the EU and Korea and that Britain 'would be unlikely to have achieved this alone.'

The example of Korea actually undermines the case for EU membership which the Minister is trying to make. The Minister should know that the European Free Trade Association (EFTA) has had a free trade agreement with the Republic of Korea since 2006. The four small countries in EFTA, which have far higher GDP per capita than the declining EU, achieved this much sooner than the lethargic EU trade negotiators.

The Minister clearly has faith in the EU but lacks faith in the ability of the UK to compete in the World and fight its corner and form alliances that actually suit our national interest rather than being forced into unbeneficial compromises with differing interests in the EU.

Question: *As the EU's Single Market suffers as a result of the strains caused by the euro will the Europe Minister support the development of contingency plans for a British trade policy that can fully take advantage of the opportunities that are available to Britain around the globe ranging from a renewed alliance with the EFTA countries and those in the Commonwealth?*

10) David Lidington conceded to the Bruges Group's point that the UK only had approximately 8% of votes in the Council of Ministers. He claimed, however, that the UK can form blocking majorities in the Council of Ministers.

The reality is that under the terms of the Lisbon Treaty the ability for countries to form groups who can prevent European Commission proposals from becoming law will be even more difficult than it is at present. The qualified majority needed to pass EU law will be reduced to 65% and, combined with the expansion of the EU, the UK will be less able to prevent EU proposals from becoming law. The Minister chose not to mention the issue of the veto. The Prime Minister David Cameron at the recent European Council meeting proposed the return of the national veto in the area of financial service regulation. This request was rejected by the other EU leaders and criticised by the President of the European Commission.

Question: *Is the failure to mention the loss of the veto a tacit admission that the UK's ability to block unwanted legislation has effectively been abolished in many key areas?*

11) David Lidington wrote that the Government wants the EU to focus on so-called '21st Century issues – climate, energy markets, innovation, growth and jobs.'

Encouraging the European Union, an organisation that is failing the peoples of Europe whose lives it governs and whose excessive regulations have meant its share of global GDP is declining, will only further limit the growth of Britain's economy. What is more, the European Union is using policies that relate to the environment to continue its process of centralisation and ever closer Union.

Question: *Rather than hoping that the European Commission will reform its decades long anti-competitive policies does the Europe Minister not think that a strategy for growth and jobs should come from the Government of the United Kingdom rather than the EU?*

Question: *Is the Government hoping that the EU will deliver economic growth for the UK?*

Question: *Is the Conservative led government now supporting further transfers of power, and more EU involvement, in areas relating to climate and energy?*

12) In response to the Bruges Group identifying the shortcomings in the Government's European Union Act the Minister, speaking on behalf of the Government, admitted that its provisions are 'not a panacea for the problems we have with the EU'.

This begs the question, how are these *'problems'* to be resolved? The Government appears to not even have a Plan A to redress the significant issues of the EU's inbuilt lack of democracy and excessive costs to the taxpayer, consumers and businesses alike. The Bruges Group suggests that the UK is Better Off Out of the EU and in earlier correspondence provided clear and unambiguous evidence to support that case.

In conclusion it is clear that Britain needs to have a fresh start with the EU similar to the principles in the Fresh Start motion which David Lidington signed in opposition to the Maastricht Treaty.

Question: *David Lidington, as Minister for Europe, is a member of the Foreign Secretary's department, will the Europe Minister heed William Hague's thoughts on the EU where he described it as "a 1970s solution to a 1950s problem"?*

27 September 2011

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Foreign &
Commonwealth
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Minister for Europe

Phillip Davies MP
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Dear Phillip,

Thank you for your letter of 3 August regarding the UK's membership of the EU. I apologise for the delay in replying.

I do not believe, and never have believed, that the EU is perfect, and like most institutions probably never will be. It is an institution which has strengths and achievements to its credit, but which has also got (a lot of) things wrong and which needs reform. Where I differ from the Bruges Group is that I believe that it is in British interests to remain within the EU and to argue there for the changes that we wish to see.

The Group argues that Britain would be better off out of the EU. However, in trying to perform a cost-benefit analysis of this kind, it is necessary to make a number of counterfactual claims which are hard to verify meaningfully. This makes it difficult to draw clear-cut conclusions. In addition, I think the Group overlook important benefits which are real but difficult to quantify. British membership of the EU gives the UK a global voice, backed up by the economy and resources of an entity of 500m citizens within the EU. Our membership has ensured the export of a British model of economic liberalisation to the former communist states in Eastern Europe; and the ability to travel and work freely in the UK has opened up Europe to the British in ways that would have been unimaginable a generation ago.

The Group's note states correctly that membership of the EEA would grant the UK the basic freedoms which exist within the EU, but I think they overstate the attractions of this option. The lesser point is that members of the EEA must still pay membership fees and their exports are still subject to customs controls, which qualifies some of the arguments they make in favour of membership. More importantly, in order to enjoy full access to the Single Market, members of the EEA must accept all EU law that is relevant to the functioning of the internal market. Norway, for example, has transposed all EU Directives relating to the Single Market into domestic legislation.

However, unlike the EU, members of the EEA do not have a say in how those laws are drafted and therefore cannot craft them in ways that promote the national interest, or oppose them when that interest is contravened. Leaving the EU would come at a significant cost to the UK since, in order to remain in the single market, we would have to accept a body of law over which we had no control. Our exit would also shift the EU itself in a more protectionist direction since it would lose one of its most powerful advocates for economic liberalisation within the Union.

The figure of 40% of UK trade with the EU that the Group quoted would appear to account only for the UK's trade with just the Eurozone, which in any case is a market that was actually worth 43% of our exports (goods & services combined) in 2009 according to the Office of National Statistics (ONS). According to the ONS, the whole of the EU accounted for approximately 50% of UK imports and exports in 2009. ONS statistics also show that eight of our top ten markets for goods exports are in the EU, and six of our top ten markets for services exports. Remember, for instance, that the UK still exports more to Ireland than it does to Brazil, India, China and Russia combined. Of course we would expect this share to decrease in relative terms as our trade with countries outside the EU increases. In fact it is an important part of this Government's policy to increase the size of that trade, but that is not a reason to damage that trade now. The Government has programmes and policies in place to encourage trade with emerging economies in Latin America, China, India and elsewhere in Asia from which major sources of growth will come, but the EU will remain our largest trading partner for some time.

The figure of 3.5 million jobs is not based on any claims made by Britain in Europe or any other such group, but on internal research undertaken at the Department for Business, Innovation and Skills (BIS). This research uses the share of GDP generated through UK exports to the EU to estimate an equivalent share of total UK employment – 3.5 million jobs – which are linked to UK exports to the rest of the EU.

This link does not mean that those jobs would all disappear in the very unlikely case of the end of UK exports to the rest of the EU, and that was not my argument. I would not suggest either that the exit of the UK from the EU would cut all UK export flows to the EU, and the jobs linked to them. However, I do believe that it is vital for us to remember that the UK's economy is closely intertwined with the economies of our neighbours. The 3.5 million figure is a useful illustration of that close connection. Many foreign firms from all over the world invest here because they see the UK as the most attractive location within the EU.

The Group is right that we currently hold, to be precise, 8.4% of the weighted votes in Council. However, there are also several other factors to consider; namely, that a majority (or two thirds majority) of Member States voting in favour is also required to secure a qualified majority.

Collective action gives us more negotiating power when agreeing trade terms with other countries, and most trade agreements are mixed competence, meaning that the UK usually still has the power of veto. Being in the EU, we now stand to benefit from the EU-Korea Free Trade Agreement, which could lead to an increase in UK GDP by up to £500 million per year. We would be unlikely to have achieved this alone. The Bruges Group argues that if the UK were to leave the EU then it would be able to retake its seat on the World Trade Organisation. However, this approach would see us in practice cut out of the major multilateral trade negotiations which are dominated by China, India, Brazil, the US and the EU. This is especially true when we consider the success the EU has had in the past at concluding trade deals: British Commissioner Leon Brittan was instrumental in bringing the Uruguay round of talks to a close in 1994, for example. Or, if we look at foreign policy where again each country, including the UK, has a veto over any collective EU position we see that in recent months the EU has exerted collective pressure on Libya and Syria as well as Cote d'Ivoire and Belarus; enhancing the UK's security and prosperity through the exertion of political and economic pressure on rogue regimes that threaten us or commit crimes against their people.

The European Union Act is an absolutely key piece of legislation in how future governments will approach the EU. It is not a panacea for the problems we have with the EU. But it does address future problems of transfer of competence.

I agree with many of the points made by the Bruges Group on waste and unnecessary expenditure. The Government has made this clear to EU Institutions at every opportunity, and is taking a strong line within the ongoing negotiations for the next EU Multi-annual Financial Framework (MFF). For example, we want to see ambitious reform of the EU budget so that it focuses on 21st Century issues – climate, energy markets, innovation, growth and jobs. Outside the MFF, we are also committed to genuine, fundamental reform of the Common Fisheries Policy: discards are an appalling waste of natural resources and must be addressed. Along with Sweden and the Netherlands, we refused to sign off the EU's accounts this year, and we are calling for modernisation, value for money and increased efficiency and effectiveness within every section of the EU and its Institutions.

I know that we may never fully agree on these issues. But I hope the detail I have provided in both my letters to you do make clear the rounded and detailed view the Government has taken on this issue.

THE RT HON DAVID LIDINGTON MP

David Lidington Letter Rebuttal

On 30th June 2011 The Rt Hon David Lidington MP, Minister for Europe, claimed a number of benefits that follow from Britain's EU membership. In this rebuttal the Bruges Group addresses the main points he raises.

1) Access to the Single Market is of central economic importance to the UK

The Single Market is a Customs Union with the institutions of the European Union making regulations which govern businesses within it. There are no important customs unions anywhere else in the world.

EU membership is not a prerequisite for access to the Single Market. Switzerland and Norway which are outside of the EU, export more in relation to their GDPs and per capita than the UK does. Furthermore, both China and the USA each export more to the EU than the UK does and without having their economies burdened by costly EU regulation.

Countries as far afield as Mexico, Turkey, Chile and South Africa have tariff free access to the Single Market. Without having to pay the huge costs associated with the EU. As shown later in this report the costs both the taxpayer and the British economy amount to many 10s of billions of pounds per year.

The Single Market with its four freedoms of free movement of goods, capital, services, and people is not just reserved for EU members. Those four freedoms also apply to members of what is known as the European Economic Area (EEA). Britain is also a member of the EEA and this guarantees that Britain will always enjoy those four freedoms regardless of EU membership.

2) The EU is one of the world's most important trading zones

Less that 10% of the UK economy is involved with trading with businesses in other EU member-states. However, 100% of our economy must comply with the EU's excessive regulatory burden.

Single Market trade is also becoming less important to the UK. With the growth of emerging markets the amount of British foreign trade with the rest of the world is set to increase so that by 2020 around 70% of Britain's foreign trade will not be with the EU. Presently, the EU accounts for approximately just 40% of the UK's trade.

3) The benefits of EU membership… include free movement

As previously stated citizens of European Economic Area member-states have the opportunity for free movement throughout both the EU and the EEA. If the government continues to support the free movement of people then this can be achieved via the UK's membership of the EEA.

a) Free movement into the UK is also an issue of great political concern in the UK, yet government cannot address this whilst governed by EU rules in this area.

4) *That 3.5 million jobs, 10% of the UK workforce, are reliant on exports to EU member states*

This misleading claim first emerged in the year 2000 from the now defunct Britain in Europe group which unsuccessfully campaigned for Britain to join the euro. They apparently based this claim on research they commissioned into how many jobs were involved with the EU. However, Dr Martin Weale the Director of *The National Institute for Economic and Social Research* described Britain in Europe's spin as *"pure Goebbels"* and said, *"in many years of academic research I cannot recall such a willful distortion of the facts."* The report had in reality came to the conclusion that the jobs would still exist regardless of whether the UK was a member of the EU or not.

It is surprising that a Conservative Minister is repeating that erroneous claim.

British people and business do not need to remain within the EU, a supra-national political structure, to trade with other people and businesses on the continent.

The UK is a member of the European Economic Area and EEA members have tariff free access to the Single Market. Furthermore, the World Trade Organisation (WTO) would prevent the EU discriminating against British exporters. What is more, Articles 3, 8 and 50 of the Lisbon Treaty legally requires the EU to negotiate "free and fair trade" with non-EU countries.

The UK is the single biggest purchaser of exports from the other 26 EU member-states. They sell far more to Britain than British businesses sell to them. Perhaps the government should take action to address structural trade deficit which effectively means that Britain losing jobs to the continent.

5) Collective action gives us more negotiating power

Britain, with only 8% of the votes in the Council of Ministers has little formal power over the determination of EU rules, whereas a sovereign state would have 100% authority over its own affairs.

Outside of the EU Britain can retake its seat on the World Trade Organisation and negotiate according to our best interests instead of being represented by an EU trade commissioner who is currently from Belgium. Britain will then be able to negotiate without being encumbered by the differing interests of other EU nations that often have a different outlook to the UK. And as one of the largest WTO members the UK can support the many other members who share our global trading outlook.

Britain is having its own foreign policy decisions being subjugated to common EU positions. Both national and EU embassies will have to cooperate. As a result of the common foreign policy the UK diplomatic service will be receiving direction from the EU's High Representative.

EU rules also state that "The High Representative shall represent the Union for matters relating to the common foreign and security policy. He or she shall conduct political dialogue with third parties on the Union's behalf and shall express the Union's position in international organisations and at international conferences."

They also state that "When the Union has defined a position on a subject which is on the United Nations Security Council agenda, those Member States which sit on the Security Council shall request that the High Representative be asked to present the Union's position."

Furthermore, Defence integration is already underway.

a) One of the areas cited by Mr Lidington included the ability to reduce crime, catch criminals and take action to tackle abuse of the asylum system

What Mr Lidington may be unaware of is that Britain cannot deport foreign EU criminals because of an EU directive, number 2004/58/EC. The EU's increasing involvement in areas to do with Justice and Home Affairs such as the European Arrest Warrant and the European Investigation Order are seen as threats to our civil liberties and should not be welcomed.

The attempt to claim that EU control over Britain's asylum policy as a benefit of EU membership is also surprising.

6) *Mr Lidington was confident in the UK's ability to move the EU in the right direction*

The EU is unreformable, it is not proposing to return any powers to the member-states and the EU continues to legislate thus continually deepening the centralisation within the EU.

7) *The governments EU referendum lock was also cited in the letter as part of moving the EU in the right direction*

It does no such thing. The Government have introduced the EU Bill, containing the so-called 'Referendum Lock'; however this does not prevent the EU expanding its powers without a referendum. It can still do this by legislating in new areas which it has not as yet done so but are granted to it as shared competences under the terms of the treaties. Once it has done so this becomes another EU occupied field and national Parliaments must then confirm to EU law and can only legislate in those areas if they obey the principles of the EU legislation. The EU Bill does not cover referendums in such circumstances and only in the event of there being a new Treaty and then only if the Government considers a Treaty change a 'significant' transfer of power.

In conclusion what Mr Lidington has failed to address is the enormous costs of Britain's EU membership:

- Britain has to hand over to the EU more than £10 billion each year excluding contributions to the bailout schemes
- The Common Agricultural Policy costs Britain at least £16.8 billion per annum. According to the Consumer Nominal Assistance Coefficient (CNAC), on average, agricultural prices paid by European consumers are 23% higher than those prevailing in international markets. It means higher food prices for an average family in the UK of £1,500 per year.
- The Common Fisheries Policy costs Britain over £3 billion in lost commercial opportunities each year. This figure is derived at by calculating the proportion of the value of the EU's total catch, approximately £5 billion per year, of which it is estimated that 70% comes from previously defined British waters. Furthermore, in 1970 there were 21,443 fishermen in the UK. By 2007 that figure had dropped to 12,729: a decrease of 40.64%.
- Over-regulation from the EU on business costs Britain over £20 billion per annum holding back UK economic growth by 2% each year. The British Chamber of Commerce Burdens Barometer, counting regulation from Whitehall and Brussels, puts the cumulative figure of total regulation upon British businesses much higher. At least 50%, and perhaps as much as 70%, of this legislation originated from Brussels, therefore the cost of EU regulation is at least 2% of GDP and that is a conservative estimate. Peter Mandelson told the 2004 CBI conference that the cost of regulation amounts to 4% of Europe's GDP. Also in 2004 the Dutch Vice Prime Minister and Finance Minister, Gerrit Zalm stated that the administrative burden on business in the Netherlands was estimated at 4% of GDP. In October 2006 Gunter Verhuegen, the European Commission Vice-President for industry and Enterprise estimated that the annual cost of EU regulation across the EU amounted to €600 billion per annum (around 5.5% of GDP), while the benefits of the Single Market amount to only €160 billion: therefore the costs exceeded the benefits by €440 billion. Later, in a letter from Commissioner Verhuegen to Bill Newton-Dunn MEP, dated 18th June 2007, he gives the overall EU figure as an average of 3.5% of GDP for all member states and the figure would be similar for the UK. Therefore, the £20 billion per annum and 2% figures are erring on the side of caution.

The question needs to be asked if this is a cost worth paying and ask for a genuine explanation of what we get in return. If the Treasury disputes those figures then there should be an official cost benefit analysis into Britain's EU membership.

20 June 2011

Our reference: MIN/15658/2011

Foreign & Commonwealth Office

King Charles Street
London SW1A 2AH

Minister for Europe

Philip Davies MP
House of Commons
London
SW1A 0AA

Dear Philip

Thank you for your letter of 7 June to the Foreign Secretary on behalf of your constituent, [redacted] about the EU. I am replying as Minister for Europe.

On the issue of recent stories in the media about EU plans to merge the UK with France, I can assure [redacted] that this is not the case. Officials have contacted the European Commission Representation in the UK, which provided us with a copy of a letter sent to the papers who printed the story, refuting the claims made. I enclose a copy of the letter for your information.

The Government believes that membership of the EU is in the national interest of the UK, and as such, we do not intend to leave. In return for our membership, we receive a wide range of benefits. For example, access to the Single Market is of central economic importance to the UK and it is vital to our prosperity. The EU is one of the world's most important trading zones, giving us access to 500 million consumers without the barriers of customs or tariffs and generating total GDP of €10.5 trillion in 2009. Seven of our top ten trade partners are within the EU and there is huge potential to further increase trade in this area.

For individuals, the benefits of EU membership are many and varied. They include free movement for British citizens to study and work within the EU without requiring a work permit and free or reduced cost healthcare on temporary visits through the European Health Insurance Card.

The economic benefits for individuals are real too with approximately 3.5 million jobs, 10% of the UK workforce, reliant on exports to EU Member States and the benefits of EU trade brought to UK households are estimated to be between £1,100 and £3,300 per year. In addition to this, EU Foreign Direct Investment creates 50,000 - 60,000 jobs and safeguards a further 40,000 - 50,000 jobs every year.

EU membership and collective action gives us more negotiating power and allows us to better achieve our international security objectives on issues such as conflict prevention, stabilisation, climate change and human rights. EU information-sharing improves our ability to reduce crime, catch criminals and take practical action to tackle abuse of the asylum system.

We champion vigorously the interests of the UK and play an active role within the EU. We also believe that the EU needs to change and can improve, and we are confident in the UK's ability to move the EU in the right direction.

As part of this, we have agreed that there should be no further transfer of sovereignty or powers from the UK to the EU over the course of this Parliament, and that the UK will neither join, nor prepare to join, the euro during this time. Any treaty change requires the unanimous agreement of all Member States, and the Government has agreed that we would not give our assent to a treaty change that transferred new competences of powers from this country to Brussels. As well as this political commitment, the EU Bill, which is currently passing through Parliament, would oblige this government, or any future government, to hold a referendum before ratifying such a treaty change. The Bill also provides that the consent of the British people would be required if the government wished in the future to agree to certain other specific decisions, such as joining the euro, joining a common European army or giving up control of the UK's borders. The referendum lock will ensure that the Government cannot pass powers to the EU unless the British people have agreed to it.

Many thanks,

THE RT HON DAVID LIDINGTON MP

THE BRUGES GROUP

The Bruges Group is an independent all–party think tank. Set up in February 1989, its aim was to promote the idea of a less centralised European structure than that emerging in Brussels. Its inspiration was Margaret Thatcher's Bruges speech in September 1988, in which she remarked that "We have not successfully rolled back the frontiers of the state in Britain, only to see them re–imposed at a European level…". The Bruges Group has had a major effect on public opinion and forged links with Members of Parliament as well as with similarly minded groups in other countries.
The Bruges Group spearheads the intellectual battle against the notion of "ever–closer Union" in Europe.
Through its ground–breaking publications and wide–ranging discussions it will continue its fight against further integration and, above all, against British involvement in a single European state.

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