

The EU: Should we stay or should we go?

David Cameron won the 2015 general election on a pledge to hold an in-out vote on the UK's membership of the EU. With the rise of UKIP's popularity and concerns about immigration and security, perhaps he was picking up increasing public discontentment about the power and influence Brussels has over the UK. UKIP won 3.8 million votes but only one seat.

Mind your own business!

Our business development director Stuart Dey recently ran a breakfast meeting at which the EU referendum was discussed.



The views expressed here include his own research and thoughts as well as suggestions contributed by our business club members.

No state has ever left the EU before so it's impossible to predict what the outcome will be. Here are some of the areas that campaigners are concerned about.

Trade

According to the Office of National Statistics (ONS) in June 2015 since its formation in 1993, the European Union has become larger than any individual economy in the world and in 2003 it became larger than the US. Whilst it does have the largest economy, its share of the global economy is dwindling due to strong growth the Brazil, Russia, India and China economies.

Britain's dependency on EU trade is lower than it has ever been - exports from the UK to the EU grew on average by 3.6pc from 1999 to 2014, below the 6.5pc rise in exports to non-EU countries. As a result, the proportion of UK exports destined for the EU has dropped from 54.8pc in 1999 to 44.6pc in 2014. This decline seems likely to continue and there seems to be a shift in the destination of UK exports.

Trade figures are also difficult to interpret due to what is known as the 'Rotterdam (or Antwerp) Effect' – simply put this is the fact that many British exports to non-EU markets are shipped through Antwerp and Rotterdam, thus showing up in the figures as exports to the EU, so it is difficult to see the full picture when we are looking at the UK's trading position with the EU

With or without the Rotterdam Effect the UK still does a substantial amount of trade with the EU and we would want to continue and there is no reason why this can't happen. If we take Germany as an example - in 2015 the top country of destination for German exports was actually the United States.

Another thing to consider is the Transatlantic Trade and Investment Partnership (TTIP) negotiations. This is a series of trade negotiations between the EU and the US. TTIP is about reducing the regulatory barriers (in areas like food safety law, environmental legislation, banking regulations and the sovereign powers of individual nations) to trade for large business.

Germany's major trading partners, 2015
in EUR bn

Export		Import	
United States	114	92	China
France	103	88	Netherlands
United Kingdom	89	67	France
Netherlands	79	59	United States
China	71	49	Italy
Italy	58	44	Poland
Austria	58	43	Switzerland
Poland	52	39	Czech Republic
Switzerland	49	38	United Kingdom
Belgium	41	37	Austria

Preliminary result.

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US trade representative Michael Froman said that if Britain left the EU it would face the same tariffs and trade barriers as other countries outside the US free trade network and that "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."

Cost of being an EU member.

According to the EU website The EU budget was about €144bn in 2013 (Britain contributed about €17bn to the pot), it stands at about 1% of the 28 EU countries' gross domestic product (GDP) – the total value of all goods and services produced in the EU. The EU budget is always balanced, so there is no deficit or debt. And 94% of what is paid into the EU budget is spent in the EU countries on policies and programmes that benefit citizens directly.

According to the EU Commission's office in the UK the Operating Budgetary Balance - the gross sum the UK puts into the EU budget, minus the money that comes back to the UK at £6.7bn. Although the UK puts more in than it receives from the EU, the Confederation of British Industry believe that it is worth the cost to have access to a \$16.6 trillion a year Single Market of 500m people. The EU has helped open global markets to UK firms on strong terms and membership has increased investment into the UK.

Border Control.

There is no doubt that the migrant crisis will have a big impact upon the referendum debate. Leaders can't seem to agree on how to deal with it and there doesn't seem to be an end in sight.

The leave Europe campaigners claim that the UK is at risk from migrants arriving here after being granted EU citizenship from the country that they arrived in. The 2003 EU Directive on the status of non-EU nationals who are long-term residents. This gives them the same rights as that of EU member state's nationals in certain areas, although it does not bestow an absolute right to free movement on par with EU nationals.

The UK is actually exempt from this directive so it does not have to allow non-EU nationals who are long term residents of other member state into the UK if it does not want to. If it does allow them entry to the UK it is on the same basis as other non-EU nationals, i.e. meeting any relevant skills and income criteria. Therefore, the UK already has additional controls over immigration policy compared to other EU member states. Migrants could claim citizenship of the countries that they are living in, but this is often a long and complicated process.

In the year ending September 2015 net migration reached 323,000, which is higher than the government's target of 100,000. The government are taking steps to make it less attractive to move to the UK (such as the proposals to curtail child benefit being paid to children not living in the UK) but the UK needs talent and skills from around the world to grow a strong economy.

Sovereignty.

The leave campaigners think that parliament would regain its sovereignty and would be better able to connect with voters. It would be free from a lot of European interference, whereas people who want to remain think that we have benefitted from EU employment laws on areas like paid holiday and maternity leave and we might be gradually stripped of these rights.

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Regulations.

Andrew Bailey, deputy governor of the Bank of England recently spoke of regulatory issues and the EU, saying it wasn't as clear cut as it seems "You wouldn't immediately assume that there is a golden world out there where it is all different."

Looking at TTIP – if we left the EU and stayed in the European Single Market we would have to apply the EU laws and regulations whilst not being able influence them in any way, so we would still have to implement all of the changes in EU legislation that derive from TTIP.

On the other side, some EU regulations have given us lots of freedoms and improved the quality of our life. We are able to live, work and retire anywhere in Europe, travel is easier and safer and consumer rights have been improved.

Consumers.

There seems to be an idea that leaving the EU would bring upheaval for a short time and then lead to greater prosperity in the long term.

According to an article in the Daily Telegraph the average British household would be better off by nearly £1000 – we wouldn't be paying fees to the EU, or towards the Common Agricultural Policy or Common Fisheries Policy. Clothes and household goods would be cheaper because there wouldn't be bound by the EU rules which currently stand.

However there are fears that travel may become more expensive if we leave the EU – airfares may rise and the pound may weaken.

The Economy.

This is such a big issue and it is very difficult to predict what the economy will look like after either potential outcome.

According to Open Europe's comprehensive new report, UK GDP could be 2.2% lower in 2030 if Britain leaves the EU and fails to strike a deal with the EU or reverts into protectionism. In a best case scenario, under which the UK manages to enter into liberal trade arrangements with the EU and the rest of the world, whilst pursuing large-scale deregulation at home, Britain could be better off by 1.6% of GDP in 2030. However, a far more realistic range is between a 0.8% permanent loss to GDP in 2030 and a 0.6% permanent gain in GDP in 2030, in scenarios where Britain mixes policy approaches.

A recent open letter from 36 executives from FTSE 100 companies to The Times Newspaper urged people to vote to stay in the EU because "Business needs unrestricted access to the European market of 500 million people in order to continue to grow, invest and create jobs...We believe that leaving the EU would deter investment, threaten jobs and put the economy at risk. Britain will be stronger, safer and better off remaining a member of the EU."

Britain's fisheries.

The Common Fishing Policy (CFP) is the EU's way of implementing Europe-wide laws on fishing. The CFP was introduced in 1970 and it made Britain's waters (British and Irish waters account for 60% of EU waters) a shared resource with other EU nations.

The leave EU campaigners would argue that the CFP "has been synonymous with the huge decline of our fish stocks, deterioration of the environment, wasteful discarding of fish, and the destruction of Britain's fishing industry and communities." According to Chris Muspratt from Get Britain Out.

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However the fishing industry has seen recent growth - UK industry's gross profit margin has increased from 5% in 2008 to 35% in 2014, which is a sign that the fishing quotas implemented by the CFP are protecting fish stocks and enabling a more sustainable model for fishing.

Welfare and Benefits.

Industry experts are concerned that parts of the NHS will have to be privatised if the controversial TTIP is signed. The Department of Skills and Business dispute this idea, but there is a real concern that the NHS could be privatised 'through the back door' by allowing large American Corporations to bid for contracts in the NHS.

David Cameron is negotiating a welfare deal to curtail child benefit and in work benefits to migrants from other EU nations in order to stop the high flow of migration to the UK, as part of his desired EU reforms.

World security.

Would Britain leaving the EU destabilise the rest of Europe at a time when there is public concern about the migrant crisis? George Osborne fears the economic and political aftershocks of a Brexit and Philip Hammond the foreign secretary has warned that the EU could 'lurch in very much the wrong direction'

There is also a real worry that if Britain leaves the EU other countries might want to leave the EU. Looking at worldwide security there is a real fear that if Britain leaves the EU the EU may become weaker which could affect the balance of power and security in the Western World.

British customs and traditions.

When Britain joined the common market in 1973 an opinion poll asked British people whether they wanted to adopt more European 'customs' such as 'more pavement cafes' and 'pubs open all day' 'coffee and a roll for breakfast rather than bacon and eggs' and there was a real resistance to this. In 2016 these traditions and customs seem perfectly 'British' enough.

Traditions and customs tend to evolve and change as people change, and whether we stay in or leave the EU this will always be the case.

Shipleys Business Breakfast people

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