



The Bruges Group

Life after the European Union

Monday 5th October 2015
1.00pm

5th October 2015

Breaking Up is **not* Hard to Do

by Jim Mellon



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It's all about choice!



EXIT

BUT!

Main argument is economic...

Constraints of Being in EU

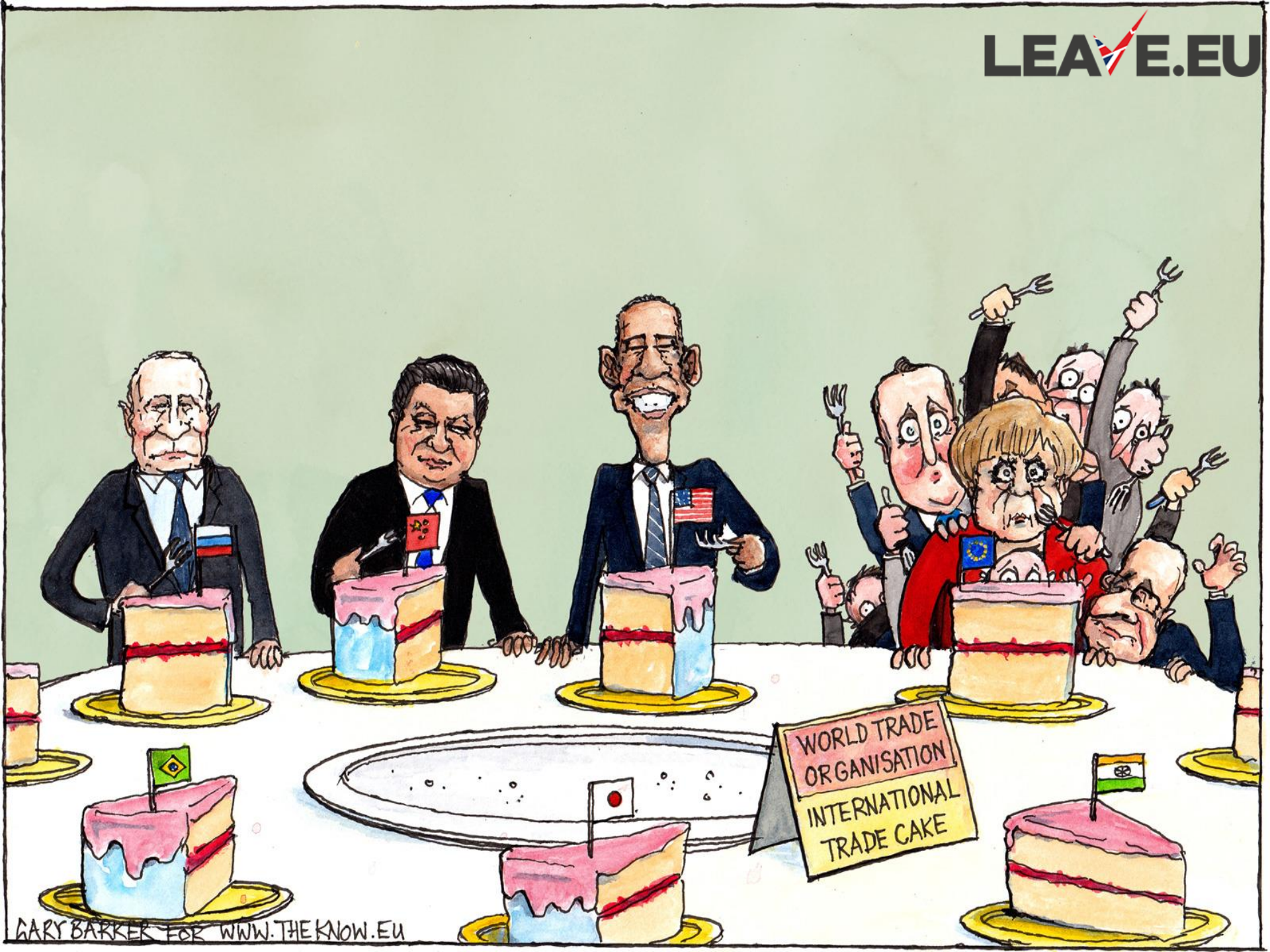
1. Less control over local law & regulations
2. UK's global influence masked behind EU
3. Inability to negotiate int. trade deals direct
4. No ability to control borders





Law and Regulation

- Brussels, Luxembourg and Strasbourg are responsible for more than **HALF** of UK laws
- British MEPs voted against 576 EU proposals between 2009 – 2014 but 485 still passed and became law
- UK influence within the EU is dwindling – 9.5% of votes
- Top 100 EU regulations cost the UK £33.3b p.a. or around £520 per capita (man, woman and child)
- UK net transfer to EU in 2014/15 was £11.2b



It's the  economy, stupid!



Global Influence

- The UK, with less than a 10% share of the vote in EU legislature, has limited ability to influence policy
- UK's diplomatic reach would remain strong outside of the EU
- An independent UK would be able to exert greater international influence
- UK has the Commonwealth whereas other EU members do not
- UK would have its own seat at the WTO rather than being 10% of the EU

HAVE YOU PUT ON WEIGHT?

I WAS GOING TO ASK YOU THE SAME!

GLOBAL TRADE



WELCOME TO HEATHROW

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PASSPORT CONTROL

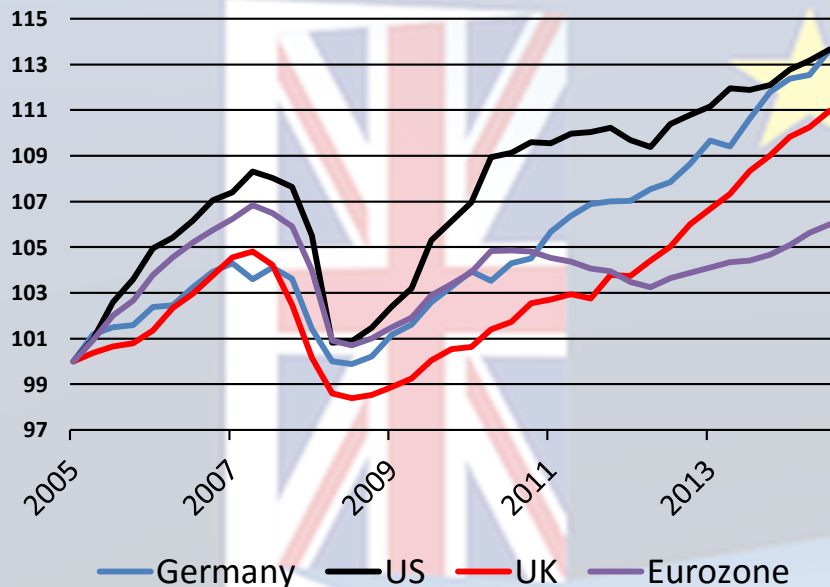
Border Control

- UK is OBLIGED to accept ALL immigrants from EU regardless of skill level
 - 1.5 million EU migrants moved to the UK between 2004 – 2010 – most of them low skilled. The true number may be higher. 
 - Many skilled non-EU visa applications were rejected as quota reached within first 6 months of 2015 – only 20,700 'Tier 2' visas
 - Migration accounts for one third of deficit in social housing
 - 65,000 EU nationals claiming Jobseeker's Allowance while only 30,000 Britons claiming benefits throughout the EU
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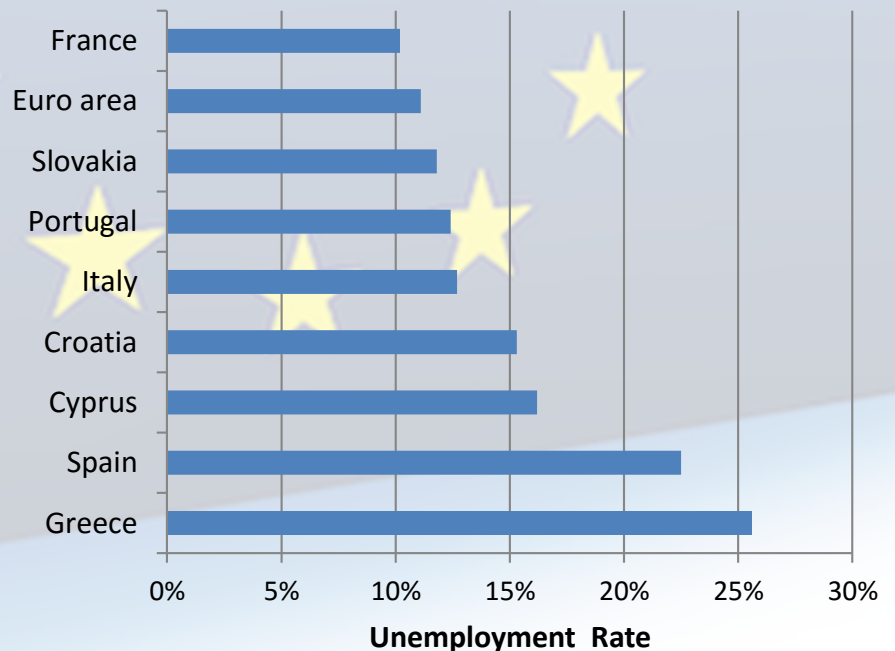
Union of Equals?

- The EU is in economic decline with a shrinking and ageing population
- UK and Germany has had growth more akin to the US than the Eurozone
- UK unemployment only 5.5%, as close to “full employment” as can be without rampant inflation
- Compared to Euro area as a whole this does not imply we operate within a single market

GDP Normalised to 2005




Source: Bloomberg



International Trade

- UK exports to rest of world are growing 3 times faster than exports to the EU
- Outside of the EU, the UK would be free to make its own deals – crucial given uncompetitive position of the EU
- EU trade negotiations with major economies like US, Japan, India and UAE are either stalled or suspended
- Australia, South Korea and Japan are independent economies that conduct trade policy on bilateral basis

Not What We Signed Up For

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- The EU looks very different to the EEC we originally joined
 - No longer focused upon economic development
 - Originally tight knit group of economically similar countries
 - Organisation has ballooned to include countries with vast differences in culture and income

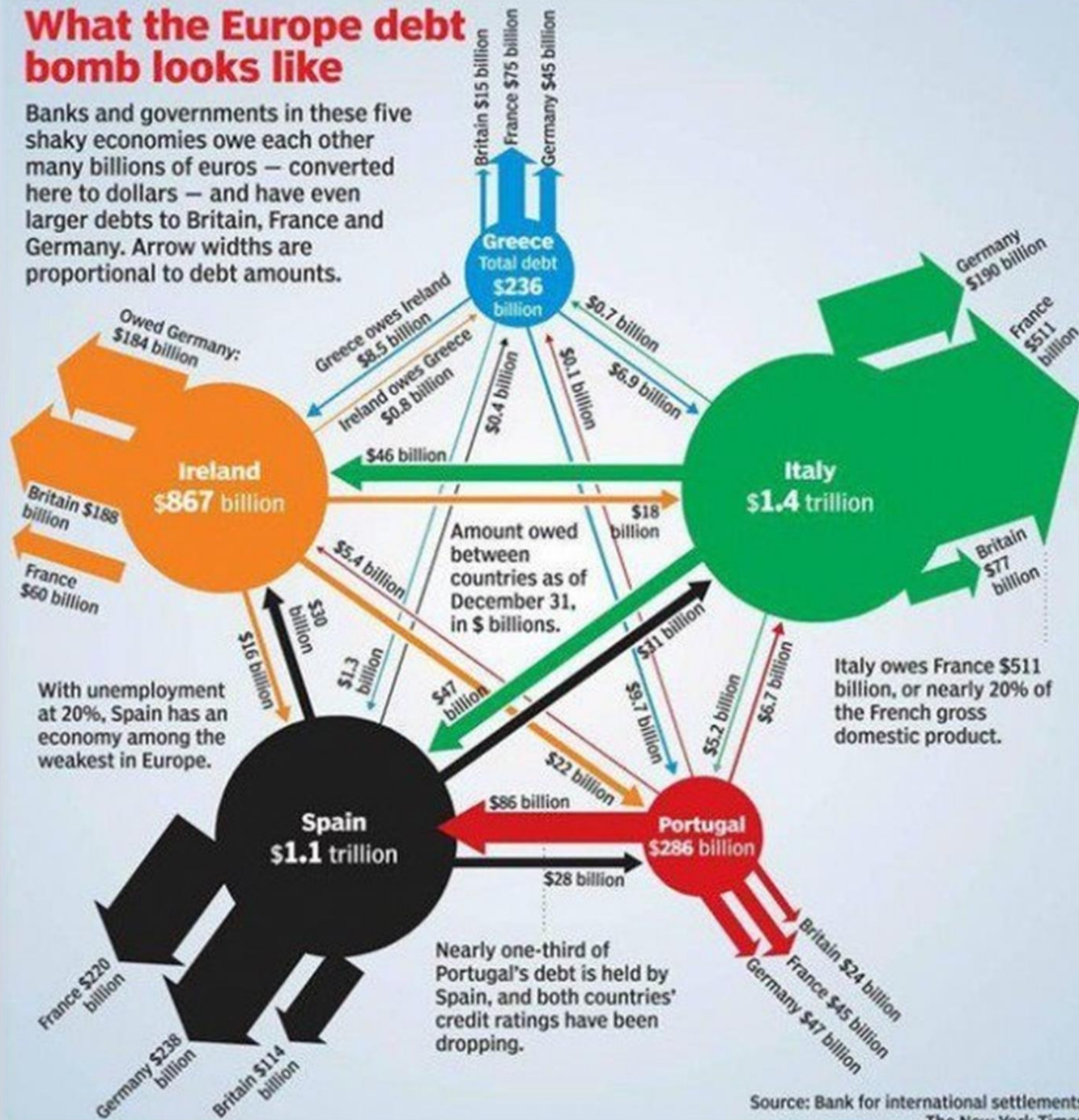
Sins of Our Neighbours

- Southern European debt increasing
- EU desperate to not have any exits
- Will look to financially stable countries to plug the gap (similar to Greece)
- QE has distorted bond and currency markets
- Inevitable selloff of accumulated assets could drive interest rates up wildly

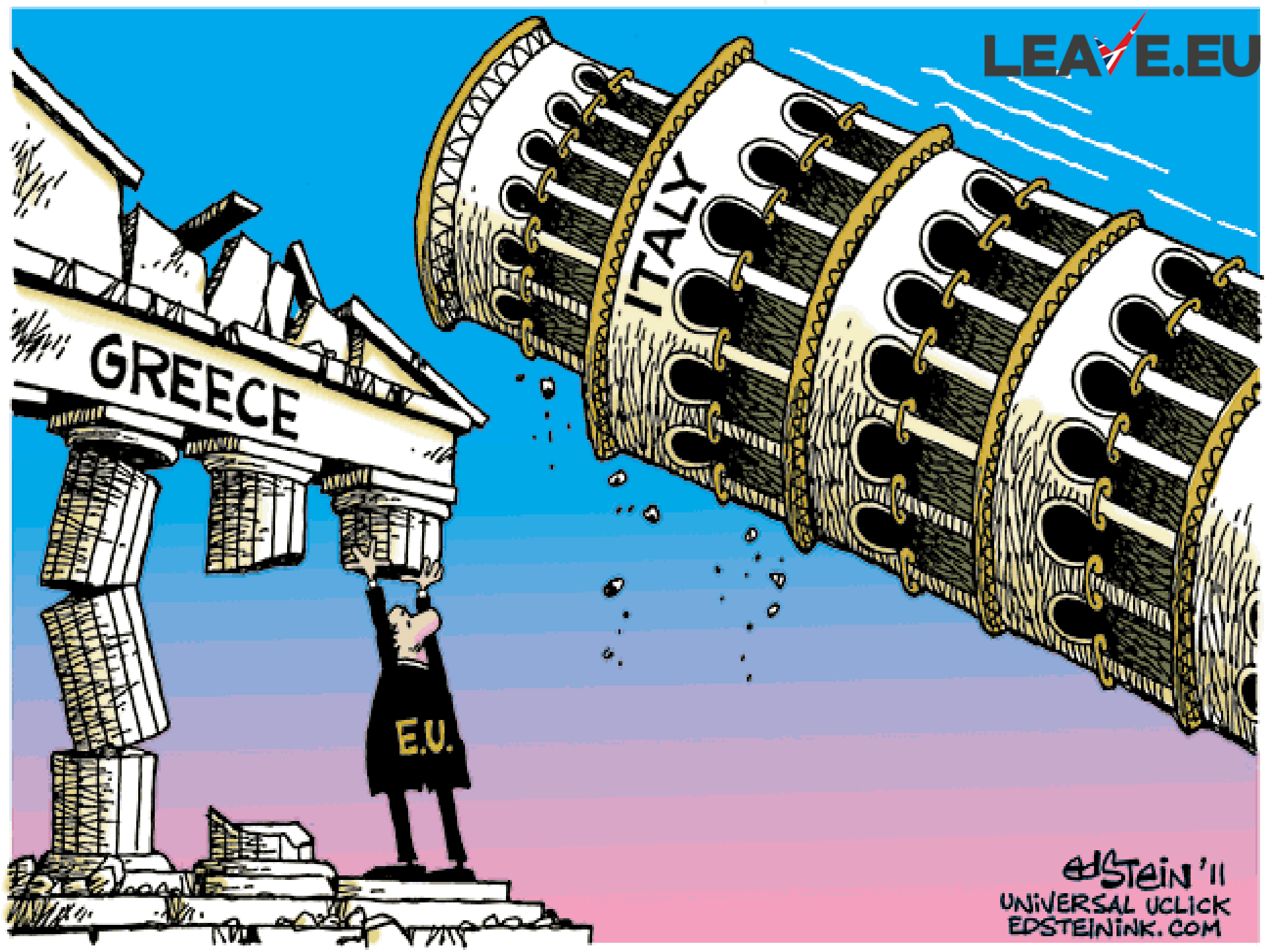
Country	Debt (Bn USD)	% of GDP
Portugal	224	129
Italy	2,050	134
Spain	1,064	94
France	1,797	95

What the Europe debt bomb looks like

Banks and governments in these five shaky economies owe each other many billions of euros – converted here to dollars – and have even larger debts to Britain, France and Germany. Arrow widths are proportional to debt amounts.



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GREECE

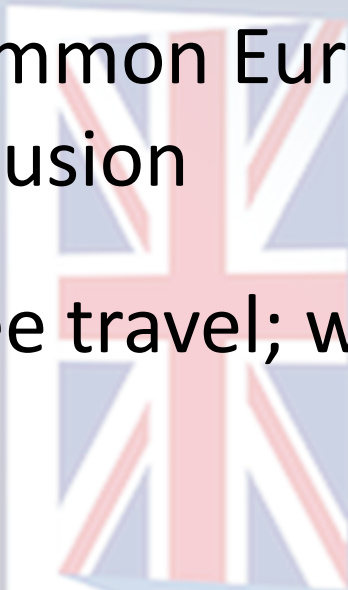
ITALY

EU.

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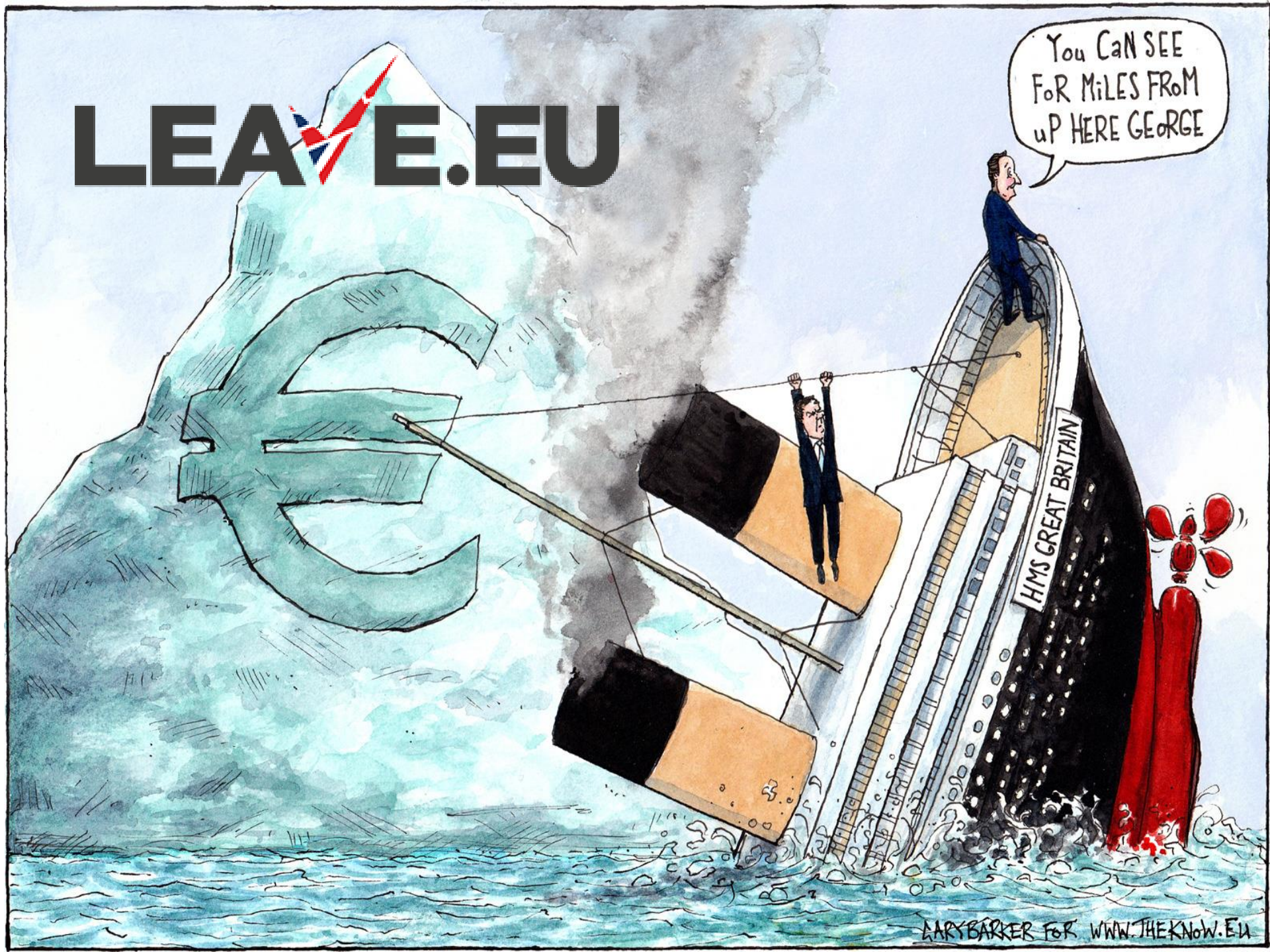
Benefits of Being in the EU?

- Prevention of war- an old myth'
- Trade frictions removed. Not true – substantial regulatory burden
- Common European purpose. Illusion and delusion
- Free travel; will be exactly the same outside



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You Can SEE FOR MILES FROM UP HERE GEORGE



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