



LAWYERS IN FOR BRITAIN

THE UK AND THE EU:
BENEFITS, MISCONCEPTIONS
AND ALTERNATIVES

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The following signatories of this Report are members of 'Lawyers-In for Britain' – a group of lawyers who consider that the UK's interests are best served by remaining in the EU. Our view stems from our individual experiences and beliefs, and not those of our clients or the organisations we represent or work for in our professional lives.

We do not believe that the EU is perfect – as with any organisation, it will need to reform and evolve with its members over time. The recent Settlement agreed by the EU Council on 19 February 2016, contains reforms designed to allay concerns raised by some about the UK's membership of the EU.

However, we believe that the EU referendum raises far more issues than those addressed by the Settlement. The choice facing the UK electorate is whether to remain in the EU as it currently stands (and as reformed by the Settlement agreed on 19 February), or to leave. Our focus, therefore, is on what the EU currently is – not what it should or could be.

In discussing our views on the EU, we recognised how much of the debate on the UK's membership of the EU is based on a lack of information, misconceptions, or, worse, misinformation.

The UK electorate faces a significant decision on 23 June. Ultimately, we believe a sensible judgment on EU membership can be made only on the basis of reliable evidence.

We therefore decided to gather together into a single report what we consider to be the most reliable key evidence on which we have based our respective conclusions that the UK's interests are best served by remaining in the EU.

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Introduction

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The UK electorate faces a significant decision on 23 June. Ultimately, we believe a sensible judgment on EU membership can be made only on the basis of reliable evidence.

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The Report

This report seeks to provide the reader with reliable information on:

- the key benefits of the UK remaining in the EU;
- the truth behind some of the common criticisms about the EU; and
- the alternatives to membership of the EU and why they would be unlikely to deliver the benefits of single market access which the UK enjoys today.

We have sourced our evidence from documents released prior to the Settlement of 19 February 2016 and published primarily by the UK Government, UK Government departments, and independent institutions such as the Bank of England, the UK's Office for Budget Responsibility and UK universities.

The front part of the Report summarises the facts in a succinct fashion. The interested reader can find out more by turning to the relevant section. The Appendix to the report contains the source materials.

We conclude with some light-hearted examples of the EU's influence on British life being misrepresented in the national press.



Summary

Benefits of EU Membership

The benefits of EU membership to the UK economy and people are substantial.

They range from easier and cheaper travel, to a more secure society, a cleaner environment, confidence that the goods and services available in the UK are of the same high standard and quality, and guaranteed access to the single market on which so much of the UK's jobs and prosperity depends. British citizens take many of the benefits of EU membership for granted. They have become part of the fabric of UK life over the 43 years since the UK became a member of the EU in 1973.

In each section of this summary we make a statement that is further explained and evidenced in the main body of the report under the relevant heading (e.g. Benefits 1, Benefits 2 etc.).

i. The EU benefits UK consumers (see Benefits 1)

- The Government has noted benefits to UK consumers of up to 6% higher income per capita (in the region of £3,300 a year per household) as a result of being part of the EU single market.
- The EU provides consumers with more choice of products from a wider range of retailers and online suppliers across the EU. This helps drive down prices.
- Goods across the UK are cheaper (no customs duties or other charges are imposed on goods traded within the EU) and can move more quickly and freely into and out of the UK.
- EU law means that British consumers can be confident that products and food are of the same high standards of quality and safety no matter where they are made, grown or sold in the EU.
- The EU's air, rail, road, and maritime policies have resulted in easier and cheaper cross border travel; improved EU-wide safety and security standards; and extensive passenger rights across all transport modes.
- The EU has scrapped mobile roaming charges so that holiday makers will no longer return home to the nightmare of a massive phone bill racked up whilst away.

ii. Access to the EU single market benefits UK trade (see Benefits 2)

- The EU is the world's largest economy – almost double the size of China and bigger even than the US.
- The EU has over 500 million consumers and is Britain's largest trading partner accounting for about 50% of the UK's trade.
- Some three to four million jobs in the UK are linked to exports of goods and services to the EU.
- Administration and compliance procedures for importing and exporting goods and services are much simpler within the EU. This enhances efficiency and lowers costs.
- UK businesses benefit from the EU's free trade agreements with third countries. These agreements give the UK preferential access to over 50 countries around the world and the EU is in the process of negotiating additional trade deals with the US, Japan and Canada.
- UK businesses also benefit from the EU's trade protection measures which prevent unlawfully subsidised or dumped goods competing unfairly with British goods in the single market.
- Foreign investment in the UK is important for UK prosperity and creating UK jobs. A substantial majority of foreign investors in the UK say they have done so because Britain is part of the single market.

iii. Access to the EU benefits the UK's services industry (see Benefits 3)

- The UK also benefits from the single market for services including such diverse activities as finance, insurance, legal, media, hairdressing, building, dentistry and accountancy.
- The financial services industry alone generates 8% of UK national income and is highly integrated into the European financial system.
- Losing access to the single market would risk diminishing the position of the UK as a global financial hub. UK financial institutions would no longer benefit from the European passport and may need to establish subsidiaries across the EU.

iv. The EU improves the UK's security (see Benefits 4)

- UK police forces benefit from the ability to share information and intelligence on cyber-criminals, terrorists, stolen goods and missing persons in real time through Europol.
- The EU's European Arrest Warrant has reduced the amount of time it takes to return criminals and terrorists who object to extradition to face justice in Britain from around a year to less than 50 days on average.
- We believe that EU membership enables the UK to face common challenges together. Whether it's migration, a more assertive Russia, or terrorism, the UK is better able to meet these concerns together with other EU countries than out on its own.
- NATO has made clear its view that the UK is more secure as a member of both the EU and NATO.

v. The EU promotes a healthier UK (see Benefits 5)

- The UK is the largest beneficiary of EU funding for health research. Current areas of focus include antimicrobial resistance, dementia and mental health.
- The H1N1 bird flu pandemic was safely contained partly thanks to the EU's early warning health response system.
- British travellers in the EU can have their healthcare costs covered for free, or at a reduced cost, by way of the European Health Insurance Card.

vi. The EU secures more affordable energy in the UK (see Benefits 6)

- Britain is dependent on energy imports and EU membership has allowed the UK to integrate its energy market with other EU countries. This helps the UK to secure more affordable and clean energy for consumers.
- The EU improves the UK's ability to meet its current and future energy needs in a way that is more cost-effective than would otherwise be the case if it acted alone.

vii. The EU enhances UK workers' rights and promotes gender equality (see Benefits 7)

- EU law has improved UK workers' rights and protects against discrimination in the workplace.
- As well as knowing that UK workers are protected wherever they work in the EU, British businesses also know that their EU trading partners are operating to the same standards of workers' rights.

viii. The EU improves the UK's environment (see Benefits 8)

- Much of the UK's environmental and conservation legislation stems from EU laws.
- Tackling climate change at European level is more effective than the UK acting alone.
- Pollution and migrating species do not stop at borders. Acting together, the EU has made the UK's rivers, seas, beaches and air cleaner and our birds safer.
- EU environmental legislation is necessary to ensure a level playing field for businesses operating in the EU.

ix. The EU gives UK citizens greater opportunities to live, work, study and travel abroad (see Benefits 9)

- British people are major beneficiaries of the EU's free movement laws. It is estimated that some 1.4 to 2.2 million British people live in other EU countries.
- Travel to the rest of Europe has become much easier and cheaper. The reason that low cost airlines and coach companies have flourished and airfares have reduced by 40% is because EU law creates an "open skies, road and rail network" across the EU.
- These opportunities would not be as freely available to future generations if Britain were to leave the EU.

x. Development of the EU's single market will benefit the UK's future (see Benefits 10)

- The single market will develop further and there is potential for substantial future gains. Britain is at the forefront of re-energising the single market in areas such as energy, telecoms, airspace and the digital economy thereby boosting UK prosperity significantly.

Common questions and misconceptions about the EU

Many people have legitimate questions about the EU – particularly on subjects such as EU law making, the costs associated with EU membership and the ability of the UK to control its borders. There is a great deal of misinformation circulating on these subjects. The recent settlement agreed by the EU Council on 19 February 2016, contains reforms designed to allay some of these concerns. We set out below some frequently asked questions and a summary of what we believe are the real answers. A fuller answer is given in the main body of the report under the relevant question (Question 1, Question 2, etc.)

i. Does membership of the EU prevent the UK from making its own laws? (see Question 1)

- As a matter of fundamental UK constitutional law, the UK Parliament is sovereign. The UK constitutional mechanism whereby the EU treaties have effect in UK law and why the EU institutions are able to pass legislation that directly affects the UK is through the European Communities Act 1972. The 1972 Act also recognises the supremacy of EU Law.
- EU law is required for the EU to function effectively. The relevant legal principles were well established before the UK joined the EEC in 1973.
- The single market could not operate without common rules to replace a patchwork of different and often conflicting national laws. These laws ensure that UK citizens and businesses are not discriminated against in the rest of the EU.
- EU law making has been limited for over 20 years by the subsidiarity principle: “Europe where necessary, national where possible”. In other words, it is an established legal principle that the EU should only legislate in respect of matters that are better achieved at EU level.
- Subject to this important limitation, the European Commission, Council and Parliament can pass legislation that affects all Member States equally. All three institutions have democratic foundations and are accountable in different ways.
- The UK Government, Parliament and citizens play a significant role in EU law making. The UK Government voted in favour of 90.7% of all EU legislation in the period from 2009 to 2012 and secured opt outs from laws which it does not want – particularly so that the UK can retain control over its borders and keep the pound.
- In practice, the UK has had significant influence over the development of single market legislation particularly in relation to telecoms, energy and financial services where EU legislation is largely based on the UK model.
- If the UK were to leave the EU, it would have no real say on EU legislation but in order to continue trading with the EU much of UK business would remain subject to EU law.
- The interests of UK citizens and businesses are protected by the Court of Justice of the European Union (CJEU), which is responsible for the rule of law within the EU. The UK has a right to appear in all cases and it has the right to nominate judges reflecting the UK common law tradition as an important element in EU law. Those protections would be lost were the UK to leave the EU.
- The 19 February Settlement contains a provision stating that EU Treaty “*references to ever closer union do not apply to the United Kingdom*” so that the UK is not committed to further EU political integration.

ii. Is there too much regulation coming from Brussels? (see Question 2)

- The need to limit EU legislation to what is needed has been accepted as a principle of EU law for many years and efforts are ongoing to consolidate and streamline existing regulation. However, one important element of EU law, reflected particularly in the single market programme, was to reduce the regulatory burden on EU businesses by having a common set of rules that businesses can rely on throughout the single market.
- The House of Commons Library estimates that less than 7% of UK primary legislation and less than 15% of UK secondary legislation make direct or passing references to EU law.
- Some regulatory intervention will always be required and, if the UK were to leave the EU, it is likely that most EU regulation would need to be replaced rather than repealed in order for UK goods and services to be accepted in other EU countries.
- The detail of many regulations in the UK are a product of UK, rather than EU, laws.
- The Settlement recognises the need to reduce red tape even further, stating that the EU institutions and Member States should “*make all efforts to fully implement and strengthen the internal market*” and take “*concrete steps towards better regulation*”, for example by “*lowering administrative burdens*” in particular for “*small and medium enterprises, and repealing unnecessary legislation*”.

iii. If the UK leaves the EU, would the European Court of Human Rights still have jurisdiction over the UK? (see Question 3)

- The European Convention on Human Rights, its Council and its Court are separate from the EU. The CJEU takes account of the Convention within the scope of EU law but the CJEU has no jurisdiction to apply the Convention or the EU Charter of Fundamental Rights outside the scope of EU law.
- The UK's membership of the Council of Europe would not be altered if the UK left the EU. The law of the ECHR was incorporated into UK law through the Human Rights Act 1998 and, even if that legislation were amended or replaced, the Government has indicated that it has no intention of leaving the Council of Europe.
- The EU Charter on Fundamental Rights protects UK citizens and businesses from interference with their rights by the EU institutions and the authorities of all the Member States when they implement EU law.

iv. Are EU institutions too big and inefficient? (see Question 4)

- The EU bureaucracy is relatively small given the overall size of the EU economy and its population of over 500 million people.
- The EU institutions employ 55,000 persons (less than 0.05% of the EU population). In comparison, the UK's Department of Work and Pensions alone has over 91,000 employees and UK central government employs some 400,000 people.

v. Is membership of the EU too costly? (see Question 5)

- It is difficult to quantify the precise impact of EU membership on the UK economy because it is impossible to say with any certainty what the UK economy would have looked like had the UK not joined the EU in 1973.
- The EU budget represents less than 1% of GDP and is shrinking in real terms.
- The gross contribution made by the UK to the EU budget in 2014 amounted to €14,072 million. The financial contribution paid out under the EU budget to the UK amounted to €6,985 million resulting in a net contribution of €7,088 million.
- The UK's net contribution is less than that of Germany or France. On a per head of population basis, the UK is the eighth highest contributor.
- The UK's net contribution of about €7 billion to the EU budget was less than 1% of UK Government's forecast expenditure of £732 billion in 2014.
- Some parts of the UK (such as Wales and Northern Ireland) receive more in direct grants from the EU budget than they contribute per head.
- Limiting discussion to the UK's contribution to the EU budget does not reflect the broader benefits of EU membership to the UK overall. The Government has noted that these benefits may be in the region of £3,300 per year per household.
- A recent survey of more than 100 economists by the Financial Times underscored the economic consensus that the UK's prospects would be damaged by withdrawal from the EU. Of those surveyed, 67 thought the UK's economic outlook would deteriorate if the UK were to leave, while none thought it would improve.

vi. Can the UK control its borders if it remains in the EU? (see Question 6)

- The UK has the right to control its borders and can check anyone entering the UK no matter where they come from.
- The largest category of migrants in the UK come from outside the EU (including from countries such as Syria and Iraq) and the UK's ability to restrict their entry is unaffected by EU law.
- The right of free movement has been a fundamental feature of EU law since before the UK joined the EEC in 1973. It gives UK and other EU nationals the right to work and study in other EU countries, benefiting both individuals and businesses.
- Both the OECD and the UK's Office for Budget Responsibility consider that immigration helps address skill shortages and the consequences of an ageing population. The evidence suggests that on average, EU migrants make a positive contribution to the UK economy and pay more taxes than they receive in benefits.
- EU law gives EU nationals the right to work and study in other EU countries. But EU nationals do not have an unlimited right to enter and remain in the UK. Most importantly, the right to live in the UK without any conditions or formalities lasts only for three months. EU nationals can also be refused entry into the UK on grounds of public policy, public security or public health.
- As well as tightening up the rules on sham marriages and on suspected terrorists and criminals coming to the UK, the Settlement introduces an "emergency brake" to restrict EU migrants in the UK claiming in-work benefits for a period of up to four years.

vii. Are the EU's accounts fraudulent? (see Question 7)

- The Court of Auditors monitors EU spending closely and has signed off on the EU's accounts for every year since 2007. It has noted some errors in the procedures for making payments but, as the Court of Auditors has said, these errors are "not a measure of fraud, inefficiency or waste".

viii. Does EU regulation stifle the City of London? (see Question 8)

- Far from stifling the City, EU membership has provided the City of London with substantial benefits allowing it to be one of the leading international financial centres in the world.
- EU membership gives the City of London access to the single market. Losing this access would represent a substantial risk to London retaining its current international status.
- As for the quality of EU financial regulation, the UK has contributed actively and successfully to rules which enable the UK authorities to have far greater assurance as to the safety and soundness of the large number of financial firms from other EU jurisdictions that operate in the UK.

ix. Would the UK have more trading influence outside the EU? (see Question 9)

- There is a real danger that, by leaving the EU, the UK would be isolated and have less influence in the world.
- Leaving the EU would mean that the UK would lose the benefits of, and have to renegotiate, over 50 EU trade agreements with other countries with no guarantee of a successful outcome. Current and future EU trade deals include market opening agreements with the US, Canada, South Korea, Japan, ASEAN and Mercosur.
- Some of the UK's key partner countries have stated explicitly that the UK has greater influence within the EU and could be sidelined if it left. President Obama confirmed that the US is "looking forward to the United Kingdom staying a part of the European Union", while his trade representative formally ruled out a preferential bilateral agreement for the UK. Prime Minister Modi referred to the UK as India's "entry point to the EU", while President Xi encouraged Britain "as an important member of the EU" to play a constructive role in strengthening China–EU ties.

x. Would the UK be stronger following a decision to leave the EU? (see Question 10)

- There is no evidence that the UK would be stronger if it left the EU. Indeed, there is a real risk that a decision to leave the EU would damage the cohesiveness of the United Kingdom and its Overseas Territories.
- The adverse consequences of the UK leaving the EU on the peoples of Scotland, Wales, Northern Ireland and Gibraltar are potentially significant:
 - the re-imposition of controls on the Northern Ireland/Ireland and Gibraltar/Spain borders would be contentious.
 - the SNP and Plaid Cymru have called for the UK's constituent nations to have a separate vote on the UK's departure from the EU.
 - the First Minister of Scotland has indicated that if Scotland votes to remain in the EU but the overall result is to leave, this could open the door to another referendum on Scottish independence.

The alternatives to EU membership and why they are not in the UK's interests

Advocates for a British exit of the European Union suggest that the UK would be able to retain the benefits of EU membership without any of the burdens. This is not realistic.

- The EU accounts for roughly half of the UK's trade. So, if the UK left the EU, it would be faced with a choice either:
 - not to follow the EU rules and no longer have access to the single market; or
 - to copy EU rules without any real input into how those rules are made.
- In addition, EU membership gives the UK automatic access to the EU's free trade deals with over 50 countries in the rest of the world. The EU is in the process of negotiating additional trade agreements with the US, Canada and Japan. The EU is the world's biggest exporter and importer of goods and services so enjoys huge bargaining power in these negotiations. The UK would immediately lose access to these trade deals if it left the EU.
- At the time of writing, there is no consensus among those campaigning for exit as to what form departure from the EU would take – but a range of alternatives has been suggested. None of the most commonly proposed alternatives would be straightforward to implement; and none presents the utopia of "benefits without burdens" that some suggest.

- There are two broad models:
 - negotiate a trade agreement with the EU; or
 - rely on World Trade Organisation (WTO) rules.
- Each of these options has substantial drawbacks and would be a worse alternative to EU membership for the UK. They are described more fully in the Alternatives section of the main report.
- A number of countries such as Norway, Switzerland and Turkey have trade agreements with the EU. However:
 - none of these countries has full access to the single market in goods and services;
 - none of these countries has a formal say or vote over the EU legislation governing access to the single market;
 - countries such as Norway and Switzerland have to make a substantial contribution to the EU budget and accept free movement of persons.

“If you want to run the EU, stay in the EU. If you want to be run by the EU, feel free to join us in the EEA”.

Nikolai Astrup, spokesperson on European Affairs for the Norwegian Conservative Party.

- The other model is to have no agreement with the EU but to rely on the UK's WTO rights. However:
 - around 90% of the UK's goods exported to Europe would be subject to EU tariffs ranging from 4.5% to around 15%, including cars (10%), clothing (11%) and food (around 15%).
 - there are no provisions under the WTO rules for the UK to grant subsidies to its exporters to compensate for those tariffs (such provisions expired in 1999).
 - WTO rules do not cover financial services prudential regulation.
 - the UK would no longer have access to the EU's trade deals with the rest of the world.
- In reality if the UK left the EU, it would have to:
 - try to renegotiate access back into the single market. These renegotiations would be lengthy and there is no certainty that the UK would get what it wanted. The differences in bargaining power are substantial. The UK would have to negotiate with the EU as a whole rather than with each of the 27 Member States. In addition, the EU represents approximately 40%-50% of the UK's exports. But the UK represents only about 6% of other EU countries' total exports.
 - agree arrangements for the 1.4 to 2.2 million Britons living in other EU countries.
 - decide how to address more than 40 years' worth of legislation which has been influenced by EU membership. In particular, decisions would need to be made about which legislation should be retained as UK legislation, which should be modified and which should be repealed. The time, bureaucracy and costs involved in this enormous legislative programme would be substantial.
 - continue to be subject to EU rules in order to trade in the single market without any real say in the decision or legislation making process and without any automatic right to challenge EU legislation in the CJEU.
 - decide what tariffs to apply to imports into the UK.
 - adopt new customs laws and re-establish customs controls at borders (including with Ireland).
 - try to negotiate trade deals with other countries from scratch. The extent to which the UK would be as successful in negotiating its own trade deals with other countries as those that exist for the EU, and the amount of time these negotiations would take, is unknown.

“I think it’s absolutely clear that Britain has a greater voice at the trade table being part of the EU, being part of a larger economic entity”.

“We’re not particularly in the market for FTAs [free trade agreements] with individual countries. We’re building platforms that other countries can join over time. We have no FTA with the UK so they would be subject to the same tariffs – and other trade-related measures – as China, or Brazil or India”.

Michael Froman, United States Trade Representative, October 2015.



Benefits of EU membership

We believe that the benefits of EU membership to the UK economy and British people are substantial. They range from easier and cheaper travel, to a more secure society, a cleaner environment, confidence that the goods and services British citizens purchase are of the same high standard and quality, and guaranteed access to the single market on which so much of the UK's prosperity and jobs depend.

We take many of the benefits of EU membership for granted. They have become part of the fabric of UK life over the 43 years since the UK became a member of the EU in 1973. We believe that the UK is stronger, safer and better off in the EU than it would be out on its own.

Benefits i: The EU benefits UK consumers

We believe that the EU means more choice and lower prices for higher quality goods and services. UK consumers benefit directly from EU policies that:

- **increase household incomes.**¹ The Government has noted that being part of the EU single market may have resulted in benefits of up to 6% higher income per capita (in the region of £3,300 a year per household) in the UK.² And some three to four million British jobs are linked to exports of goods and services to the EU.³ The CBI estimates the benefits of EU membership to be in the region of £62-78 billion per year.⁴
- provide consumers with **more choice** of products from a wider range of retailers and online suppliers across the EU. This helps drive down prices.⁵
- ensure that products are of the same **high standard and quality** no matter where they are made or sold in the EU. The relevant legislation,⁶ which the UK has approved,⁷ means that British consumers are protected and can have confidence in the products they buy.
- **make travel much easier.**⁸ There are no customs or visa controls within the EU, so there are fewer delays at UK ports and airports. Low cost airlines and coach companies have flourished because EU law has reduced the bureaucratic burdens imposed on them by national governments. The EU also has an "open skies" agreement with the US which provides for all transatlantic routes to be opened up to European and American operators – pushing down prices for consumers. These new business models⁹ have helped drive down air fares¹⁰ and have increased the choice of destinations available to British tourists.¹¹ As the CEO of EasyJet has said "EasyJet was born from deregulation in Europe. Air fares are 40% lower for consumers".¹²
- require the best placed **competition** authorities in the EU and in the UK to enforce the same basic set of rules to ensure that businesses do not collude to raise prices and overcharge consumers.¹³
- promote competition by regulating access and fees for **landline and mobile** infrastructure.¹⁴
- reduce costs for deploying high-speed electronic communications networks and investments in broadband networks supporting high-speed internet and regulation of the use of wireless technologies, such as **3G and LTE**.¹⁵
- **protect consumers**, in particular with regard to **end-user contracts and transparency**.¹⁶
- ensure, where it makes sense to do so, that action is taken at a European level requiring companies to offer consumers **value for money**. For example, the EU has **scrapped mobile roaming charges** so that holiday makers will no longer return home to the nightmare of a massive phone bill racked up whilst away.¹⁷

In the telecoms sector, Ofcom has stated that the EU means that UK consumers have

“benefited from increased competition [...], enjoying greater quality and variety of communications services, at consistently low prices, while innovation and indeed investment have continued apace”.

Three, the telecommunications company, expressed this in more general terms, suggesting that

*“European mechanisms for delivering free movement of services [...] have delivered for consumers and businesses in the UK. We doubt that the UK Government would have been able to deliver the same outcomes in isolation”.*¹⁸

Other specific examples of greater benefits brought about by EU membership are contained in the rest of this report.

Benefits 2: Access to the EU single market benefits UK trade

The business reasons for remaining in the EU are compelling. EU membership has meant greater economic and financial openness in the UK. This in turn has supported a dynamic UK economy, raising economic growth and boosting living standards.¹⁹

- Remaining in the EU guarantees the UK continued open access to the **world's largest market**. The EU economy is worth about £11.3 trillion (24% of the global economy) – bigger than either the US (£10.5 trillion, 22%) or China (£6.74 trillion, 13%).²⁰
- The EU has **505 million consumers** – one in fourteen of the world's population.²¹
- Some **three to four million jobs** in the UK are linked to exporting goods and services to the EU.²²
- Because of the EU, British business can sell goods to, and buy goods from, other EU countries without having to pay customs duties or other charges, irrespective of where the goods were produced – making those **goods cheaper**.²³
- Businesses in the UK also benefit if their **production chain** involves imports from other Member States, even if they do not export to the rest of the EU.
- The administration and compliance processes for exporters are much **simpler** within the EU. For example, UK businesses do not have to declare goods when they ship them to the EU.²⁴
- UK businesses also benefit from **pan-EU intellectual property regimes**. These include pan-EU IP rights, like Community Trade Marks and Registered Community Designs, and central administration schemes, like the European Patent Office.²⁵ A new EU unitary patent system is due to be introduced in the next few years.²⁶
- The EU recognises the value of UK culture and **protects UK artisans** by prohibiting the sale of certain traditional products anywhere in the EU unless they are produced locally in the UK. Examples include Buxton blue cheese, Melton Mowbray pork pies, Stilton cheese, Jersey Royal potatoes, Cornish clotted cream, Welsh lamb, Scottish salmon, Armagh Bramley apples, Gloucester Old Spot pork, Cornish sardines, Yorkshire Forced Rhubarb and Yorkshire Wensleydale – an application for “Birmingham Balti” is pending.²⁷
- There is a wide range of European legislation aimed at **removing non-tariff barriers** to trade between Member States.²⁸
- The EU has removed the barriers to **open public procurement** within the internal market,²⁹ opening up other EU government's contracts to UK businesses (and vice-versa).³⁰
- UK companies benefit from State Aid rules that **prevent market distortions** as a result of government support³¹ – the rules support a level playing field between competing businesses.³²
- UK businesses further benefit from the **EU's common trade policy** and its system of free trade agreements (FTAs). The FTA system includes over 50 states (e.g. Chile, Colombia, Egypt, Iceland, Israel, South Korea, Mexico, Morocco, Norway, Peru, South Africa, Switzerland, Turkey).³³
- UK businesses will also profit from expanded trade agreements that are being negotiated or ratified now, for example with the **US** (TTIP),³⁴ **Canada** (CETA) and **Japan**.³⁵
- the EU deploys **trade protection measures** to protect UK business and agriculture from unfairly dumped or subsidised products being sold in the EU's single market such as aluminium foil (from Brazil), bicycles (from China), rainbow trout (from Turkey) and a range of steel products (from China).³⁶

According to many economic studies,³⁷ the tangible benefits of membership are substantial. Not only are British incomes and standards of living higher,³⁸ but British jobs³⁹ are more secure and British quality of life is better.

Here are some examples:

- **Lower prices and broader choice:** around 50% of UK trade is with the EU.⁴⁰ The goods the UK trades with the EU:
 - *do not face any import tariffs*.⁴¹ If the UK was no longer able to benefit from the free movement of goods within the EU, over £40 billion of UK exports to the rest of the EU (90%) would be liable to import duties of between 4.5% and 15%.⁴² These include goods in key UK export sectors such as motor vehicles, electronics, machinery, mechanical appliances, food and clothing.⁴³
 - *can move quickly and freely into and out of the UK because there are no customs or bureaucratic controls, formalities or national regulation*. For example, British citizens benefit from lower prices for goods transported by road across Europe because of the cabotage rules. The “cabotage” rules mean that a haulier transporting goods from the UK to France by road need not return to the UK with an empty lorry, but may instead pick up goods for transportation back to the UK, so increasing the efficiency of operations.⁴⁴ If the UK leaves the EU, it is likely that the increased number of lorries required to maintain trade, and the customs checks which will be re-imposed at Calais, will result in delays. “Operation Stack” may well become a more frequent and intractable problem for drivers in the South East of England.

- *tend to be cheaper because the companies that make them can harness economies of scale which would not be available if the single market did not exist.* The resulting innovation, scale and specialisation of business and the better matching of capital and labour, lowers prices and broadens choice. Many major companies, for example in the car industry, aerospace, banking or insurance offer goods and services made up of inputs from many different sources.⁴⁵ According to the AA and RAC, the EU results in “*economies of scale [and] increased competition between manufacturers*” which, in turn, has meant “*falling [car] purchase prices in real terms*”.⁴⁶
- **Investing in the UK:** EU membership has meant that foreign companies have invested in the UK and created more jobs. Ernst & Young’s 2015 “UK attractiveness survey” suggests that around 72% of investors⁴⁷ consider access to the single market as important to the UK’s attractiveness as a destination for foreign direct investment. This investment comes from:
 - EU companies – the largest source of foreign direct investment in the UK. Other EU Member States accounted for 46% of the stock of foreign direct investment in the UK in 2013 (£453 billion out of £975 billion);⁴⁸ and
 - non-EU companies investing in the UK because it gives them free access to the rest of the single market.
- An example of the importance of foreign investment to the UK economy is the investment in the UK **auto-industry**. It employs 720,000 people⁴⁹ and is the UK’s largest exporter, generating £27 billion of revenue for the UK economy in 2011.⁵⁰ The UK exported over 1.2 million cars and commercial vehicles in 2012 of which 51% went to the EU.⁵¹ The industry is largely owned by global corporations such as Ford (USA), Toyota (Japan), Honda (Japan), Nissan (Japan), Jaguar (India), BMW (Germany) and General Motors (USA). They have integrated their UK factories into the EU supply chain resulting in better quality and cheaper cars. Between 1995 and 2009, the UK transport equipment sector sourced around 90% of motor vehicle components from other EU countries.⁵² If the UK left the EU, UK exports of cars would face tariffs of 10% without free access to the single market.⁵³
- Another example of the importance to the UK of the pan-EU supply chain is the **aerospace industry**. Thousands of UK design, manufacturing and engineering skills and jobs derive from the Airbus supply chain, including wing work.⁵⁴ The Rolls-Royce Trent engines, manufactured in Derby, are exported to France to be incorporated into Airbus aircraft, such as the A380⁵⁵ and the A350.⁵⁶ Paul Kahn, president of Airbus UK, has been quoted as saying that a British exit from the EU could cause Airbus to “*reconsider future investment in the United Kingdom*”.⁵⁷

Benefits 3: The EU benefits the UK’s services industry

Free trade in services (including not only banking and insurance, but also occupations such as legal, media, hairdressing, building, dentistry and accountancy) is also important for the UK economy. Financial services are the UK’s largest services industry accounting for 8% of UK national income.⁵⁸

- EU law allows financial services and insurance firms authorised in the UK to carry on business in any other EU member state without the need for a separate host state authorisation (the so-called **passporting system**), either by establishing a local branch or on a cross-border basis.⁵⁹
- The UK is the **key financial centre** of the EU not least because it is seen as a convenient location from which to access the wider European market.⁶⁰
- UK banks and insurance companies can operate freely in the rest of the EU and 80 of the 358 banks operating in the UK are headquartered elsewhere in Europe.⁶¹ More than half of the world’s largest financial firms have their European headquarters in the UK, including for example HSBC (global headquarters), Barclays (global headquarters), J.P. Morgan (EMEA headquarters) and Citibank (EMEA headquarters). The UK is **highly integrated** into the European financial system.⁶²
- This integration has helped the UK grow and thrive. UK departure from the EU would likely result in the UK losing its current level of **open access** to the rest of the EU and European banks would likely leave or shrink as central banks in Europe required more business to be brought back under their direct supervision. For example, in the past, the UK has managed to block proposals to limit the clearing of euro dominated OTC trades outside the Eurozone.⁶³ The UK would not have been able to do so had it been outside the EU.
- Losing access to the single market in financial services would risk diminishing the position of the **City of London** as a global financial hub and a bridge for foreign business and the EU.
- Financial openness increases Britain’s vulnerability to shocks abroad and UK authorities depend on the quality of regulation in the home country of foreign financial firms active in Britain. The EU provides a **framework for regulators to cooperate** with each other, both in relation to routine supervisory activities and in special cases such as changes of control, recovery and resolution planning and investigations.⁶⁴
- The UK government and the Bank of England have contributed actively and successfully to **EU prudential regulation**. It is important that Britain remains at the table so that future banking regulation in Europe continues to be of the highest standard whilst striking an appropriate balance between harmonisation and flexibility.

As the Bank of England has said:

“Overall, the EU has carried out a major legislative and regulatory programme that implemented and often exceeded the internationally agreed G20 post crisis reform agenda. The Bank of England has contributed actively to this process. The resulting legislation has substantially raised the quality of regulation in the EU overall. By ensuring those strengthened standards apply EU-wide and with the force of law, this helps support financial stability in the UK. This is particularly important given the UK’s financial openness, enabling the UK authorities to have far greater assurance as to the safety and soundness of the large number of financial firms from other EU jurisdictions that operate in the UK”

(emphasis added).⁶⁵

Benefits 4: The EU improves the UK’s security

The internationalisation of crime and terrorism continues to grow. British citizens benefit from European policies that enhance protection both at home and across Europe:

- **The European Arrest Warrant** requires Member States to arrest and transfer a suspect or sentenced person to an issuing state so that a person can be put on trial, or serve his sentence.
- The European Arrest Warrant has **streamlined extradition** procedures from around a year to 48 days on average in contested cases.⁶⁶
- The European Arrest Warrant has been used successfully to arrest individuals, notably to extradite Hussein Osman, a **terrorist** involved in the attempted bomb attack in London in July 2005, to face justice in Britain, after he had fled to Italy. Despite contesting extradition, he was surrendered to the UK from Italy under an EAW within two months and put on trial. After conviction, he was sentenced to life imprisonment (with a 40-year recommended minimum term).
- The ability of the UK to access streamlined extradition procedures to facilitate the swift removal from the UK of criminals found within its borders **helps prevent the UK becoming a safe haven for fugitives**.⁶⁷
- British citizens benefit from the protection offered by the second generation Schengen Information System, a European-wide IT system, which ensures that British authorities receive law enforcement alerts in real time.⁶⁸ It facilitates cooperation and information sharing in relation to law enforcement, enabling police forces across Europe to share data on a range of topics including **missing persons, stolen cars**, court proceedings or the immediate EU-wide diffusion of arrest warrants.
- UK police forces benefit from the expertise of the European Police Office (**Europol**) which provides unique intelligence on cyber-crime, terrorism and other cross border crimes. For example, in 2010, twenty eight children were rescued as part of a joint operation led by the UK Metropolitan Police and Europol. The operation was part of a wider investigation called Operation Golf, which consisted of a Joint Investigation Team (JIT) between the Metropolitan Police and the Romanian National Police. The aim of the JIT was to tackle a specific Romanian organised crime network that was trafficking and exploiting children from the Roma community. The investigation has led to the arrest of over 125 individuals for offences including trafficking human beings (including internal trafficking in the UK), money laundering, benefit fraud, child neglect, perverting the course of justice, theft and handling of stolen goods. The operation’s primary aim was to safeguard the potential child victims and involved 16 addresses being searched in the UK.⁶⁹
- The British head of Europol, Rob Wainwright, has stated that if Britain leaves the EU it will have to leave Europol, which “will make Britain’s job harder to fight crime and terrorism because it will not have the same access to very well-developed European cooperation mechanisms that it currently has today”.⁷⁰
- British citizens are able to contest criminal proceedings against them in other EU states from the UK pursuant to the ‘**Eurobail**’ provisions of the European Supervision Order:⁷¹
- British citizens benefit from minimum procedural standards across Europe, which help **victims of crime**,⁷² or those who are accused of crime,⁷³ in other EU countries.
- The **European Protection Order** allows vulnerable British citizens who have applied for “protection measures” to travel within the EU whilst being protected from violence⁷⁴ – a restraining order issued in England and Wales can now be recognised in every EU Member State.⁷⁵

- Cooperation in relation to customs across the EU allows Member States to **better tackle smuggling** and to carry out criminal investigations across the EU. For example, in Operation Forecourt, intelligence indicated that an organised crime group was using drivers, working for a legitimate transport company, to smuggle illicit tobacco products into the UK. Europol analysed key intelligence contributions which pinpointed the criminals' modus operandi and helped to identify the source of the tobacco supply, people and vehicles involved. The operation concluded with two arrests and the seizure of nearly two tonnes of hand-rolling tobacco by the UK authorities. This prevented duty and tax losses to the UK of around €277 000.⁷⁶

On the broader geopolitical front, we believe that EU membership enables the UK to face common challenges together with its European allies. Whether it's migration, a more assertive Russia, or terrorism, we believe that the UK is better able to meet these concerns together with other EU countries than out on its own.

“A strong European Union with a strong Britain is good for NATO... For NATO it is important to have a strong Europe... A strong Britain in a strong Europe is contributing to stability”.

NATO Secretary General Jens Stoltenberg ⁷⁷

Benefits 5: The EU promotes a healthier UK

Protection against contagious diseases, health research and the ability to have foreign health care costs covered for free are all enhanced by EU membership.

- The UK's health security is improved by being in Europe. Infectious diseases do not stop at national borders. The EU has a well-established system for the **surveillance and early warning** of infectious diseases which the UK has often called upon to deal with threats to the health of its population.⁷⁸ This is an important role which could not be effectively fulfilled by the UK alone.
- For example, the 2009 H1N1 (bird flu) pandemic was successfully contained in Europe partly because the EU provided coordination through the Joint Health Security Committee/European Early Warning and Response System. These bodies enabled EU countries to share information on the evolution of the virus between Member States and to coordinate their public health protection measures.⁷⁹
- Europe promotes and funds **health research** across Europe. The UK is the largest beneficiary of EU funding for health research (over €570 million (£466 million)⁸⁰ from 2007 until 2012).⁸¹ Current areas of focus include cooperation in the areas of antimicrobial resistance, mental health, Alzheimer's disease and dementia – for the benefit of UK citizens.⁸²
- The UK depends to a large extent on EU imports of fruit, vegetables, meat and fish to maintain the variety of foods available on its tables all year round. 69% (by value) of the UK's food imports come from the EU. EU standards mean that consumers can be confident that food and food production is of the same high standards of hygiene and safety regardless of the EU country of origin.
- British people in the EU can have their **healthcare costs covered for free**, or at a reduced cost, by using the European Health Insurance Card.⁸³
- EU law also gives the NHS the ability to seek **reimbursement from other EU countries** for the cost of healthcare provided in the UK to visitors or state pensioners from other EU member states.⁸⁴

A British exit from the EU would damage pharmaceutical research and reduce the UK's influence in medicine. John Lechleiter, chief executive of Eli Lilly, told the Financial Times that it would be a *“shame and a mistake”* if Britain left the EU. He said that Eli Lilly's UK research centre was *“literally a global research centre”* and that a vote to leave the EU would *“in the long term isolate the UK, more to its detriment”*.⁸⁵

Benefits 6: The EU secures more affordable energy in the UK

Being an EU Member State helps the UK to secure more affordable, secure and clean energy for consumers. It improves the UK's ability to meet its current and future energy needs in a way that is more cost-effective than would otherwise be the case if it acted alone.

- **The UK is dependent on energy imports.** In 2014, the UK imported 46% of the energy that it consumes.⁸⁶ Being an EU Member State and having a common European energy policy helps the UK to secure lower prices on energy imports from outside the EU, as the EU has greater negotiating power than the UK alone.⁸⁷ This results in **lower energy bills** for consumers.
- The EU is working with Member States to **remove regulatory obstacles** to cross-border trade of electricity and gas,⁸⁸ and increase the interconnection of energy supplies to enhance energy security in Europe.
 - **Interconnectors** connect the UK with other national energy networks. More interconnection reduces the UK's reliance on imported fuels by allowing it to use the excess power of neighbouring countries and vice-versa, which results in lower wholesale and retail energy prices. Furthermore, it results in a diversity of energy supply, and resilience against failures and extreme weather events. In short, the integration of the UK's energy market with other EU countries enables the UK to deliver clean, affordable and secure energy supplies. The National Grid estimates that each 1GW of new interconnector capacity could reduce Britain's wholesale power prices by up to 1-2%. It also estimates that 4-5GW of new links built to mainland Europe could unlock up to £1 billion worth of benefits to energy consumers per year, equating to nearly £3 million per day by 2020.⁸⁹
 - The EU has established EU policies for accelerated planning and approval of cross-border projects such as Projects of Common Interest.⁹⁰ The **EU provides funding** for Projects of Common Interest and, in 2015, the Commission announced that three energy projects spanning England, Northern Ireland, and Wales will share €7.7 million (£5.5 million) of EU funds to improve energy security and help connect the UK grid to the energy markets across the European continent.⁹¹
 - A **common European energy policy** helps EU Member States to pool their combined energy resources more efficiently. For example, Member States with large amounts of sunshine can focus on solar whereas the UK can focus on wind.
- The EU's drive towards **liberalising the energy market** has increased competition among energy suppliers resulting in lower energy bills for consumers and incentivising energy companies to be more efficient.⁹²
- The EU's **promotion of renewable energy and energy efficiency** has resulted in greater progress having been made in the UK in these areas.⁹³ The EU economy is currently the most carbon efficient major economy in the world and the EU is one of only three major economies⁹⁴ that generate more than half of its electricity without producing greenhouse gases.⁹⁵
- As a member of the EU, the UK benefits from research projects which the EU sponsors. **Energy research and innovation** play an essential role in addressing the challenge of satisfying security of energy supply in the EU, competitiveness of the EU industry and ensuring affordable prices for EU citizens. UK companies can also benefit from EU funding for energy-related research projects⁹⁶ such as Horizon 2020, which is a €80 billion (£62 billion)⁹⁷ fund available from 2014 to 2020.⁹⁸

Energy UK (the energy industry trade association) submits that:

*“A single European market in electricity and gas is bringing benefits to the UK through greater competition, more efficient resource use and the economies of scale of a larger market. Stronger energy infrastructure and the convergence of market arrangements will further facilitate cross-border trade, which should also enhance UK security of supply. Although the UK thus far has limited interconnection, gas trade with the Continent has been developing rapidly, and a number of electricity interconnectors are likely to be built in the medium term. Interconnection and market integration will also play an important role in allowing greater use of renewable energy, which should benefit the UK, given its significant renewables resource”.*⁹⁹

Benefits 7: The EU enhances UK workers' rights and promotes gender equality

EU law ensures that UK workers are protected wherever they work in the EU. EU law also gives UK businesses the reassurance that their EU trading partners are operating to the same standards of workers' rights.

- EU law provides a **basic level of protection** for all EU workers. Workers are protected against a "race to the bottom" on workers' rights by businesses seeking to become more competitive by undercutting each other on wages, and social and employment benefits.¹⁰⁰
- A consistent standard of employment rights benefits both employees and employers. A basic level of protection for workers at EU level provides **greater certainty** for employers operating across borders. Compliance costs and administrative burdens are reduced.¹⁰¹
- Equally, the basic protections afforded by EU law **benefit British workers** operating in other EU countries.
- EU law protects workers **against discrimination** based on sex, race, disability, sexual orientation, age, religion or belief.¹⁰²
- EU law sets **minimum requirements on working conditions**, including working hours, rest breaks and annual leave. The British Medical Association says that this has benefitted staff and patient safety in the NHS.¹⁰³
- EU law **protects employees'** terms and conditions when the businesses for which they work are restructured or reconfigured.¹⁰⁴

*“The NHS has seen significant changes in recent years, which has led to a growth in independent providers of publicly funded health services as well as the transfer of staff working in public health in England from the NHS to local government. It is important that nurses and other staff who continue to ensure continuity of care and service provision during these reforms are not disadvantaged in terms of working conditions and employment benefits if their employer changes. The EU’s TUPE legislation has been a cornerstone in providing legal protection to staff when such reconfigurations take place”.*¹⁰⁵

The Royal College of Nursing in its response to the call for evidence on Balance of Competence Review: Social and Employment Policy

Benefits 8: The EU improves the UK's environment

Pollution does not respect national boundaries. Both air pollution and water pollution can travel long distances and toxic waste can be transported across borders. Environmental problems in European countries are therefore better tackled by the EU than by individual countries acting alone. Common European environmental standards help to:

- **Regulate discharges** into the atmosphere and into UK rivers from large industrial installations such as power stations, waste incinerators, oil refineries and chemical plants.¹⁰⁶
- **Improve air quality** in UK towns and cities.¹⁰⁷ According to the Department for Environment, Food and Rural Affairs, in 2008 air pollution had an effect equivalent to 29,000 deaths a year in England.¹⁰⁸
- Ensure that untreated sewage is not dumped into UK rivers and seas¹⁰⁹ and that all British citizens have access to clean, **safe drinking water**.¹¹⁰
- Ensure that **water quality** in the English Channel and the North Sea is not adversely impacted by French, Belgian, Dutch, German, Danish or, for that matter, UK industry.¹¹¹
- Make available **information** about water quality and pollution levels in bathing waters so that bathers know where it is safe to swim.¹¹²
- Make the manufacture, sale and use of chemicals and pesticides **safer**.¹¹³
- Ensure that toxic waste is **properly managed** and disposed of.¹¹⁴
- Limit the unsustainable landfilling of household rubbish and encourage more **recycling**.¹¹⁵
- **Prevent** a repeat of major industrial accidents like the Buncefield explosion in December 2005.¹¹⁶

- **Fight climate change.**¹¹⁷ The EU Emissions Trading System requires large emitters of carbon dioxide (such as power stations and cement works) to hold EU emission allowances permitting them to emit certain quantities of carbon dioxide. These allowances are tradable across the EU and tracked in a central EU registry. Britain is also likely to have more influence in global climate change negotiations (such as those that led to the Paris Agreement in December 2015) as a member of the EU than on its own.¹¹⁸
- Manage the adverse environmental impacts of major projects such as new airports, ports and railway lines by requiring an **environmental impact assessment** to be carried out before they are approved.¹¹⁹ Mitigation measures can then be developed and implemented. Dealing with the environmental impact assessment of major projects at a European level also reduces red tape by requiring only one assessment to be made for cross-border projects. For example, the Dogger Bank Wind Farm benefitted from having to carry out only one environmental impact assessment (and not three – despite being located in German, Dutch and British waters).¹²⁰

Migratory species such as birds and fish do not respect national boundaries either. The conservation of wild animals and the habitats they live in is therefore better dealt with by the EU. Much of Britain's **nature conservation** legislation regarding biodiversity, habitats and wildlife stems from EU law.¹²¹

Common European environmental standards also mean that there is a level playing field for trade in the EU single market. Tackling environmental issues together at a European level ensures that Britain's major trading partners do not compete unfairly by lowering their environmental standards in comparison to those of the UK and that consumers are protected.¹²²

“Being part of the Union has enabled us to co-ordinate action and agree policies that have improved our quality of life, including the air we breathe, the seas we fish in, and have protected the wildlife which crosses national boundaries”.

Letter to Environment Secretary from some of the UK's most eminent naturalists including former chairs, chief executives, or directors general of English Nature, Natural England, the Environment Agency, Natural Environment Research Council, the RSPB and the National Trust.¹²³

Benefits 9: The EU gives UK citizens greater opportunities to live, work, study and travel abroad

It is a fundamental principle of EU law that UK citizens can work in, and move between, EU countries without restrictions. This has provided new opportunities for British people and **British people are major beneficiaries** of the EU's free movement laws. It is estimated that between 1.4 and 2.2 million British people live in other EU countries.¹²⁴ These **opportunities** would not be as freely available to future generations if the UK were to leave the EU.

- UK citizens can **work in other EU countries** without needing a visa or residence permit.¹²⁵
- UK “cross-border workers” are entitled to receive the same social **benefits** as the citizens of their host country, such as state pension benefits and access to the national healthcare system.¹²⁶
- EU law makes it **easier for service providers** based in the UK (like travel agents, hairdressers, builders or accountants) to do business in other EU countries.¹²⁷
- In many sectors, **national regulators cooperate** to ensure that if a service provider such as a vet or a pharmacist passes checks imposed by a British regulator, the individual does not have to go through the same checks in other EU countries.¹²⁸

Travel is significantly easier inside the EU than it is outside. When you cross a frontier within the EU:

- Although you may be required to show a passport you do not need to show a visa or other permit.
- You do not have to fill out a customs declaration form.
- You can take as much money with you as you like.
- The single European payments area ensures that you can take out money with your bank card from an ATM in another EU country as easily and as safely as you can withdraw sterling in the UK.¹²⁹
- Your British driving licence and third-party car insurance are valid throughout the EU.¹³⁰
- Your basic health needs are covered whilst you are in another EU country.¹³¹
- Roaming charges on your mobile phone are capped by EU law and are due to be scrapped altogether in 2017.¹³²

British citizens benefit from the EU's transport policies across all transport modes (air, rail, road, maritime and inland waterway). The benefits include: (a) **easier and cheaper** cross border travel for people and goods; (b) harmonised and improved Europe-wide **safety and security** standards; and (c) **extensive passenger rights** across all transport modes. To give some examples:

- Air passengers now enjoy a **greater choice of routes and lower fares**, in large part owing to the EU's liberalisation of air transport.¹³³ The liberalisation of air transport has created a single European air transport zone, where EU carriers may operate from any airport in the EU to any other airport in the EU (subject to availability of take-off and landing slots) without needing individual route licences from national regulatory authorities.¹³⁴ In turn, this has enabled the development of the low cost carrier model across Europe, which has increased air travel and provided consumers in the UK with greater opportunities to fly affordably across the EU than previously.¹³⁵
- Rail passengers will¹³⁶ benefit in a similar way to air passengers from the progressive establishment of a **European railway area** without frontiers, where rail operators across the continent will need to meet Europe-wide safety standards, and where interoperability across borders will increase competition, to the benefit of consumers. Consumers will also benefit from the enhanced possibilities of **transporting freight across frontiers** without barriers, lowering the cost.¹³⁷
- **Bus and coach passengers** enjoy **more efficient services** because of common rules for access to the international market for coach and bus services. Coach operators established in one EU Member State may provide limited cabotage services within another EU Member State, which increases the efficiency of operations and means that passenger buses or coaches need not return to the host state empty.¹³⁸
- UK citizens **travel more safely** within Europe and between Europe and the rest of the world because of common safety and security standards which apply to different transport modes.¹³⁹ According to British Airways, the relevant EU legislation has resulted *"in the safest period in European aviation safety"*.¹⁴⁰
- Across all modes of transport, British citizens are now granted **extensive passenger rights** which entitle them to compensation for delays, cancellations and denied boarding wherever they travel within the EU. Specifically, rights are granted to bus and coach,¹⁴¹ air,¹⁴² rail¹⁴³ and ferry passengers.¹⁴⁴

Benefits 10: Development of the EU's single market will benefit the UK's future

There is potential for significant future gains by deepening the single market in existing and new areas. Britain is at the forefront of re-energising the EU single market benefits in areas such as energy, telecoms, airspace and the digital environment created by internet and e-commerce. Making the single market work better in these areas is expected to be a significant boost to UK prosperity.

The UK has had significant influence over the development of current single market legislation particularly in areas such as telecoms, energy¹⁴⁵ and financial services.¹⁴⁶ Continuing to influence and shape the world's largest economy – to the benefit of UK consumers and businesses – is a strong reason for the UK to remain fully engaged economically and politically in single market developments.¹⁴⁷

- Pursuing the goal of a European 'Digital Single market', the Commission has proposed legislative changes to the existing telecoms regulatory framework including:¹⁴⁸
 - new criteria for regulating telecoms markets so that national regulators would have to consider competitive issues arising from 'over the top' players (i.e. companies that enable people to make voice calls and send messages over the internet); and
 - a harmonised set of rules on net neutrality in order to prohibit discriminatory blocking and throttling of network traffic. Currently, there is a mixed approach to domestic net neutrality regulation in the EU, ranging from strict rules (e.g. the Netherlands), to compromise solutions (e.g. France), to no regulation on net neutrality at all (e.g. Germany). The UK regulator, Ofcom, pursues a self-regulatory approach and recognises that innovative internet-based services may require priority network access.
- The EU Commission recently released the "Investment Plan for Europe", a package of measures to unlock public and private investments of at least € 315 billion (£254 billion)¹⁴⁹ over the next three years (2015-2017) with a strong focus on digital infrastructures, notably broadband.¹⁵⁰
- In the digital space, pan-EU licences can be bought by services marketing online music, such as Spotify, Google Music or iTunes and the EU is giving consideration to promoting further initiatives to foster cross-border licensing of online content.¹⁵¹
- There is an EU proposal that where a consumer has paid for online content he or she should be able to access that content when travelling abroad.¹⁵² This will enable UK travellers within the EU to enjoy the Premier League, Netflix or other audio, video, e-books and games content that they have paid for in the UK.
- Plans for the "Single European Sky"¹⁵³ (SES) will – when fully implemented¹⁵⁴ – further increase aviation capacity, thereby reducing flight times, and reduce the costs of air traffic management.¹⁵⁵



Ten common questions and misconceptions about the EU

Many people have legitimate questions about the EU – particularly on subjects such as EU law making, the costs associated with EU membership and the ability of the UK to control its borders. There is a great deal of misinformation circulating on these subjects. We set out below some frequently asked questions and what we believe are the real answers.

Question 1: Does membership of the EU prevent the UK from making its own laws?

As a matter of fundamental UK constitutional law, the UK Parliament is sovereign. The UK constitutional mechanism whereby the EU treaties have effect in UK law and why the EU institutions are able to pass legislation that directly affects the UK is through the European Communities Act 1972 - the UK parliamentary statute which recognises the doctrine of EU law supremacy and incorporates it into UK domestic law. Large areas of UK domestic law remain subject to the exclusive jurisdiction of the UK courts and legislature.

EU law is necessary for the EU to function properly. For example, the single market needs EU law so that all companies and consumers – including those based in the UK – can sell and buy products and services across the EU on an equal footing. Thus, the sale of chemicals or pesticides (for example) produced in the UK in accordance with the relevant EU legislation, cannot be prohibited by other EU countries. UK citizens and businesses can enforce their EU legal rights in the courts.

The principles of direct effect and the supremacy of EU law within its scope were well known features of Community law before the UK joined in 1973. They had been established in a series of cases before the Court of Justice in the 1960s¹⁵⁶ and were clearly stated in the European Communities Act 1972.

While there has been some recent discussion¹⁵⁷ of the possibility that UK law could be amended to reflect the traditional doctrine of the sovereignty of parliament, that would not affect the principle of supremacy of EU Law in cases where a state is a member of the EU or (like the EEA states) agrees to be bound by EU Law. In addition, as a matter of fundamental UK constitutional law, such a change is unnecessary, given that the doctrine of parliamentary sovereignty (a concept of the UK's Common Law tradition) is not affected by the supremacy of EU Law.

In practice, the UK has had significant influence over the development of single market legislation particularly in relation to telecoms, energy and financial services where EU legislation is largely based on the UK model.¹⁵⁸ In other areas, notably pharmaceutical regulation and competition law, UK legislation is closely modelled on EU law. That would remain the case even if the UK were to leave the EU but the UK would cease to have any influence over the future development of that law.

Indeed, if the UK were to leave the EU, it would have no real say on EU legislation, but much of its business would remain subject to EU law in order for UK products and services to be accepted in other EU countries.

Importantly, in those areas where the UK has objected to EU laws on key issues such as immigration and the role of the British currency, the UK has secured opt outs so that it can control its borders¹⁵⁹ and keep the pound.¹⁶⁰ In addition, the recently agreed Settlement contains new safeguards to protect non-Eurozone countries, including the UK, from discrimination by Eurozone member states in the single market.¹⁶¹ Importantly, these provisions ensure that the UK, and other non-Eurozone member states, will not be required to fund eurozone bailouts.¹⁶²

The Settlement also contains a provision stating that EU Treaty “*references to ever closer union do not apply to the United Kingdom*” so that the UK is not committed to further EU political integration.¹⁶³

When can the EU legislate?

EU law-making is limited by three fundamental principles. The basic rule is “*Europe where necessary, national where possible*”;

- **Conferral of powers.** This principle limits the EU to action on areas that are specifically defined in the EU Treaties.
- **Subsidiarity.** This principle limits the EU to taking action that cannot sufficiently be achieved by the Member States, and is better achieved by the EU.¹⁶⁴ For example, those environmental issues which are transnational by nature, such as air or sea pollution, are dealt with by the EU. However, matters which are better dealt with at national level, such as soil pollution, are left to Member States to regulate, should they so choose.¹⁶⁵
- **Proportionality.** This principle prevents the EU from taking action that goes beyond what is necessary to achieve the objectives of the EU Treaties.¹⁶⁶ For example, a proposal regarding a CAP aid scheme for the provision of fruit and milk in schools was withdrawn by the Commission partly on proportionality grounds.¹⁶⁷

Any UK citizen or business who is directly affected by EU legislation can challenge that legislation or EU administrative action before the UK courts for breach of these principles. The UK courts have power to refer (in some cases must refer) questions of interpretation of EU legislation to the Court of Justice which gives rulings in response to the national courts' questions. The Court of Justice's rulings on EU Law are then applied by the national courts in the context of the facts of the challenge, but in a way that respects the national legal traditions of a Member State. The UK itself has the power to take direct action against the Council or EU Parliament or the Commission in the Court of Justice for that kind of alleged breach.

In addition, EU legislation and action based on EU law must respect the limits on the powers of the EU institutions and national authorities imposed by the protection of fundamental rights and the general principles of EU law, including non-discrimination, legal certainty and the rights guaranteed by the European Convention on Human Rights. The Court of Justice is the guardian of the 'rule of law' within the EU and has frequently upheld challenges to legislation and administrative decisions brought by individuals and businesses.¹⁶⁸

How does the EU legislate?

The European Commission, EU Council, and European Parliament can pass legislation that affects all EU countries including the UK, subject to the limitations identified above. All three institutions have democratic foundations and are accountable in different ways. In particular, the UK Government is closely involved in the preparation and adoption of EU law, and the UK Parliament and citizens both play a significant role in EU law-making.

EU legislation is proposed by the European Commission (following lengthy consultations with stakeholders and EU member state governments) and generally adopted under a process (known as the "ordinary legislative procedure") which requires approval by both the EU Council (consisting of representatives of national governments) and the European Parliament.¹⁶⁹

What influence does the UK Government have on EU legislation?

The **UK Government** influences EU legislation at all stages of the legislative process.

- UK civil servants engage in detailed negotiations with their counterparts from other EU countries on the draft legislation before it is adopted by the EU Council and Parliament.
- The UK Government influences EU legislation through its role in the EU Council, the institution that represents the governments of EU Member States and which votes on EU legislation.¹⁷⁰ The UK can veto some laws, including foreign affairs, taxation, justice and the EU budget. Other laws require three other countries to vote against or abstain to be blocked. The UK's share of the vote in the EU Council is 13%.
- Where the EU does take action, the UK Government tends to agree with the overwhelming majority of proposals. According to research by Votewatch Europe, the UK Government voted in favour of 90.7% of all EU Council of Ministers Decisions between July 2009 and June 2012.¹⁷¹ In practice, many Council decisions are made by consensus after negotiation, so voting statistics do not provide a complete picture.
- The UK Government's role in the EU Council is scrutinized by the UK Parliament, which seeks "to hold UK ministers to account, to ensure that their objectives are clearly stated, and that they have taken the views of Parliament fully into account before going to Brussels to negotiate on behalf of the UK in the Council".¹⁷² All agendas, minutes, and outcomes of EU Council meetings (that feature deliberation on draft European legislative acts) must be sent to the UK Parliament.¹⁷³

What influence do UK citizens have on EU legislation?

The **UK public** also plays a role:

- The UK public has access to all draft legislation on the websites of the EU institutions. The UK electorate influences EU legislation by electing members of the European Parliament.
- The European Parliament is composed of representatives of the EU's citizens.¹⁷⁴ The UK public elects almost 10% of all Members of the European Parliament (MEPs) (73 out of 751), the third highest number together with Italy, behind France (74) and Germany (96),¹⁷⁵ proportionate to the countries' respective populations. The MEPs adopt legislation with the Council.

What influence does the UK Parliament have on EU legislation?

The **UK Parliament** can review draft EU legislation at an early stage.

- The European Commission and Parliament are obliged to forward all draft legislation to the UK Parliament for review.¹⁷⁶ Members of the UK Houses of Lords and Commons regularly engage with MEPs on policy. The House of Lords EU Select Committee is particularly active and influential, and engages in frequent dialogue with the EU institutions¹⁷⁷ through a representative based in Brussels.
- The UK Parliament can object to proposed EU legislative action early in the legislative process under the so-called "yellow card" and "orange card" procedures.¹⁷⁸ Whilst a number of parliamentary challenges have been made, none so far, has succeeded in draft EU legislation being withdrawn.

- However, the recently agreed Settlement introduces a new “red card” procedure – if 55% of national parliaments agree, the Council will discontinue the consideration of the draft legislation. This effectively amounts to a veto.¹⁷⁹

Question 2: Is there too much regulation coming from “Brussels”?

To say that EU legislation emanates from “Brussels” is a misconception. EU legislation is made by the EU institutions, in which the UK plays a full role (see the response to Question 1).

It is difficult to quantify the number of UK laws that are adopted on the basis of EU legislation but the House of Commons library has estimated that only 6.8% of UK primary legislation and 14.1% of UK secondary legislation from 1997 to the end of 2009 made direct or passing references to EU law.¹⁸⁰ But the number of laws, taken alone, does not indicate whether the EU is overregulating.

- Most EU rules are of a highly technical nature regarding matters such as the standards to be met before cars, chemicals or toys can be sold to consumers.¹⁸¹ Other laws relate to the Common Agricultural Policy or environmental standards. Regulatory intervention in areas of this kind will always be required and, if the UK were to leave the EU, it is likely that many, if not most, EU rules would need to be replaced rather than repealed. As in other areas, the likelihood is that UK legislation would be closely modeled on EU law in order to maintain the UK’s trading rights with the remaining EU Member States.
- Outside areas such as the CAP, many EU laws are adopted in the form of “directives”.¹⁸² These set out the objectives to be achieved but leave it to the UK and other EU countries to determine the form and methods of achieving those objectives. There is evidence to support the belief that, on occasion, the UK government has implemented EU directives in an unnecessarily complex and detailed manner. This is sometimes known as “gold-plating”.¹⁸³ Take bats, for example. They are a European protected species and under the relevant EU directive,¹⁸⁴ the UK is required to “establish a system of strict protection” for bats.¹⁸⁵ Derogations apply. The directive has left it to the UK to implement this objective. Under UK regulation,¹⁸⁶ if there is a risk of disturbing bats a licence, monitored by a licensed ecologist, is required. If bats are found, the mitigating requirements under UK legislation can be costly and time consuming to carry out. These detailed requirements are prescribed by UK, not EU, law.
- In most instances, the adoption of harmonised regulation common to the Member States of the EU reduces unnecessary red tape by replacing 28 different sets of national laws and procedures with a set of common rules. As the Freight Transport Association has said “the EU rules are infinitely better than 27 variants all designed to protect the home markets of indigenous producers”.¹⁸⁷
- Nonetheless, the EU has recognised the risk of overregulation and that there is scope to improve – the EU institutions are actively working on removing unnecessary bureaucracy on the basis of the “do less and do it better” principle.
- Notably, the European Commission has committed to improving how it goes about proposing new laws through an enhanced “Better Regulation” programme.¹⁸⁸ The programme restates the importance of compliance with subsidiarity and proportionality and commits itself to better (and earlier) impact assessments in which the economic and social impacts of a draft proposal are identified and quantified.
- In relation to existing laws, the Commission started, in 2013, with a new Regulatory Fitness (REFIT) Platform.¹⁸⁹ Under the programme, the Commission considers, in consultation with Member States and taking account of the public’s views, whether current laws are still fit for purpose and whether they should be repealed or simplified.
- In practice, and partly at the insistence of the UK Government, the flow of new EU legislation has lessened. During the last year, the Commission has pledged to assess at the earliest stage the reasons for any legislative proposal, the options available and the impact of each option.¹⁹⁰ It has also been proposed that EU legislation should include review clauses and “sunset” clauses.¹⁹¹ Much will depend on how these principles are given effect in practice.
- The recently agreed Settlement recognises the need to reduce red tape even further, stating that the EU institutions and Member States should “make all efforts to fully implement and strengthen the internal market” and take “concrete steps towards better regulation”, for example by “lowering administrative burdens” in particular for “small and medium enterprises, and repealing unnecessary legislation”.¹⁹²

Question 3: If the UK leaves the EU, will the European Court of Human Rights still have jurisdiction over the UK?

Commentators frequently link the case law of the European Court of Human Rights in Strasbourg, which is an institution of the Council of Europe that hears cases brought against the signatory states of the European Convention on Human Rights, with the Court of Justice of the European Union in Luxembourg, which is the supreme court of the European Union. This linkage is based on a confusion.

- The Council of Europe and the EU are legally distinct entities – for example, both Russia and Turkey are members of the Council of Europe but not of the EU. Likewise, EU law is given effect within the UK by the European Communities Act 1972, whereas the Convention takes effect under the Human Rights Act 1998.
- Although there is a degree of overlap, in that EU law recognises the Convention as a source of fundamental rights within the scope of EU law,¹⁹³ and new Member States must conform to the Convention as a condition of membership,¹⁹⁴ UK departure from the EU would not lead to the departure of the UK from the Council of Europe or the repeal of the Human Rights Act 1998. As such, it would be a distinct issue for the UK Government if it wished to leave the Council of Europe or to repeal or amend the Human Rights Act 1998.¹⁹⁵
- Within EU law, the UK obtained confirmation that neither the Convention nor the EU Charter of Fundamental Rights (which gives effect to the Convention as well as a number of other rights in EU law) has any effect on the UK outside the scope of EU law.¹⁹⁶
- In any event, while UK public authorities frequently complain that their freedom of action is unduly restricted by the rights guaranteed by the Human Rights Act 1998, both the 1998 Act and the rights conferred by EU law offer significant protections to individuals and businesses to challenge oppressive legislation and public action.

Question 4: Are the EU institutions too big and inefficient?

The EU bureaucracy is relatively small given the overall size of the EU economy and its population of over 500 million people.

- The EU institutions employ 55,000 persons (less than 0.05% of the EU population). This relatively small number of European civil servants carries out a wide range of work, managing the various internal policies of the EU and working alongside Member States on international issues such as trade and diplomacy.
- By way of comparison, the Department for Work and Pensions alone employs over 91,000 personnel¹⁹⁷ and the UK Government's central civil service has over 400,000 employees.
- The total administration costs for the EU institutions amounted to just 6% of the EU's budget in 2015.¹⁹⁸
- As with any organisation, there is scope to improve, and the EU institutions are actively working to do this. For example, the EU currently has 34 decentralized agencies (by comparison, the UK has over 350 non-governmental agencies and public bodies¹⁹⁹) and is working on making them more efficient by coordinating work, removing redundant functions, and sharing common resources and know-how.²⁰⁰
- The European Commission has also pledged to simplify internal administration and remove unnecessary bureaucracy. As a result it has adopted a policy of benchmarking any proposed work or initiatives to ensure that they would result in a tangible benefit to EU citizens and companies.²⁰¹

Question 5: Is membership of the EU too costly?

It is difficult to quantify precisely the overall impact of EU membership on the UK economy. As the Bank of England has stated,²⁰² first of all, it is impossible to say with any certainty what the UK economy would have looked like had the UK not joined the EU in 1973. Second, EU membership affects the UK economy in many different ways, and through many different channels, at least some of which are not easy to quantify with any degree of certainty. Third, any quantitative assessment will necessarily depend on a wide range of very uncertain economic assumptions. Some key facts are:

- The EU budget represents less than 1% of GDP and is shrinking in real terms. It represents a smaller share of GDP than it did in the 1990s.²⁰³
- The gross contribution made by the UK to the EU budget in 2014 amounted to €14,072 million. The financial contribution paid out under the EU budget to the UK amounted to €6,985 million resulting in a net contribution of €7,088 million.²⁰⁴
- The UK's net contribution is less than that of Germany or France²⁰⁵ and on a per head of population basis is the eighth highest-ranking behind the Netherlands, Sweden, Germany, Denmark, Finland, Austria and France.²⁰⁶
- The UK's net contribution of about €7 billion²⁰⁷ to the EU was less than 1% of UK Government's expenditure of £732 billion in 2014.²⁰⁸
- Some parts of the UK (such as Wales and Northern Ireland) receive more in direct grants from the EU budget than they contribute per head.²⁰⁹

Limiting the discussion to the UK's contribution to the EU budget does not reflect the broader benefits of EU membership to the UK.

- Several studies, identified by the Bank of England,²¹⁰ have attempted to quantify the costs and benefits of EU membership although none of these studies provides an exhaustive evaluation of all the potential economic channels. Moreover, many of these studies tend to focus on the 'static' benefits from EU membership (such as increases in market size) that lead to a one-off increase in the level of GDP, rather than the 'dynamic' benefits from EU membership (such as technology transfer and innovation) that might lead to a persistent increase in the long-run growth rate of the economy.
- The estimates of the net impact of EU membership on the UK economy range from anywhere between -4.5% to +20% of annual GDP, largely reflecting the different assumptions and methodologies used. The papers that find a negative impact of EU membership tend to focus on the 'static' costs – associated with regulation, immigration or the UK's contribution to the EU Budget in a given year – summing them up to produce an overall cost. However, these papers fail to take into account the potential 'dynamic' effects associated with EU membership. Moreover, the counterfactual scenarios considered in these studies only cover a sub-set of possibilities for the UK's relationship with the EU and the rest of the world as a non-member.
- Other recent studies have explicitly assessed the costs, or benefits, of leaving the EU. These studies, which take different approaches, estimate that, if the UK were to leave the EU, annual GDP could be anywhere from 9.5% lower to 1.6% higher (or equivalently, implicitly estimate that the net benefit of EU membership is between -1.6% to + 9.5% of GDP). The wide range around these estimates reflects the uncertainty around the UK's future relationship with the EU following exit. The -1.6% figure assumes that the UK would be able to:
 - negotiate access back to the single market;
 - enter into liberal trade agreements with non-EU countries;
 - pursue large-scale deregulation in the UK.

As we explore in more detail in the "Alternatives section", these assumptions appear unlikely to be achieved.

- The Government has estimated the benefits of EU membership to be in the region of £3,300 per year per household.²¹¹
- A recent survey of more than 100 economists by the Financial Times underscored the economic consensus that the UK's prospects would be damaged by withdrawal from the EU. Of those surveyed, 67 thought the UK's economic outlook would deteriorate if the UK were to leave, while none thought it would improve.²¹²

Question 6: Can the UK control its borders if it remains in the EU?

The UK's rights to control its borders and to check anyone entering the UK no matter where they come from are explained below.

- Like all EU Member States, the UK is subject to obligations to ensure the freedom of EU citizens to move and reside freely within the EU.²¹³ Freedom of movement of workers and rights of establishment in other Member States were fundamental aspects of the common market well before the UK joined the EEC in 1973 and have remained of significance to the internal market programme.²¹⁴
- These rights do not undermine the UK's ability to control its borders, for three principal reasons.
 - First, the largest category of migrants to the UK come from outside the EU, and are not entitled to rely on EU laws on freedom of movement.²¹⁵ The UK's ability to restrict entry to this group is unaffected by its membership of the EU.
 - Secondly, whereas many Member States have replaced individual controls with a common policy at their common frontier (known as the Schengen Area),²¹⁶ the UK chose to retain its right to independent border control and is entitled to check the identity of every individual entering the country.²¹⁷
 - Thirdly, EU law does not provide nationals from other EU Member States with an unlimited right to enter or remain in the UK. Most importantly, the right to live in the UK without any conditions or formalities only lasts for three months.²¹⁸ In addition, the right is subject to limitations "on grounds of public policy, public security or public health".²¹⁹ Specifically, the UK retains the right to restrict the freedom of movement and residence of EU citizens and their family members, where their personal conduct represents "a genuine, present and sufficiently serious threat affecting one of the fundamental interests of society"²²⁰ and the home Member State of any expelled EU nationals must allow those nationals to re-enter their territory.²²¹
- The debate about economic migration within the EU needs to be put into context. While immigration is an emotive topic and can cause substantial social unrest, freedom of movement within the EU internal market helps address skill shortages and the consequences of an ageing population. According to the OECD, migrants are more likely to be net contributors if they are younger, in work and skilled. The evidence suggests that on average, EU migrants make a net contribution to UK public finances.²²² The Office for Budget Responsibility estimates that immigration will reduce public sector net debt as a share of UK GDP over the long term relative to the levels it would otherwise reach.²²³
- As well as tightening up the rules on sham marriages and on suspected terrorists and criminals coming to the UK, the recently agreed Settlement introduces an "emergency brake" to restrict EU migrants in the UK claiming in-work benefits for a period of up to four years. This restriction is operable over a seven-year period.²²⁴ The Settlement also gives the UK an option to index child benefit payments to the cost of living in the country where the child resides, for all new arrivals to the UK. This mechanism can be extended to all existing workers from 1 January 2020.²²⁵

Question 7: Are the EU's accounts fraudulent?

Some people claim that EU spending is fraudulent. However:

- The Court of Auditors has signed off on the EU's accounts for every year since 2007. It has noted some errors in the procedures for making payments but that does not mean that the payments should not have been made.
- The error rate (of 4.4%) although clearly too high is, in the words of the Court of Auditors, "*not a measure of fraud, inefficiency or waste. It is an estimate of the money that should not have been paid out because it was not used in accordance with the applicable rules and regulations. Typical errors include payments for expenditure which was ineligible or for purchases without proper application of public purchasing rules*".
- All government systems of payments are likely to contain errors and although the EU should continue to work at reducing its error rate, higher error rates exist in some UK government accounts.²²⁶

Question 8: Does EU regulation stifle the City of London?

Far from stifling the City of London, EU membership has provided the City with substantial benefits allowing it to be one of the leading international financial centres in the world.

- The City of London is thriving. It is Europe's leading financial centre, generating 8% of the UK's national income. Half of European investment banking is conducted through London, which also acts as Europe's leading hub for insurance, the Eurobond market, the management of sovereign wealth funds and private equity funds, Islamic finance, legal services, and management consulting.²²⁷ Specialised financial and professional services cluster together in the City, providing employment for skilled workers, and providing a significant economic boost for the surrounding economy.
- The financial services sector is one of the most integrated sectors in the EU.²²⁸ EU membership provides the City with access to the Single market, allowing London-based financial firms to benefit from free movement of capital within the EU, reducing transaction costs and promoting growth.²²⁹ The Single market also allows free movement of labour, which helps in enlarging London's pool of skilled labour. London's openness to international workers is viewed as a key strength by businesses locating in the City.²³⁰
- The Settlement contains provisions to ensure that UK-based financial institutions are not disadvantaged by aspects of legislation directly linked to the functioning of the euro.²³¹
- These benefits would be at risk if the UK were to leave the EU. For example, although London is currently the leading hub for euro-denominated wholesale banking, Eurozone countries and institutions have indicated a preference for this activity to move to the Eurozone to be overseen by the ECB.²³² The likelihood of this happening would increase if the UK exits the Eurozone.

In written evidence to the Parliamentary Commission on Banking Standards, Goldman Sachs and JPMorgan noted the importance of EU membership to the UK financial services industry:

“We believe that a key risk to London’s retaining its status as a financial hub is an exit by the UK from the European Union. In common with financial institutions across the City our ability to provide services to clients and engage in investment activities throughout Europe is dependent on the passport that London-based firms enjoy to operate on a cross-border basis within the Union. If the UK leaves, it is likely that the passport will no longer be available, thereby forcing firms that wish to access EU markets to move their operations to within those markets”.²³³

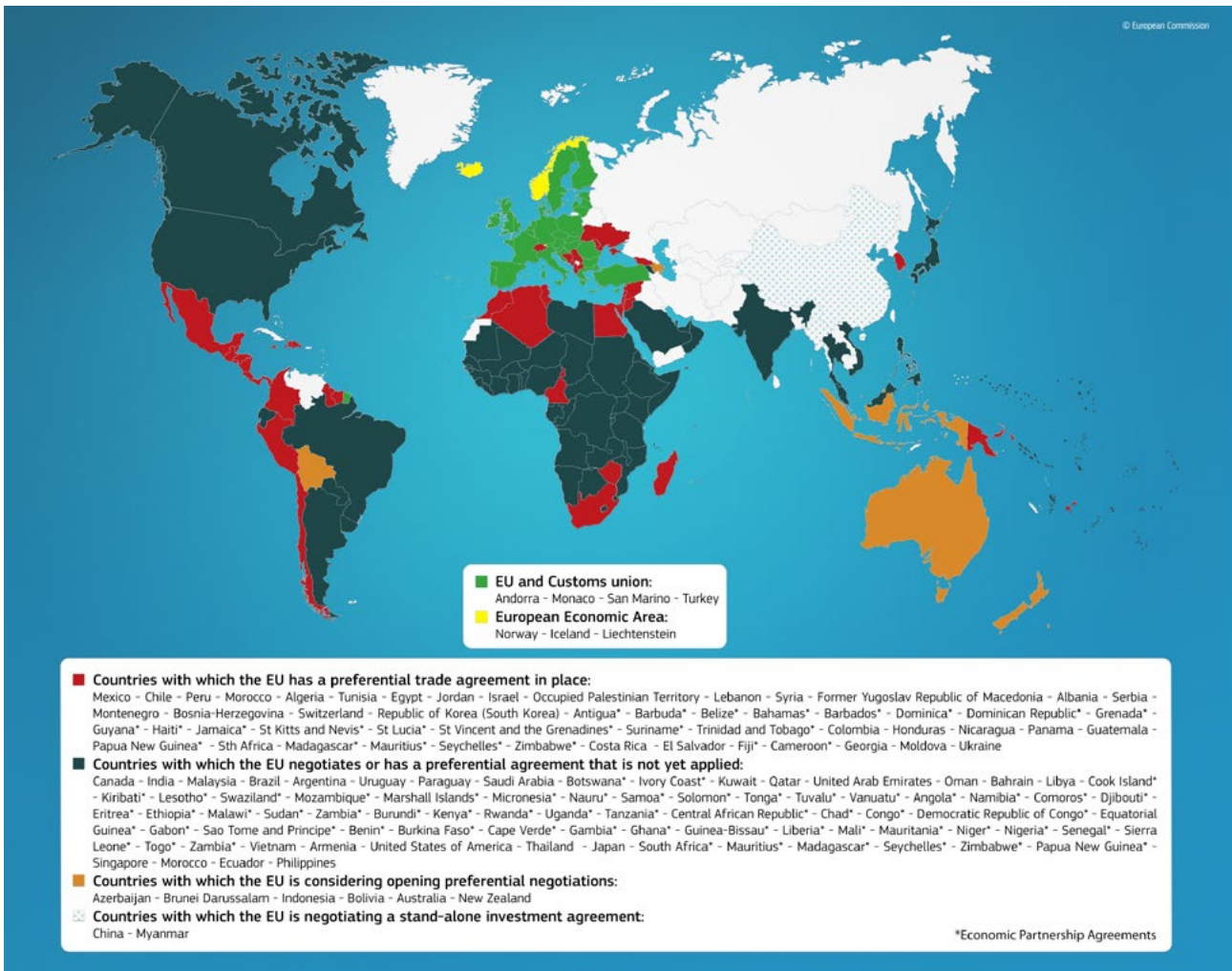
“We value the flexibility London offers as a platform for access to the Single market in a variety of formats. Our trading activity in London benefits from an EU passport across the EU.”²³⁴

Question 9: would the UK have more trading influence outside the EU?

We believe there is a real danger that, by leaving the EU, the UK would be isolated and have less influence in the world. Some of the UK's key partners have stated explicitly that the UK has greater influence within the EU and could be side-lined if it left.²³⁵ President Obama confirmed that the US is “looking forward to the United Kingdom staying a part of the European Union”,²³⁶ while his trade representative formally ruled out a preferential bilateral agreement for the UK.²³⁷ Prime Minister Modi pointedly referred to the UK as India's “entry point to the EU”,²³⁸ while President Xi encouraged Britain “as an important member of the EU” to play a constructive role in strengthening China–EU ties.²³⁹

- The EU consists of 28 Member States with a combined GDP of £11.3 trillion (the world's largest) and population of 505 million (the world's third largest).²⁴⁰ The negotiating power of the EU Member States acting together is stronger than the UK alone, whose population is just 64 million and GDP £1.8 trillion.²⁴¹ We believe that the UK has more influence by participating fully in the EU than it does outside.
- In certain areas, the EU institutions and Member States have a “shared competence” to take international action.²⁴² In such cases, the EU institutions benefit from greater negotiating power than any one Member State acting alone, while the UK (like any other Member State) retains the ability to advance its views independently.
- In other areas, the EU institutions have an exclusive competence²⁴³ to represent the EU Member States. Although the UK cannot act alone in these areas, the EU institutions and Member States generally negotiate and conclude these agreements together.²⁴⁴ Again, the UK benefits from the negotiating power of the EU institutions, while retaining its own voice in those negotiations.

- Since the early 1990s, and with the support of successive UK governments, the EU has participated in negotiations or concluded market opening agreements with the US, Canada, South Korea, Japan, ASEAN, GCC and Mercosur.²⁴⁵ Leaving the EU would mean the UK would lose the benefits of these deals and would be excluded from the ambitious programme of future negotiations.²⁴⁶ Indeed, the UK would be forced to renegotiate over 50 EU trade agreements – a lengthy and complex process.



- More generally, the UK has an excellent record of advancing its position in the EU Council on areas of shared and exclusive competence. For example, in 2014, the UK played a leading role in many external issues,²⁴⁷ including sanctions and other measures against Islamic State,²⁴⁸ the Ebola response,²⁴⁹ and the TTIP negotiations with the USA.²⁵⁰ Indeed, a recent study concluded that the UK appears to be the best of all Member States in the EU Council at wielding significant influence.²⁵¹

Question 10: Would the UK be stronger following a decision to leave the EU?

Some ask whether the UK would be stronger if it left the EU. We believe there is no evidence that this would be the case. Indeed, there is a real risk that a UK decision to leave the EU risks damaging the cohesiveness of the United Kingdom and its Overseas Territories.

- **Border controls could be re-imposed between Northern Ireland and the Republic of Ireland.** The UK's only EU land border is between Northern Ireland ("NI") and the Republic of Ireland ("ROI"). An open border between the ROI and NI was key to the 1998 Good Friday Agreement. From 1969 onwards, the NI/ROI border was subject to heavy control by the British and Irish armed forces.²⁵² EU membership brought an end to customs checks,²⁵³ and there are no passport controls for British and Irish citizens. The UK and ROI are part of a Common Travel Area, so that although the ROI and UK are not part of the Schengen Area,²⁵⁴ their citizens do not currently require passports for travel between the two countries.²⁵⁵ If the UK were to leave the EU, checks are likely to be required to control goods and persons crossing into and out of the EU (Ireland)
- **UK departure from the EU could result in asymmetric citizenship within the UK.** The people of NI are entitled to citizenship both of ROI and the UK.²⁵⁶ This entitlement would presumably not change on UK departure from the EU, leading to an unusual situation whereby those in NI who claim Irish citizenship would be entitled to EU citizenship and all the rights that this entails (e.g. EU free movement; the right to reside, study or work in the EU; non-discrimination on grounds of nationality; diplomatic and consular assistance), whereas all other UK citizens would not.
- **Wales and NI face disproportionate economic consequences were the UK to leave the EU.** Wales and NI are net beneficiaries of EU membership: they receive, respectively, £83 and £30 per head annually in EU funds for infrastructure and industry development alone.²⁵⁷ Indeed, agriculture is a key sector for both NI and Wales, a sector for which EU subsidies and exports are important.²⁵⁸ It has been suggested that Wales and NI "*would probably demand more Westminster spending to make up the shortfall after Brexit*".²⁵⁹
- **UK departure from the EU could result in another referendum on Scottish independence.** SNP leader Nicola Sturgeon and Plaid Cymru leader Leanna Wood have called for UK departure from the EU to require a "double majority", so that each of the UK's constituent nations would have a separate vote on the UK's departure from the EU.²⁶⁰ In the event that Scotland votes in favour of EU membership but the overall result is for exit from the EU, Scotland's First Minister has said that this could open the door to another referendum on Scottish independence from the UK.²⁶¹
- **UK departure from the EU could cause instability in Gibraltar.** The economy of Gibraltar – the self-governing British Overseas Territory that borders with Spain²⁶² – is based on industries which rely on access to the Single market (e.g. financial services, online gaming).²⁶³ In addition, 10,000 people cross the border from Spain each day to travel to Gibraltar to work and there is a real prospect of customs and passport controls being imposed or the border being closed again.²⁶⁴ Importantly, there are also fears that "*Britain's exit from the Union would surely invite Spain to push its long-standing claims to sovereignty more aggressively*".²⁶⁵ Consequently, Gibraltar may call for its vote in the referendum to be counted separately to the rest of the UK/the constituent nations.²⁶⁶



The alternatives to EU membership are not in the UK's best interests

If the UK left the EU, the UK would need to continue trading with Europe.

So, if the UK were to leave, it would be faced with a choice either:

- not to follow the rules and no longer have access to the single market; or
- to copy EU rules without any formal input into how those rules are made.

At the time of writing, the pro-Brexit campaign has not put forward a united proposal for what form departure from the EU would take – but a range of alternatives have been suggested.

None of the most commonly proposed alternatives would be straightforward to implement; and none present the utopia of “benefits without burdens”. There are two broad models:

- negotiate a trade agreement with the EU; or
- rely on WTO rules.

This section explains why the alternatives promoted by the leave campaign are not in the UK's interests.²⁶⁷

Summary: benefits of the most common exit models vs the status quo

	EU membership - the status quo	Norwegian (EEA) option	Swiss option	Turkish option	FTA option	WTO option
Full access to the Single market	✓	?	✗	✗	✗	✗
Some Single market access	✓	✓	✓	✓	?	✗
Single market access for financial services	✓	?	✗	✗	?	✗
Free movement of people	✓	✓	✓	✗	?	✗
Benefit of EU trade agreements with the rest of the world	✓	✗	✗	?	✗	✗
No EU budget contributions	✗	✗	✗	✓	✓	✓
Free to trade with EU without complying with EU legislation	✗	✗	✗	✗	✗	✗

Alternative 1: The Norway (EEA) option

The pro-Brexit view:

“Single market access without ‘political union’ is secured under the EEA option”

Business for Britain, ‘Change or Go’, 17 July 2015.

What is the “Norway (EEA) option?”

Exiting the EU but becoming a member of the EEA, together with Norway, Iceland and Lichtenstein, and of EFTA, together with the EEA countries and Switzerland.

What would it mean for the UK?

- There is no automatic right for the UK to become a party to the EEA Agreement or a member of EFTA, so existing members would have a veto on the UK joining.²⁶⁸ Norway has previously informally vetoed Slovakia’s attempted membership.²⁶⁹
- To continue to benefit from access to the single market, the UK would also still be required to contribute financially to the operation of the EU, through a separate EEA Grant. Norway is the tenth largest contributor to the EU per capita: it paid per capita contributions of £106 in 2011, compared to the UK’s net contribution of £128 (i.e. after rebates).²⁷⁰
- If the UK left the EU and instead contributed to the EU budget on the same basis as Norway, its contributions would fall only by around 17% (including rebates, but before taking into account the other financial benefits of EU membership such as agricultural subsidies).²⁷¹
- The EEA Agreement obliges the EEA States to uphold the EU’s four fundamental freedoms, including the free movement of people.²⁷² The EEA Agreement does not cover Common Agricultural and Fisheries Policies; Customs Union, Common Trade Policy; or Common Foreign and Security Policy.
- The EEA Agreement does not cover the area of freedom, security and justice (although Norway is permitted to voluntarily participate in some EU justice and home affairs matters, such as Europol). The network of information exchange on matters of national security, which the UK has as a result of its participation in EU-wide police and judicial cooperation, would likely have to be replaced by a network of bilateral agreements.
- The UK would be required to adopt a range of EU legislation: over 11,500 EU legal acts have been incorporated into the EEA Agreement as of 2015.²⁷³ This is determined by whether an EU act has EEA relevance. Although incorporation can be delayed in the most controversial cases, it normally goes ahead.²⁷⁴
- However, the UK would lose all formal voting rights and ability formally to influence that legislation. Rules affecting trade within the single market are set at the EU level. Norway, Iceland and Liechtenstein have no seat around the negotiating table and no voting power – although they may be able to exert some “soft influence” through membership of committees. The UK would therefore not be adequately represented in decision-making and legislative processes that would have direct consequences for the country.
- The EEA and EFTA States have no MEPs or votes in the European Parliament, no veto in the European Council, no votes in the Council of Ministers, no European Commission staff and no judges or staff at the Court of Justice of the European Union. EEA-EFTA State nationals may not work in the main EU institutions.
- Once EU laws have been passed, if they have EEA relevance, the EEA Joint Committee works to apply them to the EEA-EFTA States.²⁷⁵ At this stage, the EFTA countries may seek limited amendments (e.g. transitional arrangements or exceptions, geographic limitations); or can contest the inclusion of an EU act into the Annexes to the EEA Agreement (although this possibility must not be overstated, as it is extremely rare for it to even be raised).²⁷⁶ However, this does not stop the EU enacting the relevant legislation, so those rules would still shape the rules of the single market in which the EEA-EFTA States trade.
- Timely access to the single market for UK businesses depends on how quickly the relevant EU legislation is incorporated into the Annexes to the EEA Agreement. This in turn depends on its approval by all EEA-EFTA States – which may sometimes be delayed because of constitutional requirements, such as the need for national parliamentary approval. There is currently a delay of 6-24 months. If standards are not the same, due to delays caused by other EEA-EFTA States in the process of incorporating the EU legislation into the Annexes to the EEA Agreement, access to the single market may become limited – for example, for products that do not meet higher EU standards.
- The UK would have access to the single market for trade in goods, but as things stand it would not have full access for financial services. This is because, at the time of writing, the EEA is making slow progress in incorporating EU legislation on financial services: as a result of the differences in regulation, access in some parts of the financial services sector is presently limited.²⁷⁷

- If the UK does not get to determine the rules in the financial services sector, it is likely that the rules themselves will favour other markets. In other words, even in areas where the UK does have access, it may find itself at a disadvantage in a market where the rules have been designed to favour the EU's own markets.
- The UK's obligations would be monitored by the EFTA Surveillance Authority (like the European Commission) and the EFTA Court. The EFTA Court is bound to follow decisions of the Court of Justice of the European Union and the EFTA Surveillance Authority normally follows EU Commission policy.
- The EEA Agreement does not currently cover the work of the European Supervisory Authorities (ESAs), which may leave the UK financial services sector isolated.²⁷⁸ More foreign banks operate in the UK than any other EU country, and more than half of the world's largest financial firms have their European headquarters in the UK.²⁷⁹
- The UK would no longer be covered by trade agreements entered into by the EU, but could join the existing EFTA trade agreements. EFTA has 25 free trade agreements covering 36 countries, compared to more than 50 countries that are covered by the EU's trade agreements.²⁸⁰

The Norwegians' view

“We [Norway] are fully integrated into the EU single market as members of the EEA, but what we don't have is the right to vote on those regulations that are incorporated into our law when they are made by the council of ministers”.

Vidar Helgesen, Norwegian Minister for Europe.

“If you want to run the EU, stay in the EU. If you want to be run by the EU, feel free to join us in the EEA”.

Nikolai Astrup, spokesperson on European Affairs for the Norwegian Conservative Party.

Alternative 2: The Swiss option

The pro-Brexit view

“Our objective, when we leave the EU, should be to aim for a Swiss model, based on bilateral accords”.

British Conservative MEP Daniel Hannan, 15 December 2012, in The Telegraph.

What is the “Swiss option”?

Exiting the EU, joining EFTA but not the EEA.

What would it mean for the UK?

- The UK would manage its relationship with the EU through a framework of bilateral agreements.
- The UK would continue to make financial contributions to the EU. According to the Economist, Switzerland’s contribution is approximately 50% that of the UK.²⁸¹
- The UK would enjoy some access to the single market, although only in areas where it could successfully negotiate bilateral agreements. Switzerland does not have an agreement in respect of financial services (as a result a number of Swiss banks need to operate in the EU through subsidiaries located in the EU – presently in London).
- The UK could trade freely with the EU but would not automatically be subject to EU legislation. However, in return for access to the single market, it would be required to comply with certain single market rules.
- There is no automatic mutual recognition of regulation – so the UK would have to meet the regulatory requirements of the EU in order to trade there.
- Switzerland does not participate in the Common Agricultural Policy, Monetary Union, Customs Union, Common Foreign and Security Policy, EU employment legislation, or the area of freedom, security and justice.
- In order to gain access to the single market, Switzerland was also required to accept the EU principle of freedom of movement (although it could cap migration until 2014) – so this option does not offer a solution to immigration concerns. The Swiss experience highlights the improbability (perhaps impossibility) of a State outside the EU being granted access to the free movement of goods, services and capital, without the accompanying free movement of persons.
- No mechanism for automatically updating the bilateral agreements. Switzerland has to keep amending and adopting legislation which is the same as the EU, so that its businesses can continue to have access to EU markets.
- The UK would have to comply with EU regulation in return for single market access, but would not be represented in EU decision-making. This problem would be even worse under the “Swiss option” than it is under the “Norway option”, as there are fewer institutional structures in place to exert “soft influence” in the EU decision-making process.
- The UK would be free to conclude its own bilateral trade agreements with other countries, although this would need to be balanced against the risk of not being able to do so satisfactorily, as a smaller global player (e.g. the United States has ruled out a separate trade deal with the UK if it leaves the EU).
- The Swiss position was devised in a unique context – it was intended to be a transition into the EU for Switzerland. The EU does not consider this to be viable on an ongoing basis: there is therefore unlikely to be appetite to replicate it with the UK.²⁸²

The view from an EU policy meeting

“Around the table, there were the 28 member states, plus Norway and Switzerland. The 28 member states got to talk and the other two only got to listen, which brings a lot of warnings for my own country”.

British Conservative MEP Vicky Ford.

Alternative 3: The Turkish option

What is the “Turkish option”?

Exiting the EU but joining the EU's Customs Union.

What would it mean for the UK?

- Customs Union countries operate under a common trade policy, common rules of origin and a common external tariff. No duties on goods that are traded with the EU, in return for compliance with single market regulation. The Customs Union covers all industrial goods but does not address agriculture (except processed agricultural products) or services, so financial services would not be covered.²⁸³
- The UK would have no vote or influence over the trade deals that the EU pursues: external trade policy would effectively be outsourced to the EU.
- The UK would receive partial access to the single market, not including services or finance.
- No EU budget contributions would be required.
- The UK would not be subject to the rules on freedom of movement and would have full control over its own borders. However, British people would equally lose the right to work and travel freely across the EU.
- Again, the UK would not have a say in how the rules are made: Turkey must comply with many EU single market regulations and all EU trade arrangements, but has no influence on their composition.
- As with the Swiss arrangements, the customs union with Turkey was established as a precursor to EU membership; it is not clear that there would be appetite within the EU for extending a similar arrangement to the UK.

The UK business lobby view

“It would not be in the UK’s interest to be a silent partner in the EU’s trade policy, allowing other countries to set the tone for Europe’s openness to the world and the details of its trade deals, which would define the daily framework for the UK’s global trade. The UK needs to be at the table setting the mandate and approving the final agreement”.

CBI, “Our Global Future: The Business Vision for a Reformed EU”, November 2013.

Alternative 4: The UK-EU FTA option

The pro-Brexit view

“A first step would be to broker a bespoke UK-EU trade agreement, which we believe is desirable”.

UKIP manifesto, 2015.

What is the “UK-EU FTA option”?

Exiting the EU but entering into a Free Trade Agreement (FTA) between the UK and the EU.

What would it mean for the UK?

- Access to free trade in the EU, including for financial services, would depend on the ultimate agreement negotiated.²⁸⁴
- The extent to which the UK is subject to the rules on freedom of movement, in exchange for receiving freedom of capital, goods and services, would also depend on the deal negotiated.
- There is no guarantee that a new FTA could be negotiated, or how long it would take. For example, the EU FTA with Canada (CETA) took five years and five months to negotiate and sign; ratification is expected to take another two years.²⁸⁵ FTAs with key countries typically require ratification from all Member States through their national parliaments.
- An association agreement would be required if the UK wanted to maintain membership of the Common Foreign Security Policy, amongst other matters. An association agreement would require unanimity from Member States.²⁸⁶
- Differences in bargaining power between the UK (which sells approximately 50% of its goods to the EU ²⁸⁷) and other countries of the EU (which sell approximately 6% of their goods to the UK).²⁸⁸
- UK businesses wanting to sell their products into the EU would still have to adhere to EU products standards and regulation, but the UK would not have any influence in their formulation.
- The UK Government would no longer be automatically entitled to challenge EU legislation before the Court of Justice of the European Union.
- The UK would be free to conclude its own bilateral trade agreements with third countries; the free trade agreements between the EU and those other countries – of which there are over 50 – would no longer apply (including those with Korea, Norway, Mexico, South Africa, Colombia, and those in progress such as those with Japan and the US).²⁸⁹ The length of time that this would take and the extent to which the UK would be successful is not clear; given the smaller size of its market and relative weakness in negotiating position.

The United States Trade Representative view

“I think it’s absolutely clear that Britain has a greater voice at the trade table being part of the EU, being part of a larger economic entity”.

“We’re not particularly in the market for FTAs [free trade agreements] with individual countries. We’re building platforms that other countries can join over time. We have no FTA with the UK so they would be subject to the same tariffs – and other trade-related measures – as China, or Brazil or India”.

Michael Froman, United States Trade Representative, October 2015.

Alternative 5: The WTO option

The pro-Brexit view

“We’d have more influence, not less. By regaining our seat on the WTO, which we gave up in 1973 on joining the EEC, we would have more say in global trade talks”.

Richard Tice, 31 March 2015, writing in City A.M.

What is the “WTO option”?

Exiting the EU and relying on the World Trade Organisation (WTO) rules for trading access to the EU, which apply to all WTO members.

What would it mean for the UK?

- The WTO rules follow the principle of non-discrimination: countries must not treat any trading partner less advantageously than any other, unless covered by a separate free trade agreement.²⁹⁰
- The UK would control its own trade policy and have the freedom to negotiate its own bilateral agreements with other countries. It would lose the benefit of existing FTAs between the EU and other countries, including Korea, Norway, Mexico, South Africa, Colombia, and those in progress such as with Japan and the US.
- The UK would not have access to trade in the EU on terms any more advantageous than third countries which do not have free trade agreements with the EU:
 - UK businesses would be subject to the EU Common External Tariff, meaning that they would be less competitive compared to competitors from the EU or from countries with an FTA (which will soon include the US). Tariffs would be imposed on around 90% of the UK’s goods exports to the EU.²⁹¹ These tariffs range from 10% (cars), to 11% (clothing), to around 15% (food).
 - Financial services would not be covered such that the UK would not enjoy its current level of preferential access to the single market for financial services.
- UK businesses wanting to sell their products into the EU would still have to adhere to EU products standards and regulation, but the UK would not have any influence in their formation.
- The UK Government would no longer be automatically entitled to challenge EU legislation before the Court of Justice of the European Union.
- Each WTO member operates with a schedule of agreed tariffs. The UK’s goods and services schedules are currently incorporated into those of EU. On leaving, the UK would need to negotiate a new set of tariffs. The same is true for agricultural commitments under the WTO Agreement on Agriculture.
- There are no provisions under the WTO rules for the UK to grant subsidies to its exporters to compensate for additional tariffs on exports and imports that were previously tariff-free (such provisions expired in 1999).²⁹²
- Under this or any other total exit model, the UK courts would no longer be required to interpret national law consistently with EU law or EEA rules, giving increased freedom for the UK parliament and UK judges. However:
 - It is likely that EU case law would continue to be persuasive, given that so much EU law has been transposed into UK legislation.
 - The UK Government would need to decide how to address more than 40 years’ worth of legislation which has been influenced by EU membership. In particular, which legislation should be retained as UK legislation, which should be modified, and which should be repealed.
- As under any total exit model, the UK would cease to make contributions to the EU budget and would also cease to benefit from EU funding. Although the UK as a whole is a net contributor to the EU, many regions are net recipients (for example, Wales).²⁹³
- The UK would not be subject to the rules on freedom of movement and would have full control over its own borders. However, British people would equally lose the right to work and travel freely in the EU.

The UK business lobby view

“Relying on WTO rules alone would not work for the UK. Any limited advantages are easily outweighed by the significant costs to the economy as a whole”.

CBI, “Our Global Future: The Business Vision for a Reformed EU”, November 2013.



The truth behind the headlines

We promised to conclude with some light-hearted examples of the EU's influence on British life being misreported (not that lawyers are celebrated for their sense of humour). In doing so, we do not pretend to address even a small fraction of the headlines in the national press ever written about the EU (whether accurate or not). Rather, we are using these examples to emphasise the importance of [reliable evidence](#) being used to inform the debate on Britain's future.

- In January 2000, rumours circulated that Brussels was forcing the UK to change its 999 emergency number. As the European Commission stated in response, the UK has always been free to keep its 999 number; the relevant legislation merely requires that users can call the European emergency number (112) and any other national emergency telephone numbers, free of charge.
- In February 2002, stories were published lamenting the decline of the Teasmade and claiming that "Brussels bureaucrats" have decreed that they are too risky to have by the bedside! There is no prohibition on the sale or use of teasmades, either at the EU or UK level.
- In November 2003, stories emerged about EU plans to tax Remembrance Day poppies (a response to European Commission proposals to simplify the use of VAT across the EU). This is not true: poppies benefit from the zero rate applicable to the sale of charitable goods.²⁹⁴
- In July 2005, it was claimed that the EU was forcing the NHS to employ doctors who could not speak English. While EU legislation does protect all European workers from discrimination on the grounds of nationality, Member States are free to set their own recruitment criteria, including language requirements.²⁹⁵
- In July 2008, reports circulated that the EU was "banning" the use of acres as a unit of measurement. In fact, the directive in question explicitly affirmed the right of Member States to use imperial measurements alongside metric ones.²⁹⁶
- In April 2014, it was claimed that the EU was plotting to scrap British licence plates in favour of a standardised design. In fact, the EU proposal to simplify vehicle transfer and registration procedures made no reference to mandatory plates or colours.²⁹⁷
- In January 2015, it was reported that EU chiefs are targeting the Sunday roast claiming that Brussels will impose maximum power limits on all new cookers. This is not true. The article was referring to the Eco-Design Directive, which has no impact on oven temperatures.²⁹⁸



Appendix

Benefits of EU membership

Benefits I: The EU benefits UK consumers

- 1 It is difficult to quantify the precise impact of EU membership on the UK economy. According to the Bank of England, third party studies estimating the net impact of EU membership on the UK economy, range from anywhere between -4.5% to +20% of annual GDP, largely reflecting the different assumptions and methodologies used. The papers that find a negative impact of EU membership tend to focus on the 'static' costs – associated with regulation, immigration or the UK's contribution to the EU Budget in a given year – summing them up to produce an overall cost. However, these papers fail to take into account the potential 'dynamic' effects associated with EU membership. See also Question 5.
- 2 Department for Business Innovation & Skills, *The UK and the Single market – Trade and Investment Analytical Papers, Topic 4 of 18*, 2011, pages 3 and 4; and House of Lords Select Committee on the European Union (Sub-Committee B), *Inquiry into Re-launching the Single market*, Oral and associated written evidence – Department of Business, Innovation and Skills, Written evidence (EUSM 7), 2010.
- 3 South Bank University Report, *UK jobs dependent on the EU*, Brian Ardy, Iain Begg and Dermot Hodson, 2000; Centre for Economics and Business Research and British Influence, *UK jobs supported by exports to the EU – Cebr analysis of UK jobs associated with demand from the European Union*, March 2014; House of Commons Library, Briefing Paper, Number 06091, *In Brief: UK-EU economic relations*, Dominic Webb and Matthew Keep, 19 January 2016, page 7.
- 4 CBI, *Our Global Future: The Business Vision for a Reformed EU*, November 2013, page 59.
- 5 The free movement of goods is an essential part of the EU internal market and finds its legal basis in Articles 26 and 28-37 of the Treaty on the Functioning of the European Union (TFEU). The right to free movement of goods originating in Member States, and of goods from third countries which are in free circulation in the Member States, is a fundamental principle – Article 28 TFEU. The right is secured through the elimination of customs duties and quantitative restrictions (quotas), and the prohibition of measures having an equivalent effect to a customs duty.
- 6 Examples of products which are required to meet the same safety requirements before they are sold to the public include:
 - Food – Regulation (EC) No 178/2002 of the European Parliament and of the Council of 28 January 2002 laying down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety;
 - Medicines – (i) Directive 2001/83/EC of the European Parliament and of the Council of 6 November 2001 on the Community code relating to medicinal products for human use and (ii) Regulation (EC) No.726/2004 of the European Parliament and of the Council of 31 March 2004 laying down Community procedures for the authorisation and supervision of medicinal products for human and veterinary use and establishing a European Medicines Agency;
 - Chemicals – Regulation (EC) No.1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Council Regulation (EEC) No.793/93 and Commission Regulation (EC) No.1488/94 as well as Council Directive 76/769/EEC and Commission Directives 91/155/EEC, 93/105/EC and 2000/21/EC;
 - Pesticides – Regulation (EC) No.1107/2009 of the European Parliament and of the Council of 21 October 2009 concerning the placing of plant protection products on the market and repealing Council Directives 79/117/EEC and 91/414/EEC;
 - Toys – Directive 2009/48/EC of the European Parliament and of the Council of 18 June 2009 on the safety of toys (Toy Safety Directive);
 - Cars – Directive 2007/46/EC of the European Parliament and of the Council of 5 September 2007 establishing a framework for the approval of motor vehicles and their trailers, and of systems, components and separate technical units intended for such vehicles (Framework Directive) (as amended);
 - Motorcycles – Directive 2002/24/EC of the European Parliament and of the Council of 18 March 2002 relating to the type-approval of two or three-wheel motor vehicles and repealing Council Directive 92/61/EEC (as amended).
- 7 A brief description of how the UK influences EU legislation is set out in: HM Government, *Guiding Principles for EU legislation*, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/185626/bis-13-774-guiding-principles-for-eu-legislation.pdf. See also Question 1, "Does membership of the EU prevent the UK from making its own laws?".

- 8 See Benefits 9.
- 9 At the same time EU law (Regulation (EC) No 216/2008 of the European Parliament and of the Council of 20 February 2008 on common rules in the field of civil aviation and establishing a European Aviation Safety Agency, and repealing Council Directive 91/670/EEC, Regulation (EC) No 1592/2002 and Directive 2004/36/EC) has increased safety standards resulting, according to British Airways, "in the safest period in European aviation safety" – HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Transport*, February 2014, paragraphs 2.96-2.97.
- 10 Department for Transport, *Call for Evidence on the Government's Review of the Balance of Competences between the United Kingdom and the European Union – Transport*, May 2013, page 13.
- 11 HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Transport*, February 2014, paragraph 2.8.
- 12 Carolyn McCall, CEO, EasyJet, Britain Stronger in Europe video, 11 October 2015.
- 13 For example, the European Commission has condemned the following illegal cartels:
- Retail food packaging: eight manufacturers of retail food packaging (polystyrene foam or polypropylene rigid trays) were fined for participating in a cartel which included the UK (June 2015).
 - Envelopes: five envelope producers were fined for coordinating prices and allocating customers of certain types of envelopes. These envelopes were typically bought by stationary distributors and large companies in Europe, including the United Kingdom (December 2014).
 - Canned mushrooms: Bonduelle, Lutèce and Prochamp were fined for fixing prices and allocating customers in a number of European countries, including in the United Kingdom (May 2015).
 - Car glass: car glass producers were fined for market sharing, including Pilkington from the UK (November 2008).
 - Needles: the Commission fined producers of needles for participating in a Europe-wide cartel. One of the producers was Coats from the United Kingdom (September 2007).
 - Polyurethane foam: producers of foam for mattresses, sofas and car seats were fined €114 million for coordinating prices in 10 EU Member States, including in the United Kingdom (January 2014).
 - Refrigeration compressors: producers of household and commercial refrigeration compressors (used in fridges, freezers, vending machines and ice-cream coolers) were fined for coordinating prices and allocating market shares in the whole of the EEA (December 2011).
 - TV and computer monitor tubes: producers of TV and computer monitor tubes were fined for price fixing, market sharing and customer allocation. The cartelists met in various locations, including the United Kingdom, and the cartel operated worldwide (September 2015).
 - Smart card chips: smart card chips are used in e.g. mobile telephone SIM cards and bank cards. The cartel operated in the entire EU (September 2014).
- 14 Directive 2002/19/EC of the European Parliament and of the Council of 7 March 2002 on access to, and interconnection of, electronic communications network and associated facilities (Access Directive).
- 15 Directive 2002/20/EC of the European Parliament and of the Council of 7 March 2002 on the authorisation of electronic communications networks and services (Authorisation Directive).
- 16 Directive 2002/22/EC of the European Parliament and of the Council of 7 March 2002 on universal service and users' rights relating to electronic communications networks and services (Universal Service Directive).
- 17 See Benefits 9.
- 18 OFCOM: *Response to the UK Government Review of the Balance of Competences between the United Kingdom and the European Union*, January 2014, page 1.

Benefits 2: Access to the EU single market benefits UK trade

- 19 Bank of England, *EU membership and the Bank of England*, October 2015 – <http://www.bankofengland.co.uk/publications/Documents/speeches/2015/euboe211015.pdf>.
- 20 Bank of England, *EU membership and the Bank of England*, October 2015, page 8 – <http://www.bankofengland.co.uk/publications/Documents/speeches/2015/euboe211015.pdf>. All figures are for 2014.
- 21 Bank of England, *EU membership and the Bank of England*, October 2015, page 9 – <http://www.bankofengland.co.uk/publications/Documents/speeches/2015/euboe211015.pdf>.
- 22 See Benefits 1.
- 23 Article 29 and Article 30 TFEU.
- 24 HM Revenue & Customs, *Guidance: Dispatching your goods within the EU*, updated 1 January 2015 – <https://www.gov.uk/guidance/dispatching-your-goods-within-the-eu>.
- 25 Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade-marks; Council Regulation (EC) No. 207/2009 of 26 February 2009 on the Community trade mark; Commission Regulation (EC) No.2868/95 of 13 December 1995 implementing Council Regulation (EC) No.40/94 on the Community trade mark; European Patent Convention; Council Regulation (EC) No. 6/2002 of 12 December 2001 on Community Designs; Directive 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs.
- 26 Regulation (EU) 1257/2012 of the European Parliament and of the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection; Regulation (EU) 1260/2012 of the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translations arrangements; The Agreement on a Unified Patent Court and the Statute of the Court.
- 27 UK artisans are protected by: (i) Protected Design of Origin: this covers agricultural products and foodstuffs which are produced, processed and prepared in a given geographical area using recognised know-how; (ii) Protected Geographical Indication: this covers agricultural products and foodstuffs closely linked to the geographical area. At least one of the stages of production, processing or preparation takes place in the area; and (iii) Traditional Speciality Guaranteed: this highlights traditional character, either in the composition or means of production. The EU legislation behind these protection mechanisms can be viewed at: http://ec.europa.eu/agriculture/quality/schemes/legislation/index_en.htm.
- 28 Including Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market (Services Directive).
- 29 Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC of the European Parliament and of the Council on the Coordination Procedures for the Award of Public Works Contracts, Public Supply Contracts and Public Service Contracts; Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts; Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC of the European Parliament and of the Council Coordinating the Procurement Procedures of Entities Operating in the Water, Energy, Transport and Postal Services Sectors.
- 30 For example, in January 2013 a G4S consortium (G4S along with French consortium partners Thales and Onet) won a multi-million Euro contract from the French Ministry of Justice to provide cutting-edge monitoring equipment and software for the French national electronic monitoring programme – <http://www.g4s.uk.com/en-GB/Media%20Centre/News/2013/01/25/Electronic%20Monitoring%20-%20France/>.
- Between 2007 and 2009, UK firms won 17% of direct cross-border supply contracts in the EU and 13% of indirect supply contracts, the second strongest performance after Germany – European Commission, DG Internal Market and Services, *Final Report: Cross-Border Procurement Above EU Thresholds*, March 2011, page 46; and HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – The Single market: Free Movement of Services*, Summer 2014, paragraph 3.38.
- 31 HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Competition and Consumer Policy Report*, Summer 2014, page 14.
- 32 An effective State Aid regime is necessary to prevent subsidy races which would distort the market, particularly in areas where EU Member States are willing to offer greater subsidies to national champions. This is seen by the Law Society as having made a significant contribution to the ability of UK businesses to take advantage of the Single market – HM Government, *Review of the*

Balance of Competences between the United Kingdom and the European Union – Competition and Consumer Policy Report, Summer 2014, page 49.

In the period from 2000 to 2013, the Commission ordered the recovery of illegal State aid in 202 cases across all Member States. Of those, only four were UK measures compared to, for example, 20 in France, 50 in Germany and 41 in Italy. Thus the EU's State Aid rules appear to operate primarily in the interests of the UK preventing its companies from losing out to subsidised European rivals – HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union - Competition and Consumer Policy Report*, Summer 2014, page 48.

The Commission is currently focusing on unlawful tax deals between Member States and multinational corporations that are said to be to the detriment of small and medium-sized businesses that do not gain the same tax advantages. For example, in 2015 the Commission ruled that the Netherlands and Luxembourg had agreed tax deals with Starbucks and Fiat Chrysler that constituted illegal State Aid. This type of State Aid legislation can only be managed at EU level as it requires enforcement against individual Member States that breach the rules – http://europa.eu/rapid/press-release_IP-15-5880_en.htm.

- 33 Article 218 TFEU, read in conjunction with Article 207 TFEU; "EU Trade relations world wide – a map"; see: http://trade.ec.europa.eu/doclib/docs/2012/june/tradoc_149622.jpg; and HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Trade and Investment*, February 2014, Appendix D: Tariffs of Major UK Export Partners. See also Question 9.
- 34 HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Trade and Investment*, February 2014, 'EU-US Transatlantic Trade and Investment Partnership (TTIP)', page 66. See also Question 9.
- 35 HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Trade and Investment*, February 2014, paragraph 2.27 and Appendix D: "Tariffs of Major UK Export Partners (export to which is no less than 1% of total UK exports)".
- 36 For a full list of anti-dumping, anti-subsidy and safeguard decisions and investigations see: European Commission, *Report from the Commission to the Council and the European Parliament: 33rd Annual Report from the Commission to the Council and the European Parliament on the EU's Anti-Dumping, Anti-Subsidy and Safeguard activities*, 2014 SWD(2015) 149 final.
- 37 Bank of England, *EU membership and the Bank of England*, October 2015 – <http://www.bankofengland.co.uk/publications/Documents/speeches/2015/euboe211015.pdf>.
- 38 See Benefits I.
- 39 UK jobs linked to trade with the EU are estimated by the UK Government at 3.3 million – <https://www.gov.uk/government/speeches/chief-secretarys-speech-to-the-centre-for-transatlantic-relations>.
- 40 October 2015, UK exports to the EU were 47% and UK imports from the EU were 52%. Over the 18 months to September 2015, the EU accounted for between 41-51% of UK exports and 49-55% of UK imports – HM Revenue & Customs: *Overseas Trade Statistics – Non-EU and EU Trade*, 8 January 2016, available at https://www.uktradeinfo.com/Statistics/OverseasTradeStatistics/Pages/EU_and_Non-EU_Data.aspx.
- 41 The free movement of goods is an essential part of the EU internal market and finds its legal basis in Articles 26 and 28-37 TFEU. The right to free movement of goods originating in Member States, and of goods from third countries which are in free circulation in the Member States is a fundamental principle – Article 28 TFEU. The right is secured through the elimination of customs duties and quantitative restrictions (quotas), and the prohibition of measures having an equivalent effect to customs duties.
- 42 Analysis by Business for New Europe, HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Single market: Free Movement of Goods*, February 2014, paragraph 3.6.
- 43 Analysis by Business for New Europe, HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Single market: Free Movement of Goods*, February 2014, paragraph 3.6.
- 44 Regulation (EC) 1072/2009 of the European Parliament and of the Council of 21 October 2009 on common rules for access to the international road haulage market, which took effect on 14 May 2010. Article 8 gives a "hauler for hire or reward" who has a Community licence to carry out cabotage operations. Under Article 8(2), once the goods carried in the course of an incoming international carriage have been delivered, hauliers may carry out up to three cabotage operations from another Member State to the host Member State.
- 45 HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – The Single market*, July 2014, paragraph 3.8.

- 46 HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Transport*, February 2014, paragraph 2.86; taken from RAC Foundation, RAC and AA response to the Department for Transport, *Review of the Balance of Competences between the United Kingdom and the European Union – Transport: Consultation Response*, February 2014, page 400.
- 47 EY’s attractiveness survey UK 2015, *Another great year – but time to reflect on how the UK can stay ahead of the pack*, page 7.
- 48 ONS Statistical Bulletin, 20 January 2015 – <http://www.ons.gov.uk/ons/rel/fdi/foreign-direct-investment/index.html>.
- 49 CBI, *Full speed ahead: An industrial strategy for the UK automotive sector*, Brief March 2013, page 1 – http://www.cbi.org.uk/media/2008476/cbi_full_speed_ahead.pdf; and The Society of Motor Manufacturers and Traders, *Motor Industry Facts 2013*, pages 9 and 12 – <http://www.smmmt.co.uk/wp-content/uploads/sites/2/SMMT-2013-Motor-Industry-Facts-guide.pdf>.
- 50 The Society of Motor Manufacturers and Traders, *Motor Industry Facts 2013*, page 8 – <http://www.smmmt.co.uk/wp-content/uploads/sites/2/SMMT-2013-Motor-Industry-Facts-guide.pdf>.
- 51 The Society of Motor Manufacturers and Traders, *Motor Industry Facts 2013*, page 16 – <http://www.smmmt.co.uk/wp-content/uploads/sites/2/SMMT-2013-Motor-Industry-Facts-guide.pdf>.
- 52 HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Single market: Free Movement of Goods*, February 2014, paragraph 3.37.
- 53 HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Single market: Free Movement of Goods*, February 2014, paragraph 3.34.
- 54 According to Airbus, around 100,000 jobs are generated in the UK by Airbus wing work, directly and indirectly in the supply chain. These jobs include 4,000 at Filton and more than 6,000 at Broughton in North Wales. See: <http://www.airbus.com/company/worldwide-presence/airbus-in-uk/>.
- 55 <http://www.rolls-royce.com/media/press-releases/yr-2010/100419-lufthansa-airbus-a380.aspx>.
- 56 <http://www.rolls-royce.com/media/press-releases/yr-2015/pr-13-10-2015-rr-congratulates-airbus-and-singapore-airlines-on-new-ultra-long-range-A350-900.aspx>.
- 57 <http://www.bbc.co.uk/news/business-32820717>.

Benefits 3: The EU benefits the UK’s services industry

- 58 Bank of England, *EU membership and the Bank of England*, October 2015, page 9 – <http://www.bankofengland.co.uk/publications/Documents/speeches/2015/euboe211015.pdf>.
- 59 One of the principal methods for this is the “passporting” regime, which allows financial services in the EU to set up branches or provide cross-border services freely in other member states, without requiring the need for prior authorisation in the host state. A financial institution can apply for a ‘passport’ from their national regulator by which the regulator guarantees that the institution is compliant with its own national regulatory standards and with minimum EU standards. Legislation requires that other member states recognise this passport and allow the institution to provide services in their jurisdiction. The passporting regime is referred to in the Financial Services and Markets Act as an “EEA right” and is provided for in law by each of the Single market Directives. For further detail see Bank of England, *EU membership and the Bank of England*, October 2015, page 24 – <http://www.bankofengland.co.uk/publications/Documents/speeches/2015/euboe211015.pdf>.
- 60 Bank of England, *EU membership and the Bank of England*, October 2015, page 23 – <http://www.bankofengland.co.uk/publications/Documents/speeches/2015/euboe211015.pdf>.
- 61 Bank of England, *EU membership and the Bank of England*, October 2015, page 84 – <http://www.bankofengland.co.uk/publications/Documents/speeches/2015/euboe211015.pdf>.
- 62 The UK accounts for 24% of all EU financial services income and 40% of EU financial services exports – Bank of England, *EU membership and the Bank of England*, October 2015, page 9 – <http://www.bankofengland.co.uk/publications/Documents/speeches/2015/euboe211015.pdf>.
- 63 Credit Suisse Global Markets Research, *Brexit: Breaking up is never easy, or cheap*, 25 January 2016. Judgment of the General Court (Fourth Chamber), Case T-496/11, *United Kingdom v. European Central Bank*, 4 March 2015 – <http://curia.europa.eu/juris/document/document.jsf?jsessionid=9ea7d2dc30dd986ad9b38a9641129277cb8d19b42c57>.

eKaxilc3qMb40Rch0SaxuPbhv0?text=&docid=162667&pageIndex=0&doclang=en&mode=req&dir=&occ=first&part=1&cid=376367.

- 64 Recent legislation in these areas include the Capital Requirements Directive IV (Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC); the Capital Requirements Regulation (Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for the credit institutions and investment firms and amending Regulation (EU) No 648/2012); the Financial Institutions Conglomerate Directive (Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council); and the Recovery and Resolution Directive (Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council).
- 65 Bank of England, *EU membership and the Bank of England*, October 2015, page 79 – <http://www.bankofengland.co.uk/publications/Documents/speeches/2015/euoe211015.pdf>.

Benefits 4: The EU improves the UK's security

- 66 European Commission, *Report from the Commission to the European Parliament and the Council, On the implementation since 2007 of the Council Framework Decision of 13 June 2002 on the European arrest warrant and the surrender procedures between Member States SEC(2011) 430 final*, page 3 – <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0175:FIN:EN:PDF>.

The European Arrest Warrant requires Member States to arrest and transfer a suspect or sentenced person to an issuing state so that a person can be put on trial, or serve his sentence, so long as (in an accusation case) the offence carries a maximum penalty of a year or more in prison or (in a conviction case) a sentence of four months or greater has been imposed. As at November 2014, national statistics indicate that the 50-day average surrender period for contested cases remains constant – <http://www.ejn-crimjust.europa.eu/ejn/libdocumentproperties.aspx?ld=1711>, paragraph 7.2. The majority of defendants consent to surrender, and the average time there is approximately 20 days, *ibid*, paragraph 7.1.

- 67 Independent Review of the United Kingdom's Extradition Arrangements, Sir Scott Baker, 18 October 2011, paragraphs 2.5 and 5.204 – https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/117673/extradition-review.pdf.
- 68 Home Office, *second generation Schengen Information System (SISII): General Information*, 13 April 2015 – https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/421540/SISII_General_Information_document.pdf.
- 69 <https://www.europol.europa.eu/content/page/operational-successes-127>.
- 70 Interviewed by the BBC in February 2016 – <http://www.bbc.co.uk/news/world-europe-35524017>. While Mr Wainwright acknowledged that the UK could continue to cooperate with its European neighbours from outside of the EU, "it will be more costly and certainly much less effective because the UK will be absenting itself from having access to the kind of well-developed arrangements that currently exist and have developed over the last 40 years". Mr Wainwright also noted that he does not see "any security benefits, frankly, from the UK leaving the EU".
- 71 The European Supervision Order – Council Framework Decision 2009/829/JHA of 23 October 2009 on the application, between Member States of the European Union, of the principle of mutual recognition to decisions on supervision measures as an alternative to provisional detention. Implemented in the UK by **Part 7 of the Criminal Justice and Data Protection (Protocol No. 36) Regulations 2014/3141**.
- 72 Directive 2012/29/EU of the European Parliament and of the Council of 25 October 2012 establishing minimum standards on the rights, support and protection of victims of crime; reflected in England in the Code of Practice for Victims of Crime, issued under the Domestic Violence, Crime & Victims Act 2004, last revised November 2015 (SI 2015/1817).
- 73 Directive 2010/64/EU of the European Parliament and of the Council of 20 October 2010 on the right to interpretation and translation in criminal proceedings; Directive 2012/13/EU of the European Parliament and of the Council of 22 May 2012 on the right to information in criminal proceedings; Directive 2013/48/EU of the European Parliament and of the Council of 22 October 2013 on the right of access to a lawyer in criminal proceedings and in European arrest warrant proceedings, and on the right to have a third party informed upon deprivation of liberty and to communicate with third persons and with consular authorities while deprived of liberty. Draft additional directives exist on the presumption of innocence and the right to be present at trial, on special safeguards for children suspected and accused in criminal proceedings, and on provisional legal aid, aim to guarantee fair

trial rights for all citizens, wherever they are in the EU. These proposals are accompanied by recommendations on safeguards for vulnerable persons suspected or accused in criminal proceedings, and on the right to legal aid in criminal proceedings.

- 74 Regulation (EU) No.606/2013 of the European Parliament and of the Council of 12 June 2013, on mutual recognition of protection measures in civil matters; 2014 No.3300, The Criminal Justice (European Protection Order) (England and Wales) Regulations 2014.
- 75 European Commission Press Release: *Better protection for victims of domestic violence under new EU law adopted today*, 6 June 2013 – http://europa.eu/rapid/press-release_IP-13-510_en.htm.
- 76 <https://www.europol.europa.eu/content/page/operational-successes-127>.
- 77 NATO Secretary General Jens Stoltenberg speaking on the BBC's The World at One, 1 February 2016.

Benefits 5: The EU promotes a healthier UK

- 78 For legislation on Communicable diseases see: http://ec.europa.eu/health/communicable_diseases/early_warning/comm_legislation_en.htm.
- 79 HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Health*, July 2013, Case Study 3E: Pandemic Flu, page 42.
- 80 This figure is based on an average €/£ exchange rate of 0.81820, based on European Central Bank data between 2007 and 2012.
- 81 HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Health*, July 2013, paragraph 3.17.3, see the submissions of the NHS European Office for more details: "The UK is the largest EU Member State beneficiary of EU funding into health research. Throughout the first six years of the EU's current seven year Framework Programme for research (FP7), the UK received over €570 million in EU funding, over 17% of the whole EU contribution and €30 million more than Germany, the second highest beneficiary".
- 82 HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Health*, July 2013, Case Study 3F: EU initiatives on AMR (antimicrobial resistance), page 43; Case Study 3G: European Mental Health Strategy, page 47; Case Study 3H: Dementia, page 48.
- 83 Regulation (EC) No 883/2004 of the European Parliament and of the Council of 29 April 2004 on the coordination of social security systems; and HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Health*, July 2013, paragraphs 3.15.2 and 3.15.5. "Depending of the legislation of the country where you are staying, health care is either free or, if you have to pay, you will be reimbursed." – Frequently Asked Questions, The European Health Insurance Card – <http://ec.europa.eu/social/main.jsp?catId=857&intPageId=1304&langId=en>.
- 84 Regulation (EC) No 883/2004 of the European Parliament and of the Council of 29 April 2004 on the coordination of social security systems.
- 85 <http://www.ft.com/cms/s/0/9216298e-bf67-11e5-846f-79b0e3d20eaf.html#axzz3yMOLEDnw>.

Benefits 6: The EU secures more affordable energy in the UK

- 86 Department of Energy & Climate Change, *Digest of United Kingdom Energy Statistics (DUKES)*, 2015, Table 1B.
- 87 For example, in its submissions for the Review of the Balance of Competences Energy Report, Shell submits that: "The ability to leverage within larger government to government international agreements is far more beneficial from inside of the EU. Globally there has been an increase in the number of government to government deals. These multi-sectoral deals offer packages on energy, infrastructure, finance etc. In many resource holding countries (for example, in Central Asia) the host government is keen to deal with a single entity, for example, for energy exports" – HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Energy Report*, Summer 2014, paragraph 2.5.21.
- 88 European Commission, *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank – State of the Energy Union 2015*, SWD(2015) 208, page 7.

89 See <http://www2.nationalgrid.com/About-us/European-business-development/Interconnectors/>.

"It is clear from the analysis that GB's security of supply would be enhanced by further interconnection... interconnection is also one of the technologies that can assist with the integration of further low-carbon generation", Department of Energy & Climate Change, *More interconnection: improving energy security and lowering bills*, December 2013, page 4.

90 "Projects of Common Interest" agreed between the European Commission and EU Member States benefit from accelerated planning and permit granting procedures. Projects of Common Interest are designated under Regulation 347/2013 are eligible for EU funding (Regulation (EU) No 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC and amending Regulations (EC) No 713/2009, (EC) No 714/2009 and (EC) No 715/2009). They also benefit from measures to facilitate the timely development and interoperability of trans-European energy networks.

91 http://ec.europa.eu/unitedkingdom/press/frontpage/2015/75_en.htm.

92 HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Energy Report*, Summer 2014, paragraph 2.2.5 – "Particular benefits for UK interests identified by stakeholders were: (i) increased competition, including breaking up monopolies and separation of operators from supply and generation activities; (ii) benefits to consumers including lower prices than what they would otherwise have been without the internal market legislation; (iii) a significant rationalisation and liberalisation of the way in which the market operates that has facilitated cross-border trading and led to more liquid markets...".

93 The EU introduced climate change regulations including: the EU Energy Efficiency Directive (Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC), the EU Emissions Directive as amended (Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC) and the EU Renewable Energy Directive (Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC). The UK has committed to have 15% of its energy consumption derive from renewable sources by 2020.

94 The others are Brazil and Canada.

95 European Commission, *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank – State of the Energy Union 2015*, SWD(2015) 208, page 2.

96 In order to ensure that UK companies have the best chance of securing EU funding, the UK Government has created the EU Energy Focus service. This is a free UK Government-funded service that aims to ensure that UK organisations are well informed and have every chance of success in applying for and securing European funding for energy-related projects.

97 This figure is based on an average €/£ exchange rate of 0.80612, based on European Central Bank data for 2014.

98 <https://ec.europa.eu/programmes/horizon2020/en/what-horizon-2020>.

99 See Energy UK's submissions for HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Energy Report*, Summer 2014.

Benefits 7: The EU enhances UK workers' rights and promotes gender equality

100 HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Social and Employment Policy*, Summer 2014, page 42: "by setting minimum requirements, EU competence in this area ensures that businesses in the Single market compete within the same basic framework of rules and workers enjoy the same basic level of protections. This ensures fair competition between companies and prevents exploitation of workers by avoiding a 'race to the bottom' where businesses seek to become more competitive by undercutting each other on wage and social and employment costs".

101 HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Social and Employment Policy*, Summer 2014, page 43: "employment and social policy agreed at EU-level can be helpful for businesses as it levels the playing field within the Single market. Businesses who operate cross-border suffer where there is too much variation in regulation, as it increases uncertainty, compliance costs and administrative burdens/any differences in national regulations may add to business costs and disincentivise companies from trading or expanding abroad".

- 102** Examples include, but are not limited, to:
- equal treatment of men and women in matters of employment, training, working conditions, pay and occupational social security schemes (the Gender Directive).
 - equal treatment between persons irrespective of racial or ethnic origin, prohibiting discrimination on the grounds of race in employment, training, social protection, education and access to and the supply of goods and services which are available to the public (the Race Directive).
- 103** HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Social and Employment Policy*, Summer 2014, page 60: “The Working Time Directive (“WTD”) contains restrictions on night work, requirements for regular rest breaks and four weeks paid annual leave... The objective of the WTD was to protect the health and safety of workers by setting minimum requirements on working hours, rest breaks and annual leave... Respondents, including the BMA, the Royal College of Midwives, Health Education England and others point out that the WTD has benefits to staff and to patient safety in the NHS”.
- 104** Such protections are provided largely under the TUPE legislation (Transfer of Undertakings (Protection of Employment) Regulations 2006, as amended by the “Collective Redundancies and Transfer of Undertakings” (Protection of Employment) (Amendment) Regulations 2014). When TUPE applies, the employees of the outgoing employer automatically become employees of the incoming employer at the point of transfer. They carry with them their continuous service from the outgoing employer, and should continue to enjoy the same terms and conditions of employment with the incoming employer.
- 105** Royal College of Nursing, *RCN response to Balance of Competences survey on employment and social affairs*, January 2014, page 4.

Benefits 8: The EU improves the UK’s environment

- 106** Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control); Directive 2001/81/EC of the European Parliament and of the Council of 23 October 2001 on national emission ceilings for certain atmospheric pollutants.
- 107** Directive 2008/50/EC of the European Parliament and of the Council of 21 May 2008 on ambient air quality and cleaner air for Europe.
- 108** <http://laqm.defra.gov.uk/public-health/public-health.html>.
- 109** Council Directive 91/271/EEC of 21 May 1991 concerning urban waste-water treatment.
- 110** Council Directive 98/83/EC of 3 November 1998 on the quality of water intended for human consumption.
- 111** Directive 2008/56/EC of the European Parliament and of the Council of 17 June 2008 establishing a framework for community action in the field of marine environmental policy (Marine Strategy Framework Directive).
- 112** Directive 2006/7/EC of the European Parliament and of the Council of 15 February 2006 concerning the management of bathing water quality and repealing Directive 76/160/EEC.
- 113** Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Council Regulation (EEC) No 793/93 and Commission Regulation (EC) No 1488/94 as well as Council Directive 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC; Regulation (EC) No 1272/2008 of the European Parliament and of the Council of 16 December 2008 on classification, labelling and packaging of substances and mixtures, amending and repealing Directives 67/548/EEC and 1999/45/EC, and amending Regulation (EC) No 1907/2006; Regulation (EC) No 1107/2009 of the European Parliament and of the Council of 21 October 2009 concerning the placing of plant protection products on the market and repealing Council Directives 79/117/EEC and 91/414/EEC.
- 114** Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives; Council Directive 1999/31/EC of 26 April 1999 on the landfill of waste; Regulation (EC) No 1013/2006 of the European Parliament and of the Council of 14 June 2006 on shipments of waste; Directive 2002/96/EC of the European Parliament and of the Council of 27 January 2003 on waste electrical and electronic equipment (WEEE).
- 115** Council Directive 1999/31/EC of 26 April 1999 on the landfill of waste; Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives.

- 116 Directive 2012/18/EU of the European Parliament and of the Council of 4 July 2012 on the control of major-accident hazards involving dangerous substances, amending and subsequently repealing Council Directive 96/82/EC.
- 117 Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC.
- 118 According to John Ashton, previously the UK's lead climate envoy: "Europe has been a driving force in building the global response to climate change and Britain has been at the heart of that. The UK has a national interest in a successful response to climate change. A Europe in which Britain is semi-detached or worse, in the process of leaving, is not going to be a Europe doing the climate diplomacy that we need to secure our national interest" - RTCC News, David Cameron cannot opt out of EU Climate Policy, 18 January 2013 – <http://www.rtcc.org/2013/01/18/david-cameron-cannot-opt-out-of-eu-climate-policy/>.
- 119 Directive 2011/92/EU of the European Parliament and of the Council of 13 December 2011 on the assessment of the effects of certain public and private projects on the environment.
- 120 HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Environment and Climate Change*, February 2014, paragraph 2.106.
- 121 Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora; Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds.
- 122 For example, Directive 2011/65/EU of the European Parliament and of the Council of 8 June 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment, prohibits the placing on the European market of any electrical or electronic equipment containing hazardous substances such as lead and mercury. It not only sets common standards that manufacturers and importers must comply with, but also protects consumers from exposure to those hazardous substances.
- 123 The letter was undated but reported in the national press on 27 January 2016.

Benefits 9: The EU gives UK citizens greater opportunity to live, work, study and travel abroad

- 124 The largest recipients of British residents are Spain and Ireland (each around 400,000), France (170,000) and Germany (150,000) – HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Single market: Free Movement of Persons*, Summer 2014, paragraphs 2.105-2.106.
- 125 Article 21 TFEU: "Every citizen of the Union shall have the right to move and reside freely within the territory of the Member States". Article 4 of Directive 2004/38/EC of the European Parliament and of the Council on the right of Citizens of the Union and their Family Members to Move and Reside Freely within the Territory of the Member States: "Without prejudice to the provisions on travel documents applicable to national border controls, all Union citizens with a valid identity card or passport and their family members... shall have the right to leave the territory of a Member State to travel to another Member State".
- 126 Article 24 of Directive 2004/38/EC of the European Parliament and of the Council on the right of Citizens of the Union and their Family Members to Move and Reside Freely within the Territory of the Member States: "Subject to such specific provisions as are expressly provided for in the Treaty and secondary law, all Union citizens residing on the basis of this Directive in the territory of the host Member State shall enjoy equal treatment with the nationals of that Member State within the scope of the Treaty".
- 127 The freedom to provide services is set out in Articles 56 and 57 TFEU. Services are defined under Article 57 as those services provided for remuneration that are not governed by the provisions on the free movement of goods, people or capital; voluntary services are therefore not in scope as they are not provided for remuneration. Services shall in particular include (a) activities of an industrial character; (b) activities of a commercial character; (c) activities of craftsmen; (d) activities of the professions. It has been established by case law that the following services are covered by this definition: employment agency services, tourism, education, some medical services, broadcasting, lotteries, judicial recovery of debts and building loans provided by banks. Articles 56 and 57 can cover the following three situations: (i) the freedom to travel to provide services; (ii) the freedom to travel to receive services; and (iii) the provision of services where neither the provider nor the recipient moves to another Member State (e.g. online service provisions).
- 128 This is set out in Directive 2005/36/EC of the European Parliament and of the Council of 7 September 2005 on the Recognition of Professional Qualifications (revised by Directive 2013/55/EU of the European Parliament and of the Council of 20 November 2013 amending Directive 2005/36/EC on the recognition of professional qualifications and Regulation (EU) No 1024/2012 on administrative cooperation through the Internal Market Information System (the IM Regulation)), which allows the beneficiary to gain access to the same profession in another Member State as that for which he/she is qualified in his/her home state and to pursue it in the host Member State under the same conditions as its nationals. It provides for a system of automatic recognition of qualifications on the basis of an agreed minimum training standard for a number of specific professions, including doctors,

nurses, dentists, vets, midwives, pharmacists and architects. Automatic recognition was also extended to certain industrial, craft and commercial professions on the basis of professional experience. For those professions not covered by automatic recognition, a 'general system' of recognition was established which allowed for compensatory measures to make up where there may be differences between different national requirements for professional training (e.g. lawyers). Recent updates to this legislation include a requirement for Member States to notify each other when any individual professional is disbarred or otherwise disqualified from professional practice.

- 129** The EU legislation behind these measures can be viewed at: http://ec.europa.eu/finance/payments/legislation/index_en.htm.
- 130** Directive 2006/126/EC of the European Parliament and of the Council of 20 December 2006 on driving licences (Recast); Directive 2009/103/EC of the European Parliament and of the Council of 16 September 2009 relating to insurance against civil liability in respect of the use of motor vehicles, and the enforcement of the obligations to insure against such liability; HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Transport*, February 2014, paragraph 2.42.
- 131** UK citizens have the right to access state-provided healthcare on temporary stays in other EU countries on the same basis that it is provided by the host state to its own residents – HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Health*, July 2013.
- 132** In October 2015 the European Parliament's plenary voted in favour to end roaming charges by June 2017. Consumers will pay the same price for calls, texts and mobile data wherever they are travelling in the EU. Such measures will be implemented by way of an overhaul of EU telecoms rules during 2016. Already from April 2016, roaming will become even cheaper: operators will only be able to charge a small additional amount to domestic prices up to €0.05 per minute of call made, €0.02 per SMS sent, and €0.05 per MB of data (excl.VAT). See Benefits 1.
- 133** European Commission, *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: An Aviation Strategy for Europe*, SWD(2015) 261 final, 7 December 2015, section 1.1: "The number and frequency of intra-EU as well as international routes flown, and the number of passengers have increased substantially... Low-fare EU carriers are now amongst the top carriers both in terms of passengers and in terms of market capitalisation".
- 134** Regulation (EC) No 1008/2008 of the European Parliament and of the Council of 24 September 2008 on common rules for the operation of air services in the Community, establishes common rules for the operation of air services in the Community. Under Article 15, an EU air carrier's operating licence allows it to operate air services in the EU without Member States being able to impose additional permits or authorisations.
- 135** EasyJet has been quoted as saying: "EasyJet is a product of the EU's deregulation of Europe's aviation market. Without deregulation we would not exist" – HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Transport*, February 2014, paragraph 2.5.
- 136** Regulation (EC) No 881/2004 of the European Parliament and of the Council of 29 April 2004 establishing a European railway agency, establishes a European Railway Agency, which is tasked (among other things) with increasing the safety of the European railway system and improving levels of inter-operability.
- 137** Directive 2004/50/EC of the European Parliament and of the Council of 29 April 2004 amending Council Directive 96/48/EC on the interoperability of the trans-European high-speed rail system and Directive 2001/16/EC of the European Parliament and of the Council on the interoperability of the trans-European conventional rail system and Directive 2008/57/EC of the European Parliament and of the Council of 17 June 2009 on the interoperability of the rail system within the Community (Recast).
- 138** Regulation (EC) No 1073/2009 of the European Parliament and of the Council of 21 October 2009 on common rules for access to the international market for coach and bus services, and amending Regulation (EC) No 561/2006. See Benefits 1 & 2.
- 139** For example, air passengers benefit from the EU air safety list, which bans operators of international airlines from operating into the EU where they do not meet EU-wide safety standards. See Commission Implementing Regulation (EU) No 368/2014 of 10 April 2014 amending Regulation (EC) No 474/2006 establishing the Community list of air carriers which are subject to an operating ban within the Community. The foundation of EU air safety policy is a set of common safety rules, directly applicable in all EU Member States, including Regulation (EC) No 216/2008 of the European Parliament and of the Council of 20 February 2008 on common rules in the field of civil aviation and establishing a European Aviation Safety Agency, and repealing Council Directive 91/670/EEC, Regulation (EC) No 1592/2002 and Directive 2004/36/EC (establishing the European Aviation Safety Agency) and Regulation (EC) No 1108/2009 of the European Parliament and of the Council of 21 October 2009 amending Regulation (EC) No 216/2008 in the field of aerodromes, air traffic management and air navigation services and repealing Directive 2006/23/EC (extending the basic rules on safety to aerodromes, air navigation services and air traffic management). In rail, Directive 2004/49/EC of the European Parliament and of the Council of 29 April 2004 on safety on the Community's railways and amending Council Directive 95/18/EC on the licensing of railway undertakings and Directive 2001/14/EC on the allocation of railway infrastructure capacity and the levying of charges for the use of railway infrastructure and safety certification,

defines safety requirements for the EU's railways; requires a safety authority to be established in each Member State for supervising safety; requires mutual recognition of safety certificates delivered in the Member States; establishes common safety indicators and common safety targets to facilitate the monitoring of railway safety performance; and establishes common rules for safety investigations.

- 140 HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Transport*, February 2014, paragraphs 2.96-2.97.
- 141 Regulation 181/2011 grants bus and coach passengers, wherever they travel within the EU over distances of 250km or more, specific rights to information or compensation where they are delayed or their journey is cancelled. For all journeys – including those for less than 250km – passengers may not be discriminated against because of their nationality in the fares or conditions which apply to tickets; passengers who are disabled or who have reduced mobility may not be discriminated against and may obtain financial compensation for loss or damage of mobility equipment where there is an accident (Regulation (EU) No 181/2011 of the European Parliament and of the Council of 16 February 2011 concerning the rights of passengers in bus and coach transport and amending Regulation (EC) No 2006/2004).
- 142 Regulation 261/2004 establishes common rules on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights. British citizens departing from the EU on any air carriers, or travelling from a third country back to the EU on an EU carrier, have specific rights if they are denied boarding against their will, their flight is cancelled or their flight is delayed. The Court of Justice of the EU has generally interpreted this Regulation in a manner which reinforces and extends the scope of these rights for passengers (Regulation (EC) No 261/2004 of the European Parliament and of the Council of 11 February 2004 establishing common rules on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights, and repealing Regulation (EEC) No 295/91). Regulation 1107/2006 also establishes specific rights for passengers who have reduced mobility. Carriers may not refuse reservation or boarding to people because of their reduced mobility or disability. Persons with reduced mobility are entitled to specific assistance free of charge in airports, on departure, arrival and during transit, and on board aircraft (e.g. transport of wheelchairs and carriage of dogs for the blind) (Regulation (EC) No 1107/2006 of the European Parliament and of the Council of 5 July 2006 concerning the rights of disabled persons and persons with reduced mobility when travelling by air).
- 143 Regulation 1371/2007 grants specific rights to rail passengers travelling in the EU (subject at present to the possibility for EU Member States to exempt domestic rail passenger services from these rules). These rights cover clear and accessible information on the contract, timetables and fares as well as accessibility information for disabled people and those with reduced mobility. During the journey, passengers have the right to information concerning any delays or interruptions to services and to information on how to submit a complaint. Passengers have the right to compensation if registered luggage is lost or damaged. It also strengthens rights to compensation in the case of death or injury. As regards delay, rail passengers may claim 25% of the ticket price for a delay of 60-119 minutes; or 50% of the ticket price for a delay of 120 minutes or more. There are further rights to meals, refreshments and accommodation in particular circumstances (Regulation (EC) No 1371/2007 of the European Parliament and of the Council of 23 October 2007 on rail passengers' rights and obligations).
- 144 Regulation 1177/2010 grants rights to passengers travelling in the EU on large ferries and cruise ships on sea, rivers, lakes and canals. The rights include reimbursement or rerouting, where there is a cancellation or delay at departure of more than 90 minutes; assistance in those circumstances, to include meals, refreshments or even accommodation; non-discriminatory treatment of disabled people and those with reduced mobility; and adequate information on travel arrangements (Regulation (EU) No 1177/2010 of the European Parliament and of the Council of 24 November 2010 concerning the rights of passengers when travelling by sea and inland waterway and amending Regulation (EC) No 2006/2004).

Benefits 10: Development of the EU's single market with benefit the UK's future

- 145 For example, in his submissions for the Review of the Balance of Competences – Energy Report, Jonathan Gaventa on behalf of E3G, states: “The reality is that the UK has not been a victim of European energy policies; it has created them. British voices are ubiquitous in Brussels meetings and negotiations. The core basis of European energy law – the three energy liberalisation packages – directly copied the model of UK power sector liberalisation from the 1990s!” “The EU 2020 climate and energy package – which sets renewable, greenhouse gas and efficiency targets for Europe – was initiated in a UK-run European summit at Hampton Court. Its key proponent was not a faceless Eurocrat but Tony Blair” – HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Energy Report*, Appendix: Evidence, page 124.
- 146 Bank of England, *EU membership and the Bank of England*, October 2015 – <http://www.bankofengland.co.uk/publications/Documents/speeches/2015/euboe211015.pdf>
- 147 As another example Renewable Energy Systems (one of the world's leading renewable energy developers working across the globe) submits that by “the EU taking a strong lead at international climate negotiations by setting strong renewable energy, greenhouse gas emissions and energy efficiency targets [this] would send the right signals to other nations and increase the likelihood of a science-based agreement” – HM Government, *Review of the Balance of Competences between the United Kingdom and the*

European Union – Energy Report, Summer 2014, paragraph 2.5.22.

- 148 The European Commission adopted the Digital Single market strategy on 6 May 2016 as one of its political priorities. It has been adopted with a view to creating a market in which the free movement of persons, services and capital is ensured and where individuals and businesses can access online activities under conditions of fair competition, and a high level of consumer and personal data protection. See the Commission's Digital Single market website for details – <http://ec.europa.eu/priorities/digital-single-market/>.
- 149 This figure is based on an average €/£ exchange rate of 0.80612, based on European Central Bank data for 2014.
- 150 http://ec.europa.eu/priorities/jobs-growth-and-investment/investment-plan_en.
- 151 Digital Agenda for Europe, Simplifying pan-European licensing for online works – <https://ec.europa.eu/digital-agenda/en/pillar-i-digital-single-market/action-1-simplifying-pan-european-licensing-online-works>.
- 152 Proposal for a Regulation of the European Parliament and of the Council on ensuring the cross-border portability of online content services in the internal market, COM (2015) 627 final, 9 December 2015.
- 153 For a summary of the framework for the creation of the Single European Sky, see <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=URISERV:i24020&rid=1>. The two packages of SES legislation so far in force aim to reduce the fragmentation of European airspace and increase capacity by introducing additional rules on safety, airspace management, cost transparency and interoperability – [http://ec.europa.eu/transport/modes/air/single_european_sky/doc/reports/com\(2015\)663.pdf](http://ec.europa.eu/transport/modes/air/single_european_sky/doc/reports/com(2015)663.pdf), page 2.
- 154 For example, see [http://ec.europa.eu/transport/modes/air/single_european_sky/doc/reports/com\(2015\)663.pdf](http://ec.europa.eu/transport/modes/air/single_european_sky/doc/reports/com(2015)663.pdf), at section 2.3, page 4, which identifies the need to make best use of the “functional airspace blocks” which SES creates, and which have not yet been optimised. The importance of proper and complete implementation of the SES project to achieve its objectives are discussed in European Commission, *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: An Aviation Strategy for Europe*, SWD(2015) 261 final, 7 December 2015, pages 6-7.
- 155 For example, see HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – Transport*, February 2014, page 33.

Ten common questions and misconceptions about the EU

Question 1: Does membership of the EU prevent the UK from making its own laws?

- 156 See, e.g., Case 26/62 *van Gend & Loos* [1963] ECR I; and Case 6/64 *Costa v. ENEL* [1964] ECR 585.
- 157 See, e.g., <http://www.bbc.co.uk/news/uk-politics-eu-referendum-35539860> ‘EU referendum: Cameron’s options for enhancing sovereignty’, 10 February 2016.
- 158 Indeed, a recent study concluded that the UK appears to be the best of all Member States in the EU Council at wielding significant influence – S. Hix, *UK Influence in Europe Series: Is the UK at the top table in EU negotiations?*, LSA Blog, 16 November 2015 – <http://blogs.lse.ac.uk/europpblog/2015/11/16/uk-influence-in-europe-series-is-the-uk-at-the-top-table-in-eu-negotiations/>.
- 159 Protocol 20 to the TFEU contains the opt-out from the prohibition of internal border controls. This authorises the UK to maintain border controls on persons seeking to enter the UK from other Member States. The protocol allows the UK and Ireland to maintain the Common Travel Area. It also allows other Member States to impose equivalent border controls on persons entering their territories from the UK and Ireland.
- 160 Protocol 15 to the TFEU contains the single currency opt-out. This recognises that the UK is under no Treaty obligation to adopt the single currency and that a separate decision to do so would be required by the UK government and parliament.
- 161 European Council, *European Council meeting (18 and 19 February 2016) – Conclusions – Section A: Economic Governance*, EU/CO 1/16, Brussels, 19 February 2016, page 12-15.

The settlement negotiated by the Prime Minister at the European Council meeting held on 18 and 19 February 2016 is set out in Annexes to the Conclusions issued by the Council. A question has been raised as to the enforceability of the proposed settlement, and in particular whether it is subject to the approval of the Court of Justice of the European Union.

In addressing this question, we note the following points:

- The only express condition of the Conclusions and the annexed Decision of the Member States is that the United Kingdom should remain a member of the EU. § 3(ii) and (iii) of the Conclusions state that the Decision is legally binding, compatible with the existing Treaties, and that it can only be amended or repealed by the common consent of the Member States, thus including the UK.
- The task of the CJEU is “to ensure that in the interpretation and application of the Treaties, the law is observed”.
- The Agreement between the Heads of State and Government is an international treaty. If and when it comes into effect, it will be part of “the law” to be observed.
- The Agreement will come into effect when the UK decides to remain a Member State of the EU.
- We can see no basis on which the Court could declare the Agreement invalid. It is important to stress that the Court could not, in any event, pronounce on the validity of the Agreement other than in the context of an action and after hearing full argument from Member States and the Institutions of the Union. We can see no basis on which they would argue that the Agreement is invalid.
- The Agreement provides for the Commission to prepare secondary legislation to give effect to certain aspects of it. Such legislation would require to be passed by the normal procedure, and could be challenged by an individual, company or firm only if it affected them individually and directly. This could happen only after the secondary legislation came into effect and was applied to them. Even if successful, that challenge could not invalidate the Agreement - only a specific provision of the secondary legislation.

162 “Emergency and crisis measures designed to safeguard the financial stability of the euro area will not entail budgetary responsibility for Member States whose currency is not the euro, or, as the case may be, for those not participating in the banking union.

Appropriate mechanisms to ensure full reimbursement will be established where the general budget of the Union supports costs, other than administrative costs, that derive from the emergency and crisis measures referred to in the first subparagraph.” – European Council, European Council meeting (18 and 19 February 2016) – Conclusions – Section A: Economic Governance, EUCO 1/16, Brussels, 19 February 2016, page 14.

163 European Council, *European Council meeting (18 and 19 February 2016) – Conclusions – Section C: Sovereignty*, EUCO 1/16, Brussels, 19 February 2016, page 16.

164 Article 5(3) TEU. This principle excludes areas where the EU enjoys “exclusive competence”.

165 HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – The Single market*, July 2013, paragraph 2.10.

166 Article 5(4) TEU.

167 See European Commission, *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Commission Work Programme 2015 – A New Start*, COM(2014) 910 final.

168 For the so-called ‘Copenhagen criteria’ for the requirements in respect of the ‘rule of law’ for Member States wishing to join the EU, see http://eur-lex.europa.eu/summary/glossary/accesion_criteria_copenhagen.html?locale=en; for the role of the Court of Justice in this respect, see Article 263 TFEU and Thomas von Danwitz, *The Rule of Law in the Recent Jurisprudence of the ECJ*, 37 *Fordham Int’l L.J.* 1311 (2014).

169 Article 294 TFEU. See also European Parliament, *Codecision and Conciliation*, December 2014 – http://www.europarl.europa.eu/code/information/guide_en.pdf; EU Council, *The ordinary legislative procedure* – <http://www.consilium.europa.eu/en/council-eu/decision-making/ordinary-legislative-procedure/>; and EU Council, *Guide to the ordinary legislative procedure*, November 2011 – <http://www.consilium.europa.eu/workarea/downloadAsset.aspx?id=1101>. Other legislation can be adopted using an alternative process (the “special legislative procedure”) under which the European Parliament has a reduced role, but that still requires the approval of the EU Council.

170 Article 10(2) TEU. EU Council, *What does the Council of the EU do?* – <http://www.consilium.europa.eu/en/council-eu/>.

171 <http://www.votewatch.eu/blog/wp-content/uploads/2012/07/data-annex-to-votewatch-europe-2012-annual-report-final.pdf>. In the period 2013-2015, the UK voted against 8.7% of the legislative acts at the Council of Ministers.

172 UK Parliament, *Introduction to scrutiny* – <http://www.parliament.uk/business/committees/committees-a-z/lords-select/eu-select-committee-/committee-work/parliament-2010/introduction-to-scrutiny/>.

- 173 Article 5 Protocol on the Role of National Parliaments in the European Union.
- 174 Article 14(2) TEU.
- 175 European Parliament Information Office in the UK, *European Elections* – http://www.europarl.org.uk/en/your-meps/european_elections.html.
- 176 Article 12(a) TEU.
- 177 <http://www.parliament.uk/business/committees/committees-a-z/lords-select/eu-select-committee/>. For its recent discussion of the referendum process itself, see <http://www.publications.parliament.uk/pa/ld201516/ldselect/ldcom/30/30.pdf>.
- 178 Article 5(3) TEU provides that national parliaments “ensure compliance with the principle of subsidiarity” in accordance with the procedure set out in the Protocol on the application of the principles of subsidiarity and proportionality (the Subsidiarity and Proportionality Protocol – <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2004:310:0207:0209:EN:PDF>). It should be noted that, currently, a national parliament is unable to object to EU legislation on the ground of proportionality.
- Under the “yellow card” procedure, both the House of Commons and the House of Lords can issue “reasoned opinions” if they consider a proposed EU law breaches the principle of subsidiarity. The EU institution that the relevant legislation originated from must consider any such opinions. If more than a third of national parliaments object by reasoned opinion, then the Commission is obliged to provide reasons to accompany its decision to maintain, amend or withdraw the draft legislation.
 - Under the “orange card” procedure, if more than half of national parliaments object and the Commission insists on retaining the proposed legislation, then the Council and the European Parliament must decide whether the proposed legislation complies with the principle of “subsidiarity”. If 55% of Council members or a simple majority of the European Parliament consider that the proposal does not comply with the principle of subsidiarity, then the draft legislation is withdrawn.
 - The UK has also been at the forefront of a new “Green Card” initiative that enables Member States’ parliaments to join forces to make legislative proposals to the Commission, further influencing the development of EU policy.
- 179 “Where reasoned opinions on the non-compliance of a draft Union legislative act with the principle of subsidiarity, sent within 12 weeks from the transmission of that draft, represent more than 55% of the votes allocated to the national Parliaments, the Council Presidency will include the item on the agenda of the Council for a comprehensive discussion on these opinions and on the consequences to be drawn therefrom.
- Following such discussion, and while respecting the procedural requirements of the Treaties, the representatives of the Member States acting in their capacity as members of the Council will discontinue the consideration of the draft legislative act in question unless the draft is amended to accommodate the concerns expressed in the reasoned opinions.*
- For the purposes of this paragraph, the votes allocated to the national Parliaments are calculated in accordance with Article 7(1) of Protocol No 2. Votes from national Parliaments of Member States not participating in the adoption of the legislative act in question are not counted.” – European Council, *European Council meeting (18 and 19 February 2016) – Conclusions – Section C: Sovereignty, EUCO 1/16, Brussels, 19 February 2016, page 16.**

Question 2: Is there too much regulation coming from Brussels?

- 180 <http://researchbriefings.files.parliament.uk/documents/RP10-62/RP10-62.pdf>. Business for Britain, a campaign group that favours the UK leaving the EU, believes that 64.7% of UK law comes directly from, or is “influenced” by the EU – <http://businessforbritain.org/2015/03/02/definitive-study-reveals-eu-rules-account-for-65-of-uk-law/>.
- 181 See Benefits 1.
- 182 EU laws may also be adopted in the form of “regulations”, which apply automatically, and “decisions” which are addressed to individuals, companies and governments. Regulations are a typical feature of areas where the Commission has been given executive powers by the Member States to administer a particular policy area such as the CAP or competition policy.
- 183 HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – The Single market*, July 2013, paragraphs 3.27 – 3.28.
- 184 Bats are listed as an European protected species of animals in the European Union’s Council Directive 92/43/EEC on the Conservation of Natural Habitats and of Wild Fauna and Flora.

- 185 Article 12, Council Directive 92/43/EEC on the Conservation of Natural Habitats and of Wild Fauna and Flora.
- 186 In England and Wales the relevant legislation is: the Wildlife and Countryside Act (1981) (as amended); the Countryside and Rights of Way Act, 2000; the Natural Environment and Rural Communities Act (NERC, 2006); and by the Conservation of Habitats and Species Regulations (2010). In Scotland, the key legislation is: Conservation (Natural Habitats &c.) Regulations 1994 (as amended). In Northern Ireland the relevant legislation is: Schedule 2 of the Conservation (Natural Habitats etc.) Regulations (Northern Ireland) 1995.
- 187 HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union – The Single market*, July 2013, paragraph 2.82.
- 188 http://ec.europa.eu/smart-regulation/index_en.htm.
- 189 See the European Commission's decision of 19 May 2015 establishing the REFIT Platform, http://ec.europa.eu/smart-regulation/better_regulation/documents/c_2015_3261_en.pdf.
- 190 Inception Impact Assessment, May 2015.
- 191 Interinstitutional Agreement on Better Law-Making, December 2015 – http://ec.europa.eu/smart-regulation/better_regulation/documents/20151215_ia_on_better_law_making_en.pdf.
- 192 European Council, *European Council meeting (18 and 19 February 2016) – Conclusions – Section B: Competitiveness*, EUCO 1/16, Brussels, 19 February 2016, page 15.

Question 3: If the UK leaves the EU, will the European Court of Human Rights still have jurisdiction over the UK?

- 193 See, e.g., Case 36/75 *Rutili* [1975] ECR 1219; and Article 6 TEU.
- 194 See Articles 6(1) and 49 of the TEU.
- 195 Government policy on this issue is not entirely clear but appears to combine an intention at least to modify if not to repeal the Human Rights Act 1998 while insisting that withdrawal from the Council of Europe and Convention is 'not on the table': see, e.g., <http://www.itv.com/news/update/2015-06-01/hammond-leaving-echr-is-not-on-the-table/>.
- 196 See Protocol 30 to the TEU, on the application of the Charter of Fundamental Rights of the European Union to Poland and to the United Kingdom.

Question 4: Are the EU institutions too big and inefficient?

- 197 Based on the Office for National Statistics' Public Sector Employment data – <http://www.ons.gov.uk/ons/publications/reference-tables.html?edition=tcn%3A77-366780>.
- 198 <http://www.consilium.europa.eu/en/policies/eu-annual-budget/eu-budget-2015/>.
- 199 The UK Government maintains a list of these agencies – <https://www.gov.uk/government/organisations>.
- 200 European Commission, *Report from the Commission: Progress report on the implementation of the Common Approach on EU decentralised agencies*, COM(2015) 179 final, April 2015 – <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=COM:2015:179:FIN&from=EN>.
- 201 European Commission, *Report from the Commission to the European Parliament, the Council and the Court of Auditors: Synthesis of the Commission's management achievements in 2014*, COM(2015) 279 final, June 2015 – http://ec.europa.eu/atwork/pdf/synthesis_report_2014_en.pdf.

Question 5: Is membership of the EU too costly?

- 202 Bank of England, *EU membership and the Bank of England*, October 2015 – <http://www.bankofengland.co.uk/publications/Documents/speeches/2015/euboe211015.pdf>.
- 203 The Economist, *The Budget that didn't Bark*, 13 February 2016.
- 204 House of Commons Library, Briefing Paper, Number 06455, *EU budget 2014-20; Table 5: EU Budgetary Balances by Member State 2012-14*, Matthew Keep, 11 December 2015, page 22.
- 205 The net contributions of France and Germany in 2014 amounted to €7,489 and €17,659 million respectively – House of Commons Library, Briefing Paper, Number 06455, *EU budget 2014-20; Table 5: EU Budgetary Balances by Member State 2012-14*, Matthew Keep, 11 December 2015, page 22.
- 206 The Economist, *The Budget that didn't Bark*, 13 February 2016.
- 207 House of Commons Library, Briefing Paper, Number 06455, *EU budget 2014-20; Table 5: EU Budgetary Balances by Member State 2012-14*, Matthew Keep, 11 December 2015, page 22.
- 208 The Government's total managed expenditure in FY2014 was £732 billion (€908 billion) – https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/293759/37630_Budget_2014_Web_Accessible.pdf. This calculation is based on an average €/£ exchange rate of 0.80612, based on European Central Bank data, though it unavoidably conflates the annual financial year used by the EU, with the April 1 – March 31 financial year used by the UK Treasury.
- 209 See Question 10.
- 210 Campos, Coricelli and Moretti (2014); CEP (2014); CBI (2013, literature review); Mansfields – Brexit Prize (2014); Pain & Young (2004); Open Europe (2015); US International Trade Commission (2000); IoD (2000); IEA (Minford et al (2005)); Civitas (2004); UKIP (2010) – Bank of England, *EU membership and the Bank of England*, October 2015, Annex 1 – <http://www.bankofengland.co.uk/publications/Documents/speeches/2015/euboe211015.pdf>.

- 211 See Benefits I.
- 212 Financial Times, *Membership of reformed EU seen as vital to economic security*, Chris Giles, Emily Cadman and George Parker, 3 January 2016.

Question 6: Can the UK control its borders if it remains in the EU?

- 213 Article 21(1) TFEU.
- 214 For example case 41/74 *van Duyn v. Home Office* [1974] ECR I 337 was one of the first cases brought against the UK Government after accession, but it was based on a directive which had originally been adopted in 1964 – Council Directive 64/221, “on the coordination of special measures concerning the movement and residence of foreign nationals which are justified on grounds of public policy, public security or public health”.
- 215 By way of example, the Migration Observatory has calculated that in 2013, 47.1% of migrants to the United Kingdom were non-European nationals, while 14.4% were British nationals returning to the United Kingdom after a prolonged absence (38.2% were nationals of other EU Member States) – <http://www.migrationobservatory.ox.ac.uk/briefings/immigration-category-workers-students-family-members-asylum-applicants>.
- 216 The Schengen Area first consisted of Belgium, France, Germany, Luxembourg, and the Netherlands following the conclusion of the Schengen Convention on 19 June 1990. All EU Member States, other than Ireland and the United Kingdom, became parties to the Schengen Convention in May 1999 on the entry into effect of the Amsterdam Treaty (though not all those Member States became part of the Schengen Area at that time and indeed certain countries still remain outside).
- 217 Protocol 20 to the TFEU contains the opt-out from the prohibition of internal border controls. This authorises the UK to maintain border controls on persons seeking to enter the UK from other Member States. The protocol allows the UK and Ireland to maintain the Common Travel Area. It also allows other Member States to impose equivalent border controls on persons entering their territories from the UK and Ireland.
- 218 Article 6(1) Directive 2004/38 of the European Parliament and of the Council of 29 April 2004 on the right of citizens of the Union and their family members to move and reside freely within the territory of the Member States amending Regulation (EEC) No 1612/68 and repealing Directives 64/221/EEC, 68/360/EEC, 72/194/EEC, 73/148/EEC, 75/34/EEC, 75/35/EEC, 90/364/EEC, 90/365/EEC and 93/96/EEC.
- 219 Articles 45(3) and 52 TFEU.
- 220 Articles 27(1) and (2) Directive 2004/38 of the European Parliament and of the Council of 29 April 2004 on the right of citizens of the Union and their family members to move and reside freely within the territory of the Member States amending Regulation (EEC) No 1612/68 and repealing Directives 64/221/EEC, 68/360/EEC, 72/194/EEC, 73/148/EEC, 75/34/EEC, 75/35/EEC, 90/364/EEC, 90/365/EEC and 93/96/EEC.
- 221 Article 27(4) Directive 2004/38 of the European Parliament and of the Council of 29 April 2004 on the right of citizens of the Union and their family members to move and reside freely within the territory of the Member States amending Regulation (EEC) No 1612/68 and repealing Directives 64/221/EEC, 68/360/EEC, 72/194/EEC, 73/148/EEC, 75/34/EEC, 75/35/EEC, 90/364/EEC, 90/365/EEC and 93/96/EEC.
- 222 The Centre for Research and Analysis of Migration estimates that EU immigrants arriving in the UK between 2001 and 2011 contributed a total of £20 billion more in taxes than they received in benefits. By contrast, the UK-born population over the same timeframe contributed £617 billion in taxes less than they received in benefits over that period – The Economic Journal, *The Fiscal Effects of Immigration to the UK*, Christian Dustmann and Tommaso Frattini, November 2014; see further at www.ucl.ac.uk/news/news-articles/1114/051114-economic-impact-EU-immigration.
- 223 Office for Budget Responsibility, *Fiscal Sustainability Report*, July 2013.
- 224 European Council, *European Council meeting (18 and 19 February 2016) – Conclusions – Section D: Social Benefits and Free Movement*, EU/CO 1/16, Brussels, 19 February 2016, page 23.
- 225 European Council, *European Council meeting (18 and 19 February 2016) – Conclusions – Section D: Social Benefits and Free Movement*, EU/CO 1/16, Brussels, 19 February 2016, page 22.

Question 7: Are the EU's accounts fraudulent?

- 226 For example, Her Majesty's Revenue and Customs (HMRC) estimates that the total tax gap – the difference between the revenue that should be collected and what is actually collected – was 6.8%, amounting to £34 billion in 2012/13, and including 3% of revenue lost to tax fraud – www.gov.uk/government/news/hmrc-publishes-2012-to-2013-tax-gap. The UK's National Audit Office has also found that Housing Benefit payments had an error rate in terms of payments of between 5.7% and 6.1% – www.gov.uk/government/uploads/system/uploads/attachment_data/file/429749/stats-release-v3.pdf.

Question 8: Does EU regulation stifle the City of London?

- 227 The City UK, *Key Facts about the UK as an International Financial Centre*, 2014.
- 228 All Party Parliamentary Group for European Reform, *Inquiry into the EU single market in services*, October 2013.
- 229 British Influence, *Brexit: What would happen if the UK voted to leave?*, report by Publitas, page 44 – <https://view.publitas.com/british-influence/brexit-what-would-happen-if-the-uk-voted-to-leave>. See also British Influence, *The British Influence Scorecard 2015: What influence does Britain have in the EU?*, report by Publitas – <https://view.publitas.com/british-influence/2015-scorecard/page/18-19>.
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- 232 http://www.global-counsel.co.uk/system/files/publications/Global_Counsel_Impact_of_Brexit_June_2015.pdf.
- 233 Goldman Sachs International, written evidence to the Parliamentary Commission on Banking Standards – <http://www.publications.parliament.uk/pa/jt201314/jtselect/jtscbs/27/27iv78.htm>.
- 234 JPMorgan Chase & Co., written evidence to the Parliamentary Commission on Banking Standards – <http://www.publications.parliament.uk/pa/jt201314/jtselect/jtscbs/27/27iv78.htm>.

Question 9: Would the UK have more trading influence outside the EU?

- 235 The Economist, *Most of Britain's friends in the world would prefer it to stay in*, 17 October 2015 – <http://www.economist.com/news/special-report/21673511-most-britains-friends-world-would-prefer-it-stay-geopolitical-question>.
- 236 BBC News, *Obama urges UK to stay in European Union*, 24 July 2015 – <http://www.bbc.com/news/uk-politics-33647154>.
- 237 The Financial Times, *Top US trade official warns on Brexit*, 28 October 2015 – <http://www.ft.com/intl/cms/s/0/9c6135b8-7dbe-11e5-98fb-5a6d4728f74e.html#axzz3x2fui1hZ>.
- 238 BBC News, *Modi visit: "Huge moment" for UK and India*, 12 November 2015 – <http://www.bbc.com/news/uk-34790212>.
- 239 The Financial Times, *China's Xi Jinping urges UK to stay in EU*, 23 October 2015 – <http://www.ft.com/intl/cms/s/0/df78cae4-797e-11e5-933d-efcdc3c11c89.html#axzz3x2fui1hZ>.
- 240 Bank of England, *EU membership and the Bank of England*, October 2015, page 8 – <http://www.bankofengland.co.uk/publications/Documents/speeches/2015/euboe211015.pdf>. All figures are for 2014.
- 241 Bank of England, *EU membership and the Bank of England*, October 2015, page 8 – <http://www.bankofengland.co.uk/publications/Documents/speeches/2015/euboe211015.pdf>. All figures are for 2014.
- 242 Article 4 TFEU.
- 243 Article 3 TFEU.
- 244 See Gatti, Mauro and Manzini, Pietro, *External Representation of the European Union in the Conclusion of International Agreements* (2012). *Common Market Law Review*, Vol. 49, No. 5, 2012, pages 1711-1722 – <http://ssrn.com/abstract=2531222>.

- 245 EU Trade Agreements – <http://ec.europa.eu/trade/policy/countries-and-regions/agreements>.
- 246 European Commission, MEMO/13/1080, *The EU's bilateral trade and investment agreements –where are we?*, 3 December 2013 – http://trade.ec.europa.eu/doclib/docs/2012/november/tradoc_150129.pdf.
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- 251 S. Hix, *UK Influence in Europe Series: Is the UK at the top table in EU negotiations?*, LSA Blog, 16 November 2015 – <http://blogs.lse.ac.uk/europpblog/2015/11/16/uk-influence-in-europe-series-is-the-uk-at-the-top-table-in-eu-negotiations/>.

Question 10: Would the UK be stronger following a decision to leave the EU?

- 252 Diez et al, *The European Union and Border Conflicts: The Power of Integration and Association*, CUP:2008, pages 34-36 – <https://books.google.be/books?isbn=1139470752>.
- 253 Customs checks were imposed by the Irish Free State from April 1923, and were maintained until the creation of the Single market on 1 January 1993.
- 254 http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/borders-and-visas/schengen/index_en.htm. The Irish position on its Schengen membership appears to be due to its commitment to the CTA and compatibility with the UK’s position on free movement of persons (The Scottish Government, *Scotland in the European Union*, November 2013, Annex 7 – <http://www.gov.scot/Publications/2013/11/5894/16>). On this basis, it is unclear whether the CTA would continue in its current form post UK departure from the EU.
- 255 In operation since the 1920s, the CTA was “purely an administrative arrangement until it was given statutory recognition in the UK under the *Immigration Act 1971* and the *Immigration (Control of Entry through the Republic of Ireland) Order 1972*” (UK Border Control, cited in The Scottish Government *Scotland in the European Union*, November 2013, Annex 7 – <http://www.gov.scot/Publications/2013/11/5894/16>).
- 256 Article 1 (vi), The Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Ireland – https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/136652/agreement.pdf; see also, Irish Naturalisation and Immigration Service, *FAQs about Irish Citizenship and Naturalisation*, Q2 – <http://www.inis.gov.ie/en/INIS/Pages/Frequently%20asked%20Questions%20about%20Irish%20Citizenship%20and%20Naturalisation#Q2>.
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On the negative economic effects of UK departure from the EU on NI more generally see e.g., C. Flanagan, *What Brexit Means for Northern Ireland*, Speech, 26 November 2015 – <https://www.dfa.ie/news-and-media/speeches/speeches-archive/2015/november/what-brexit-means-for-northern-ireland>, and L. Budd, *The Consequences for the Northern Ireland Economy from a United Kingdom exit from the European Union*, Briefing Note: CETI/OU, 2/15, March 2015 – <http://crossborder.ie/site2015/wp-content/uploads/015/11/2015-03-22-brexit-ceti-specialist-advisor.pdf>.

On the negative economic effects of UK departure from the EU on Wales more generally, see e.g., UK Parliament, *Exiting the EU: impact in key UK policy areas*, Briefing Paper 07213, 4 June 2015 – <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7213#fullreport>, and FUW, *FUW highlights danger of Brexit during leaders’ debate*, 11 January 2016 – <http://fuw.org.uk/fuw-highlights-danger-of-brexit-during-leaders-debate/>.

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- 262 Gibraltar forms part of the EU under Article 355(3) TFEU that provides that “the Treaties shall apply to the European territories for whose external relations a Member State is responsible”. However, Gibraltar’s membership is distinct to that of the UK given that it is excluded from the Customs Union, Common Commercial Policy, Common Agricultural Policy and the requirements to levy VAT. The fundamental rights of free movement of people, capital and services apply to the territory.
- 263 T. Hale, *Gibraltar warns over prospect of Brexit*, Financial Times, 13 April 2015 – <https://next.ft.com/content/6c841232-df5f-11e4-b6da-00144feab7de>.
- 264 *Ibid.*
- 265 The Report Company, *Brexit – a bet too far for Gibraltar?*, The Guardian, 8 October 2015 – <http://www.theguardian.com/the-report-company/2015/oct/08/brexit-a-bet-too-far-for-gibraltar>. See also F. Picardo, *‘Brexit’ would destroy Gibraltar*, Politico, 5 March 2015 – <http://www.politico.eu/article/brexit-would-destroy-gibraltar/>.
- 266 “In the event of there being a referendum, each of the areas that vote, each of the nations that vote, Gibraltar included, should be counted separately”, F. Picardo, chief minister and leader of the Gibraltar Socialist Labour party quoted in T. Hale, *Gibraltar warns over prospect of Brexit*, Financial Times, 13 April 2015 – <https://next.ft.com/content/6c841232-df5f-11e4-b6da-00144feab7de>.

The alternatives to EU membership are not in the UK’s best interests

- 267 As well as the most commonly proposed alternatives described in this section, there are a number of other more speculative options which this report does not address in detail, in particular as they have not been broadly supported by advocates of a UK exit from the EU. For example, these include the “Commonwealth option” (exiting the EU and pursuing increased free trade in the Commonwealth and wider Anglosphere) and the “NAFTA option” (joining the North American Free Trade Area (NAFTA) of Canada, Mexico and the USA, forming a new “North Atlantic” free trade area). These options envisage the UK concluding its own bilateral trade agreements or free trade / customs union with the Commonwealth, NAFTA or other third countries. However, the success of such options is highly speculative: it is common sense (particularly when we think about perishable food and agricultural products) that free trade with your neighbours should be more advantageous than free trade with a more geographically disparate group of countries, and there is no certainty that NAFTA members, for example, would welcome the UK into the agreement. The US has stated that it does not want an FTA with the UK outside the EU.

Alternative I: The Norway (EEA) option

- 268 Article 128 EEA Agreement.
- 269 Pat McFadden & Andy Tarrant, *What would ‘out’ look like?*, November 2015, quoting evidence presented to the Independent Norwegian Committee (INC), set up to review the workings of the EEA.
- 270 Based on 2011 data. House of Commons Library, Standard Note SN/EP/6730, *The Economic Impact of EU membership on the UK*, 17 September 2013, page 25.
- 271 *Ibid.*
- 272 Article 1 EEA Agreement.
- 273 EFTA website: <http://www.efta.int/eea-lex>.

- 274 The legal basis for incorporation is Article 99–104 EEA Agreement. The whole process of incorporation typically takes 20 to 30 weeks under the standard procedure (there is also a fast-track procedure and a simplified procedure). However, there can be long delays: if there are adaptations, they need to be approved by Council of the European Union, which can add another 3-6 months. If one or more countries have the need for parliamentary approval, there is typically a delay of another 3-6 months. For example, the EU and EEA countries have been negotiating for the past two years to find an appropriate supervisory mechanism for financial services legislation.
- 275 The EEA Joint Committee is the body which coordinates the EFTA Standing Committee and the European Commission's European External Action Service.
- 276 Once an act is part of the Annexes to the EEA Agreement, an EEA-EFTA State may not imply implement it but must make it part of the national legal order (Article 7 EEA Agreement). If it does not, the States risk legal proceedings brought before the EFTA Court by the EFTA Surveillance Authority.
- 277 Full access to services is provided for in Articles 36-39 EEA Agreement: Article 36 provides that "Within the framework of the provisions of this Agreement, there shall be no restrictions on freedom to provide services within the territory of the Contracting Parties in respect of nationals of EC Member States and EFTA States who are established in an EC Member State or an EFTA State other than that of the person for whom the services are intended". However, the EEA is making slow progress at incorporating certain EU regulations on financial services that were introduced post-2008, which has led to a significant difference between the legislative regimes governing the financial services sector in the EEA-EFTA States and those in the EU.
- 278 It is envisaged that in the future the EFTA Surveillance Authority will be given the power which the ESAs hold in the EU, and will work in partnership with the ESAs to carry out supervisory tasks.
- 279 Speech given by Mark Carney, Governor of the Bank of England, *The European Union, monetary and financial stability, and the Bank of England*, 21 October 2015.
- 280 EFTA free trade agreements – <http://www.efta.int/free-trade/free-trade-agreements>.

Alternative 2: The Swiss option

- 281 The Economist, *The Budget that didn't Bark*, 13 February 2016; According to the House of Commons Library, if the UK paid the same per capita rate as Switzerland, its net contribution would fall by around 59%. House of Commons Library, Standard Note SN/EP/6730, *The Economic Impact of EU membership on the UK*, 17 September 2013, page 26. Including rebates, but before taking into account the other financial benefits of EU membership such as agricultural subsidies.
- 282 Council of the European Union, Press Release, 3213th Council meeting, *Transport, Telecommunications and Energy*, 20 December 2012 – "The approach taken by Switzerland to participate in EU policies and programmes through sectoral agreements in more and more areas in the absence of any horizontal institutional framework, has reached its limits and needs to be reconsidered".

Alternative 3: The Turkish option

- 283 EU trade with Turkey – http://ec.europa.eu/trade/policy/countries-and-regions/countries/turkey/index_en.htm. See also Decision No 1/95 of the EC-Turkey Association Council of 22 December 1995 on implementing the final phase of the Customs Union (96/142/EC).

Alternative 4: The UK-EU FTA option

- 284 For example, when Greenland exited the EC in 1985, it continued to receive EU funding after withdrawal and had tariff-free access to the Community market for fisheries products in return for satisfactory EC access to Greenland waters for the duration of the fisheries agreement. House of Commons Library, Research Paper 13/42, *Leaving the EU*, 1 July 2013.
- 285 Global Affairs Canada – <http://international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/ceta-aecg/understanding-comprendre/chronology-chronologie.aspx?lang=eng>.
- 286 Association agreements between the EU and third countries are require unanimity; EU Procedure for adoption of international agreements – <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=URISERV:114532&from=EN>.

- 287 In October 2015, UK exports to the EU were 47% and UK imports from the EU were 52%. Over the 18 months to September 2015, the EU accounted for between 41-51% of UK exports and 49-55% of UK imports – HM Revenue & Customs: *Overseas Trade Statistics – Non-EU and EU Trade*, 8 January 2016 – available at https://www.uktradeinfo.com/Statistics/OverseasTradeStatistics/Pages/EU_and_Non-EU_Data.aspx.
- 288 According to the Bank of England, global EU exports are worth £5 trillion, UK global exports are worth £515 billion and UK imports from the EU are worth £219 billion, meaning that the EU makes 5.8% of its exports to the UK. This figure increases to approximately 16% if intra-EU trade is excluded – Bank of England, *EU membership and the Bank of England*, October 2015, page 8 – <http://www.bankofengland.co.uk/publications/Documents/speeches/2015/euboe211015.pdf>.
- 289 EU bilateral investment dialogues and trade agreements – http://ec.europa.eu/finance/capital/third-countries/bilateral_relations/index_en.htm.

Alternative 5: The WTO option

- 290 The General Agreement on Tariffs and Trade (GATT), Article I.
- 291 House of Commons Library, Research Paper 13/42, *Leaving the EU*, 1 July 2013, page 27.
- 292 Article 8 of the WTO Agreement on Subsidies and Countervailing Measures (“SCM Agreement”) originally contained a list of non-actionable subsidies (i.e. subsidies that states could provide to their own national businesses against which other WTO members could not take action). However, these provisions expired at the end of 1999, by virtue of Article 31 of the SCM Agreement, which provided for their expiry after a period of five years after the entry into force of the WTO Agreement (1 January 1995). As a result, these carve-outs would no longer be available to the UK Government to grant subsidies to its exporters.
- 293 The CBI has estimated that Wales would lose around £207 million in structural funding and £290 million in agricultural funding following UK departure from the EU, based on 2009 data (CBI, *Our Global Future: The Business Vision for a Reformed EU*, November 2013).

The truth behind the headlines

- 294 European Commission, Euomyths A-Z Index – <http://blogs.ec.europa.eu/ECintheUK/euomyths-a-z-index/>.
- 295 Directive 2005/36/EC of the European Parliament and of the Council of 7 September 2005 on the recognition of professional qualifications.
- 296 Directive 2009/3/EC of the European Parliament and of the Council of 11 March 2009 amending Council Directive 80/181/EEC on the approximation of the laws of the Member States relating to units of measurement.
- 297 BBC News, Inside Europe Blog, *Threat to British number plates? Think again*, 10 April 2014 – <http://www.bbc.co.uk/news/blogs-eu-26975209>.
- 298 Directive 2009/125/EC of the European Parliament and of the Council of 21 October 2009 establishing a framework for the setting of ecodesign requirements for energy-related products.

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