The Bruges Group

The 4 Lies about leaving the EU

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The Author

Jeremy Nieboer, educated at Harrow School and Oxford, was called to the Bar in 1965 and admitted as a Solicitor in 1970. As a lawyer he specialises in corporate and commercial law. He worked with the Democracy Movement on opposition to EMU from 1998 – 2000 and does regular talks to schools, including 6th forms, on EU issues organised by Civitas. Here he has often debated against speakers from the European Movement and Britain in Europe. Jeremy Nieboer was the lead solicitor on the application to the High Court and Court of Appeal for a judicial review of the then Foreign Secretary's (Douglas Hurd) decision to ratify the Maastricht Treaty in 1993. Here he worked alongside Bill Cash MP, Lord Rees – Mogg, David Pannick QC and Martin Howe QC on the application. He is the author of *The Pros and Cons of Economic and Monetary Union* and the Bruges Group paper *A Lesson in Democracy: Comparing the EU and the US response to climate alarmism.*

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The Lies about leaving the EU

Introduction

The Eurozone is moving inexorably towards taking control, by its institutions, of member states' taxation and spending. As this new country emerges in Europe, dispelling forever any past and faint notions of a benign common market, a distinct vision is now forming in peoples' minds of a future for Britain outside the EU but trading freely with its member states and the rest of the world. As this takes shape adherents of the EU project of "ever closer union" will use all means possible to prevent such a regaining of sovereignty and liberalising of commerce and trade. In that campaign it is the weapon of fear that, above all, will be deployed in an attempt to keep us as subjects of this damaging regime and truth will be the first casualty. The following short articles address the four principal misstatements that, to intimidate and confuse, will be disseminated with mounting intensity as the prospect of withdrawal from the EU attains reality.

The Lies about leaving the EU:
(1) We will lose 3 Million Jobs

The most shameful of the lies is that propagated by the BBC and the *Independent* when claiming that a study by National Institute for Economic and Social Research (NIESR) had found that *3 million jobs could be lost if we left the EU* – (Independent 18.02.2000). It was intended to and did create deep fears. So wanton and mendacious was this assertion that the NIESR director general called it *"pure Goebbels"* stating that *"in many years of academic research I cannot recall such a wilful distortion of the facts".* The study, in reality, stated that whilst it found that while 3.4m jobs depended on EU exports, it did not address the question of what would happen if we withdrew from the EU.

The 3.4m figure is probably right and may even be an underestimate. But it is a gross deception for public figures to assert or imply or that these jobs would be at risk if we left the EU. These jobs depend on trade not on EU membership. All the evidence is that employment, so far from being threatened, will revive strongly with the relief of enterprise from the burden of EU employment and business regulation and the liberalising of trade arising from EU withdrawal. The evidence is compelling:-

- EU26 (all EU states excluding Britain) trade with us is 12% *higher* than our trade with them – it would follow that nearly 4m EU jobs depend on it. In reality over 6m EU jobs depend on its trade with us[1].
- We have a heavy overall current account deficit with EU26 -. £52.4bn in 2010 and over £46bn in 2011 –but with the rest of the world a surplus of £15.1bn in 2010 and £17bn in 2011[2]. The EU exports £28bn more in goods and services to us than we export to them.
- Our most successful trade is not with any EU26 state – it is with USA (surplus £22bn), Australia (£9.7bn) and Switzerland (£8.5bn) – all non EU27 (all 27 EU states including Britain) countries[3].
- Our trade with EU26 is falling – in goods and services by over 13% since 2000[4] but has increased by 12% with the rest of the world in the same period.
- Europe as a whole is in serious decline relative to the world. From 30% in 1980 its share of global wealth will fall to 17% in 2017 (IMF)[5].
- Whilst the UK 's working population is set to rise many of Europe's working populations are falling steeply - Germany by over 25% and Italy's by over 20% by 2050 and Spain by 14%[6] – the decline is endemic.
- The EU average external tariff on goods and services is a little over 1% and falling – it would not inhibit trade if we were out.

Weighing all these facts is it not absurd to suppose that the trade so desperately needed by EU 26 failing economies will disappear if we leave the EU or that we will not be able to secure free trade with its members? The economic crisis now facing them will truly be catastrophic if such trade was materially impaired.

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1 Ruth Lea. Global Vision Perspective April 2008 derived from House of Commons library data

2 Office of National Statistics Pink Book 2012 edn Ch 9 Table 9.1 Balances Current Account

3 Office of National Statistics Pink Book 2012 edn Ch 9 Table 9.1 Balances Current Account

4 Office of National Statistics Pink Book 2012 edn Ch 9 Table 9.2 Current Account Credits

5 IMF World Economic Outlook Database April 2012

6 UN World Population Prospects medium variant 2010 revision

But for us in the UK we will have regained power to enter free trade agreements with the rest of the world, regained our own voice at the WTO[7] and gained relief from the withering burden of EU employment and business regulation. As the world's 5th greatest trading nation[8] we can confident of expanding global trade with widening employment and prosperity.

The Lies about leaving the EU:
(2) The EU is the market of the future

The dominant fact is that we have a large and consistent trade deficit with the EU 26 countries. The EU exports £28bn more in goods and services to us than we export to them[9]. Our current account deficit on all EU26 transactions was over £46bn in 2011 – with the rest of the world we showed a surplus of £17bn in 2011[10]. Our most successful trade is with the USA, Australia and Switzerland – each show weighty surpluses[11].

While our trade with the rest of the world has grown by over 12% since 2000, trade with the EU has been in steady decline[12]. Exports of tangible goods have fallen in the 10 years from 2000 by over 12% while goods and services together declined by over 13% [13]. Total exports of goods and services to the EU have fallen to 45% adjusting for the effect of goods shipped to Holland for re-export outside the EU.

Nor is this surprising. From over 30% in 1980 the EU27 share of global GDP will fall to 17% by 2017[14]. Economic growth of the 6 EU founding members is almost at a standstill. Far from being the "*future"* the EU is in major relative decline. Our own

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7 World Trade Organisation since I January 1995 successor to General Agreement on Tariffs and Trade (GATT) as international body for liberalising international trade

8 Ruth Lea and Brian Binley MP *"Britain and Europe: a new relationship"* 2012

9 Office of National Statistics Pink Book 2012 edn Ch 9 Table 9.1

10 Office of National Statistics Pink Book 2012 edn Ch 9 Table 9.1 Balances Current Account

11 Office of National Statistics Pink Book 2012 edn Ch 9 Table 9.1

12 Office on National Statistics Pink Book 2012 Ch 9 Table 9.3

13 Office of National Statistics Pink Book 2012 edn Ch 9 Table 9.1

14 IMF World Economic Outlook Database April 2012

annual GDP growth exceeds France, Germany and Italy with Australia and Canada having even higher growth rates and China and India showing phenomenal rises[15].

To compound this decline the principal EU economies are condemned to steep falls in numbers of those able to work. Unless compensated for by increases in productivity economic growth declines with falls in working population. By 2050 Germany's working population will have fallen by 25%, Italy's by 21% and Spain's by 14% - with the UK showing an increase of 5%[16]. Both the UN's and Eurostat's population projections show that by 2050 there will be fewer than two persons of working age for each person aged 65 or more[17].

So far from being an engine of prosperity the Single Market has constricted business and inflicted costs far exceeding the benefits of the opening up of EU markets[18]. A recent authoritative study puts the annual cost of Single Market regulations at 5% of GDP or £75bn[19]. The EU Commission itself estimates that the costs exceed the perceived benefits by a factor of 2.5 or 3% of GDP – a net cost of £45bn[20] The burden of regulation to prevent *"unfair"* competition has created a closely regulated market with employment and social legislation in line with the high tax and social welfare spending of EU economies without parallel in the rest of the trading world which does not have to bear its cost.

So severe is the burden of regulation that few can comply and remain competitive. Here in the UK over 85% of our national wealth comes from our home markets and trade with the rest of the world yet EU regulation applies to 100% of our economy. Now the Eurozone is moving inexorably to take control over tax and spending so signalling the end of democratic autonomy.

We are witnessing the creation of a new country in Europe. Our hope for prosperity and opportunity for all cannot any longer be entrusted to it.

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15 IMF World Economic Outlook DatabaseApril 2012

16 UN World Population Prospects medium variant 2010 revision

17 Eurostat Population statistics October 2011

18 Open Europe *"Still out of control Measuring eleven years of EU regulation"* 2nd edition June 2010

19 Professor Tim Congdon CBE *"How much does the European Union Cost Britain"* September 2012

20 Statement by EU Commissioner for Enterprise and Industry 2006: HM Treasury and DTI *"The Single Market: a vision for the 21st Century"* January 2007

The Lies about leaving the EU:

(3) Loss of EU exports cannot be made up in Global trade

We do not need to be a member of the EU to trade with its member states.

45% of our total export trade is with the EU26, adjusting for exports via Rotterdam and Antwerp whose destination or ownership is outside the EU[21]. But our trade with the EU26 is far less than the 2 strongest European economies. 80% of Norway's and 60% of Switzerland's total exports are with the Euro area[22]. Yet they are not in the EU. Nor is the expanding export trade of China with the EU26 inhibited by not being in the EU and subject to its regulatory regime. The USA exports more to the EU than the UK without being governed by it.

The EU itself has free trade agreements with non-EU countries including Israel, Mexico, Switzerland, Turkey and Norway. With a positive trading balance with Britain of £28bn [23] and over 6m EU jobs depending on it[24] is it surely inconceivable that the EU would imperil such trade by refusing us a workable free trade agreement.

Can we be confident that our global trade will improve if we leave the EU?

The EU is a customs union not a free trade area. It distorts free trade by its tariffs on non EU imports and by the CAP. It also applies direct protectionism as with the quotas on sugar cane which are putting hundreds of jobs at risk at Tate & Lyle[25]. The most authoritative studies show that the liberalisation of trade by leaving the EU will increase UK GDP by 3%[26] or £45bn each year[27]. Whilst we cannot assume that all our trade would be entirely free the benefits would be substantial.

We joined the Common Market at a time of high world tariffs. Lower trade barriers were then a distinct benefit. But that is no longer so. GATT has reduced tariffs on

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21 Ruth Lea and Brian Binley MP. *"Britain and Europe: a new relationship"* 2012 at p7.

22 Schroders Thomson Datastream October 2011

23 ONS Pink Book 2012 Chapter 9 p134

24 Ruth Lea *Global Vision Perspective April 2008. "Britain and Europe: a new relationship"* 2012 p9.

25 Professor Tim Congdon CBE *How much does the European Union cost Britain* September 2012

26 Professor Patrick Minford and others *"Should Britain Leave the EU"* Institute of Economic Affairs 2005

27 Professor Tim Congdon CBE *How much does the European Union cost Britain* September 2012

industrial goods from over 20% to well under 5% and services are now included. Governments of great economic areas, including China, India and Brazil - once closed to our exports - have now embraced free trade as a generator of prosperity. Leaving the EU will mean that we will again have our own voice in the WTO and be free to negotiate free trade deals.

The EU prohibits Britain entering into free trade agreements with other countries. Yet even so we had a 2011 surplus on overall current account with non-EU countries of £17bn[28] against a deficit of £46bn with the EU27. Our trade with the rest of the world has grown by over 12% since 2000. Our most successful trade is with the USA (surplus £22bn) but Australasia (£9.8bn) Switzerland (£8.5bn) Singapore (£4.3bn), Brazil (£2.4bn), and South Africa (£2.1bn) contribute heavily. We are a great trading nation ranking 5th in the world[29] with unique historic global reach. Such are the facts.

All this signifies a far better future for Britain as a trading nation out of the EU.

The Lies about leaving the EU:
(4) We are stronger for being in the EU

Does our voice in the EU make us stronger?

We joined in 1973 when we were just one of 9 with a veto on most issues. Now we have just 8.4% of the votes in the Council of Ministers with 26% needed to block legislation. On trade and business regulation we have lost our veto entirely. In economic matters only a few areas such as tax now need unanimity. We have lost the power to protect our industries. The City contributes £80bn, over 5%, of our GDP, but we could not protect it from EU directives[30] undermining its global pre-eminence or prevent control of its markets being removed to the EU in Paris[31]. The British Government acknowledges that the EU imposes 50% of legislation in

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28 ONS Pink Book 2012 Chapter 9.1 Summary Current Transactions 2011

29 IMF Balance of Payments Statistics Yearbook 2011

30 Alternative Investment Fund Management Directive 2009/0064 (COD)

31 European Securities and Markets Authority Regulation (EU) No 1095/2010;

the UK having *"significant economic impact"*[32]. We can do nothing about this. Yet the cost of EU regulation approaches £75bn a year[33]

Only the EU Trade Commissioner can negotiate trade deals for all EU members. We now have no voice in the WTO. But EU protectionism conflicts with our interests especially on food imports. For the poorest food producing countries with a GDP per capita of under £5,000 a year, the average EU tariff is 6% with the UK having to impose EU tariffs on food from the rest of the world of over 8%[34]. Such tariffs severely distort the market and prevent efficient allocation of the economy's resources.

But are we not too small to prosper on our own through global trade?

Of the 14 countries with the highest GDP per capita[35] 11 are also in the top 14 of purchasing power parity per capita[36]. But of these 11 states only two (USA and Canada) are among the 50 of the world's most populous nations. The four very small states of EFTA have a GDP per capita 210% greater than the EU. Nor are the USA and Canada exceptions since in reality they are confederations of much smaller autonomous states and counties.

But would we have leverage in international dealings?

Far from being "Little Englanders" we are the world's 5th largest trading nation and 2nd largest earner for overseas services and investment income[37]. Even as an exporter of goods we rank 9th in the world with the 7th largest economy. We are the sole oil exporting European nation[38]. In our own right we are members of the G20 accounting for 80% of world trade and 84% of world GDP. London is the world's financial centre for international transactions. Above all we have our historic links with the expanding economies of the Commonwealth in five continents and the vast

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32 House of Commons Library Research Paper 10/62 October 2010 Statements by Lord Triesman Minister of State FCO

33 Professor Tim Congdon CBE "Professor Tim Congdon CBE *"How much does the European Union Cost Britain"* September 2012

34 Global Britain Briefing Note no 81 September 2012

35 International Monetary Fund Statistics.

36 International Monetary Fund Statistics - Luxembourg, Norway, Singapore, Switzerland, USA, Australia, Sweden, Netherlands, Austria and Canada and excluding 3 Middle East Oil economies.

37 IMF Balance of Payments Yearbook 2011 Committee on Balance of Payments Statistics

38 CIA World Factbook January 2012 - UK exports of over 1.3m bbl/day

market of the USA. Our trade with the rest of the world has grown by over 12% since 2000 while EU trade has fallen also by 12%[39].

The EU treaties require the EU to conclude agreement with countries that decide to withdraw from the EU and place it under a duty to contribute to free and fair trade.

All these facts afford solid grounds for confidence in our future outside its control. Relieved of the heavy cost and burdens of the EU regime the sunlit uplands do indeed beckon for Britain.

39 Office of National Statistics Pink Book 2012 Ch 9 Table 9.3

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.

WHO WE ARE

BRUGES GROUP MEETINGS

The Bruges Group holds regular high–profile public meetings, seminars, debates and conferences. These enable influential speakers to contribute to the European debate. Speakers are selected purely by the contribution they can make to enhance the debate.

For further information about the Bruges Group, to attend our meetings, or join and receive our publications, please see the membership form at the end of this paper. Alternatively, you can visit our website www.brugesgroup.com or contact us at info@brugesgroup.com.

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