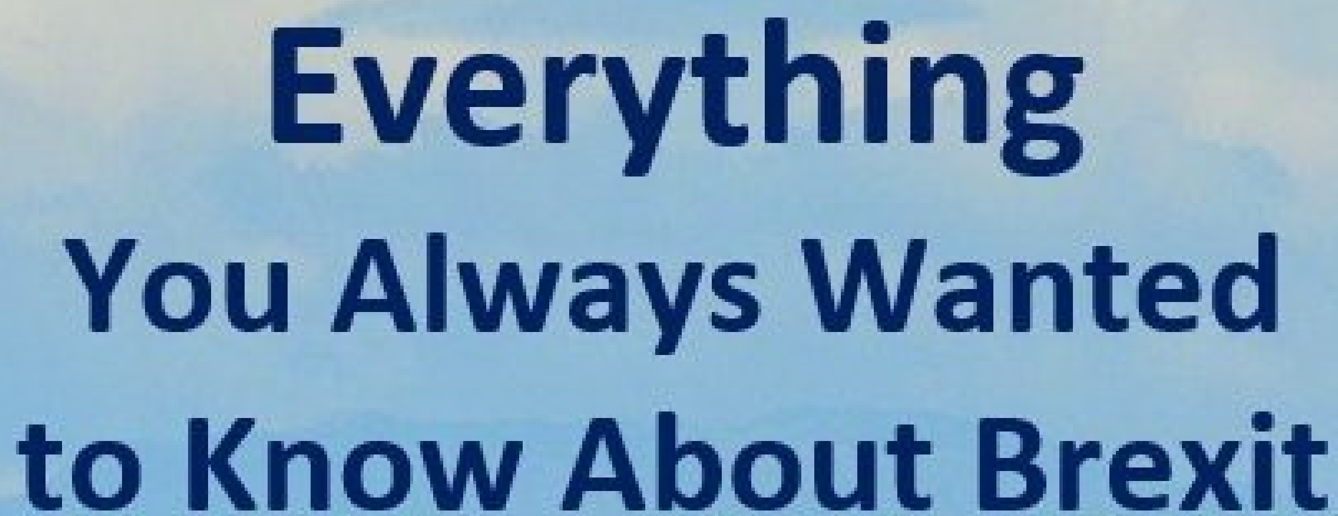
Everything
You Always Wanted to Know About Brexit



But Never Dared Ask

BY WILLIAM DARTMOUTH

INTRODUCTION — WHAT THIS BOOK IS ABOUT

Introduction - what this book is about.

Right up to and beyond the close of poll on 23 June 2016, most people - and certainly everyone who was considered anyone by the political class - expected the UK to vote “Yes” to stay in the European Union.

Yet, the combination of then PM David Cameron's decision to hold a referendum, Boris Johnson's choice of “Out”, and importantly Nigel Farage’s small group of mavericks and “gadflies” managed to engineer a Brexit vote against the odds. It was unexpected, indeed an earthquake. It seemingly came out of nowhere.

In terms of the consequences for Britain in the world, it is rare to find in our over one thousand years of history an event of comparable magnitude: The Synod of Whitby in AD 664? Henry VIII's break with Rome? The Glorious Revolution of 1688? The loss of Britain's North American colonies in 1783? The Battle of Trafalgar in 1805? The decision to go to war in August 1914? Take your pick.

The seismic event of Brexit is not just momentous in British history, it is equally important in the history of all of Europe.

How then can one explain the vote in favour of Brexit?

The actual Brexit debate tells us very little. That debate was - and has always been - long on emotion and short on facts.

The author had a ringside seat on Brexit over the crucial decade up to 2019 as an elected Member of the European Parliament; almost all that time as a Group Coordinator (in US parlance “ranking member”) on the European Parliament’s Committee for International Trade.

This book aims to set out – in over 80 essential tables, charts and graphs, as well as photographs and text – what underlies Brexit, what drove it, and why the Brexit earthquake came about.

About the Author

William Dartmouth had a ringside seat on Brexit for the crucial decade up to 2019 as an elected Member of the European Parliament; almost all that time as a Group Coordinator (in US parlance "ranking member") on the European Parliament's Committee for International Trade.

As an MEP he represented the people of the South West Counties and Gibraltar 2009-2019. He is a Chartered Accountant and holds a post-graduate degree in business from Harvard University.

Contents

Introduction by William Dartmouth 3

List of Tables 14

Chapter I. Did Britannia make the wrong choice leaving its marriage with the EU? Are there grounds for separation and divorce? 18

1. Who wore the trousers? 19

1.1 Council of Ministers' votes 20

1.2 Number and percentage of UK MEPs 20

1.3 Number and percentage of UK Commissioners 21

1.4 Number of UK staff in the EU Commission 26

2. Money - The root of so many marital problems 27

2.1 EU unemployment 28

2.2 Demographics 32

2.3 The brain drain from Eastern and Southern Europe 34

2.4 Failure of Eastern and Southern Europe in higher education 35

2.5 Economic prospects for Germany 36

2.6 Economic prospects for France 40

2.7 Economic prospects for Spain and Italy 41

3. Are there irreconcilable differences? 42

3.1 Contributing and recipient countries 42

3.1.1 EU candidate countries - Pre-accession funding 44

3.2 The UK Conservative Party and more countries joining the EU (Enlargement) 45

3.3 Bulgaria and Romania 46

4. The EU's "unreasonable behavior" 47

4.1 Boats from other EU countries have plundered our fishing stocks due to the Common Fisheries Policy 47

4.2 The NHS is harmed by the EU's Working Time Directive 48

4.3 Recording expenditure - The EU will not provide and cannot produce a clean set of accounts 49

4.4 Our post offices are closing down 49

4.5 European Arrest Warrant (EAW) 50

4.6 We cannot use the light bulbs we want 50

4.7 The EU is placing unfair measures on our vacuum manufacturers 51

4.8 The relatives move in 51

Chapter II. Why must the UK pay to access the EU Single Market? 54

1. Falsehood: The UK needs to be in a political union in order to access EU markets. 57

2. Falsehood: A country outside the European Union (EU) must have a free trade agreement (FTA) with the EU in order to trade with and in particular to export into it. 59

2.1 Top EU trading partners without a trade agreement 60

2.1.1 Case Study: China 60

2.1.2 Case Study: Russia 61

2.1.3 Case Study: USA 61

2.2 The WTO 62

2.2.1 WTO - the basic facts 62

2.2.2 The fall in global tariffs 63

2.2.3 A "Hard Break" is preferable to being part of the EU Customs Union 65

2.2.4 Bigger is not necessarily Better in Trade Negotiations 65

2.3 Conclusion 67

3. Falsehood: There is only one kind or type of trading relationship with the EU. 68

3.1 The EU's arms-length relationships in trade 70

3.1.1.1 Case Study: Mexico 70

3.1.1.2 Case Study: South Korea 71

3.1.1.3 Case Study: Singapore 72

3.1.2 Generalized Scheme of Tariff Preferences (GSP) 72

3.1.3 General Scheme of Preferences Plus (GSP+) 73

3.1.4 Everything but Arms (EBA) 74

3.2 The EU's closer relationships - Encompassing trade 74

3.2.1 European Free Trade Association (EFTA) 74

3.2.3 Norway 77

3.2.4 Switzerland 80

3.2.3.1 European Economic Area 86

3.3 The EU Customs Union - Turkey, San Marino, Andorra and Monaco 87

3.3.1 Andorra, San Marino and Turkey 87

3.3.2 Turkey's candidacy for EU membership 88

4. Falsehood: A member state of the EU will always export more to EU states than will a non-member state. 91

5. Falsehood: A country needs to be in a large trading bloc to be able to negotiate trade agreements. 92

5.1 New Zealand, Iceland and Switzerland 92

5.1.1 Case Study: New Zealand 92

5.1.2 Case Study: Iceland 93

5.1.3 Case Study: Switzerland 94

5.2 The "size argument" - Trade agreements 95

5.3 Negotiating for 27 is more difficult 96

6. The most blatant falsehood of all: Three million jobs in the UK will disappear when the UK exits the EU. 97

7. The EU Trade Commissioner in action 101

7.1 European Commissioners 101

7.2 Case Study: Steel dumping 101

8. The politicisation of trade 103

8.1 GSP+ 104

8.2 Free trade agreements 105

Chapter III. What is the EU Single Market? Is it worth it? 106

1. The costs of the EU 107

2. Another falsehood: "Access" to the Single Market requires "free movement of people" 111

2.1 Case Study: USMCA (formerly known as NAFTA) 114

2.2 Other free trade agreements 117

2.2.1 Central European Free Trade Area (CEFTA) 117

2.2.2 G-3 Free Trade Agreement 117

2.2.3 Great Arab Free Trade Area (GAFTA) 117

2.2.4 Trans-Pacific Strategic Economic Partnership (TPP) and Commonwealth of Independent States FTA (CISFTA). 117

3. Some consequences of the EU's "free movement of people" 118

3.1 The Moldova precedent 118

4. The sale of residence and passports by other EU countries the UK has to accept 119

4.1 Case Study: Latvia 119

4.2 Portugal, Spain, Cyprus, and Greece 119

5. Regularisation and amnesties 120

6. Addendum on immigration 122

6.1 Evidence concerning the impact of unrestricted EU immigration 127

6.2 Remittances and the UK´s balance of payments 128

6.3 Do the pluses of the EU Single Market outweigh open borders and imposed regulation? 130

7. How does the Single Market's material omission of services impact the UK? 131

8. How does NAFTA/USMCA approach regulations? 133

8.1 What is harmonisation and mutual recognition? 133

8.2 NAFTA's model of mutual recognition 134

9. What do other free trade areas do in relation to regulation? 135

9.1 MERCOSUR (Southern Common Market) 135

9.2 TTMRA (Agreement between Australia and New Zealand) 136

9.3 ASEAN (Association of Southeast Asian Nations) 136

9.4 Central American Integration System 137

Chapter IV. "Is the UK a tin pot economy?" 138

1. Some strengths of the UK 139
2. World success of the UK in higher education 140
3. The UK's influence in the world via international organisations 140

3.1 The EU's External Action Service and the UK's Foreign Office 143

4. English - The world's second language 145

5. Multinational companies and international investment in the UK 146

6. English Common Law 146

6.1 The threat to UK legal services from the EU 147

7. Is the BBC a propaganda voice for the EU? 148

Chapter V. Out of the EU, into the world 150

1. The EU's decreasing share of world GDP: Is the European half-millennium over? 151

1.1 The Rotterdam Effect 155

1.2 The state of the eurozone 157

2. The Commonwealth 159

2.1 A brief description of GDP 159

3. Global tariffs since 1968 and EU tariffs 164

3.1 The 1960s 164

4. The UK's seat at the WTO 166

5. The UK leaving the EU 167

5.1 The Russian Federation 167

5.2 Greenland 167

5.3 Algeria 168

5.4 The Channel Islands 168

6. Who signs trade agreements? 170

7. Security after Brexit 170

8. The UK, the EU and the death of distance 171

9. Renegotiation 174

9.1 EU member states' exports to the UK 174

9.2 EU penal sanctions are impossible 175

10. The EU is a barrier to peace 176

Chapter VI. What happens next? 178

1. Truths 179

1.1 The first truth: The EU needs us much more as a trading partner than we need it. 179

1.2 The second truth: A country does not need to be part of a large trading bloc to have trade agreements. 180

1.3 The third truth: Following Brexit, we as a country would regain our ability to represent ourselves at the World Trade Organisation and other international bodies. 180

1.4 The fourth truth: A UK-EU Trade Agreement is not essential in order for British companies to trade with people and businesses in the EU member states. 181

2. Conclusions 182

2.1 The first conclusion: The advocates of UK exit from the EU are the true progressive internationalists. 182

2.2 The second conclusion: The UK must trade-in our present, subservient membership of the EU for a new arrangement based on equality, free trade and, preferably, amity. 182

2.3 The third conclusion: The UK should have a "tailored" UK-EU trade agreement. 183

Chapter VII. What has happened since the June 2016 UK referendum? 184

1. The advance towards an EU superstate 185

2. Immigration agenda 187

3. Energy union 188

4. Economic integration 189

3.1 Deeper Economic and Monetary Union (EMU) 189

3.2 Financial Single Market (FSM) 190

3.3 Digital Single Market (DSM) 191

3.4 Banking Union and Harmonisation of Banking Regulation 192

3.5 Capital Markets Union (CMU) 193

5. Pro-Iran Position vs. the USA 195

6. Security Union - European Army 196

6.1 The ‘European Army’ 196

6.2 The 2019 Treaty of Aachen 197

6.3 EU Force Crisis Response Operation Core (EUFOR CROC) 198

6.4 Factsheet on the Permanent Structured Cooperation (PESCO) 199

6.5 European Medical Corps (EMC) 200

6.6 European Security Council 201

7. “Remain” is no longer an option 202

Chapter VIII. Summary 203

Appendices 209

Glossary 241

References 247

List of Tables

Table 1	The UK's percentage vote in the Council of Ministers under Qualified Majority Voting
Table 2	Number of UK MEPs and percentage of the European Parliament
Table 3	Number and percentage of UK Commissioners
Table 4	European Commission Organisation Chart 2014-2019
Table 5	EU Commission : employees by individual member state
Table 6	Eurozone exchange rate undervaluation and overvaluation in percent
Table 7	UK unemployment rates compared with Greece, Spain, Portugal and Italy
Table 8	Unemployment rates across EU member states
Table 9	Employment rate in high income nations
Table 10	Percentage of population over 65 in EU member states
Table 11	The Times World Ranking of Southern and Eastern European universities
Table 12	US News Global Ranking of Southern and Eastern European universities
Table 13	QS World Ranking of Southern and Eastern European universities
Table 14	Germany: population age profile
Table 15	Germany: employment turnaround after the 2004 reforms
Table 16	Germany: diminishing population of working age
Table 17	GDP per capita in Italy and the Eurozone from 2000-2017
Table 18	EU member states: contributing and recipient countries
Table 19	Amount paid to Turkey in pre-accession funds
Table 20	Population and GDP per capita of potential candidate countries compared with the UK
Table 21	GDP per capita of UK, Bulgaria and Romania
Table 22	Population from selected Eastern European countries in the UK

Table 23	Statutory minimum wage rates for full-time employees
Table 24	Immigration from the UK to selected Eastern European countries
Table 25	UK's trade balance with the EU - goods and services
Table 26	Goods exports to the EU from the UK and China
Table 27	Rest of the world: trade with the EU
Table 28	GDPs of selected European countries compared to the value of total trade from 20 non-EU countries
Table 29	Top exporters from the rest of the world to the EU
Table 30	EU trade in goods with China
Table 31	EU trade in goods with Russia
Table 32	EU trade in goods with the USA
Table 33	The fall in global tariffs since 1990
Table 34	WTO Members
Table 35	The EU's trade arrangements in ascending order of integration
Table 36	The state of EU trade
Table 37	South Korea: EU tariffs on cars and textiles
Table 38	EFTA international trade agreements
Table 39	EFTA's trade surplus with the EU: the UK's trade deficit with the EU
Table 40	Influence: EFTA members in the EU, assumed QMV vote in the Council of Ministers
Table 41	Exports to the EU from the UK compared with Switzerland
Table 42	New Zealand's trade agreements
Table 43	Iceland's trade agreements
Table 44	The EU's trade agreements

Table 45	Switzerland's selected trade agreements
Table 46	The UK economy
Table 47	Summary of the costs to the UK of its EU membership
Table 48	Germany to the USA: value of exports of new passenger vehicles
Table 49	List of European countries that have FTAs with the EU without free movement clauses
Table 50	Percentage of selected countries' exports to their respective trading blocs
Table 51	How much do immigrant investors pay? Upfront investment sums in selected programs
Table 52	Number of amnesties granted in Italy
Table 53	Number of amnesties granted in Spain
Table 54	Countries with a GDP smaller than Bangladesh
Table 55	Nominal GDP per capita by country
Table 56	UK GDP per capita has been flat
Table 57	The downward trend of GDP per capita
Table 58	UK current account balances
Table 59	The UK's balance of trade with the EU and the rest of the world
Table 60	The UK's exports - goods and services
Table 61	Exports of goods and services
Table 62	The success of the UK in higher education
Table 63	Estimated number of second language speakers
Table 64	Leading countries of the world using English Common Law by GDP
Table 65	The World Economy in 1980 - percent of world output
Table 66	The World Economy in 2014 - percent of world output
Table 67	The World Economy in 2039 - percent of world output
Table 68	The EU's decreasing share of world GDP
Table 69	GDP per capita of EU candidate countries
Table 70	Share of UK trade in goods and services with the EU
Table 71	Loans and bailouts
Table 72	Average price of flour, sugar and butter in the UK

Table 73	EU: growth of GDP
Table 74	Commonwealth: growth of GDP
Table 75	USA: growth of GDP
Table 76	UK export of goods to EU countries compared to the rest of the world
Table 77	Eurozone: quarterly rate of GDP growth
Table 78	Tariff reductions - Tokyo Round
Table 79	Map of Athenian Empire: circa 550 BC
Table 80	Map of Venetian Empire: circa 1500 AD
Table 81	Map of Omani Empire: circa 1800 AD
Table 82	Historical holdings of the British Empire
Table 83	The UK's balance of trade with the four largest EU economies
Table 84	The UK's balance of trade with the EU
Table 85	Cumulative UK trade deficit with the EU and surplus with the rest of the world

I. DID BRITANNIA MAKE THE WRONG CHOICE LEAVING ITS MARRIAGE WITH THE EU? ARE THERE GROUNDS FOR SEPARATION AND DIVORCE?

Did Britannia make the wrong choice leaving its marriage with the EU? Were there grounds for separation and divorce?

Many people in the United Kingdom held and still hold the view that the UK's relationship with the European Union is dysfunctional. Hence, the UK voted to leave the EU on 23 June 2016. Below are some of the grounds for voting for this formal separation and divorce:

1. Who wore the trousers?

The Confederation of British Industry (CBI), the Financial Times, most of the Labour Party, the SNP, the Greens and the Liberal Democrats - indeed all of the usual suspects, and sadly this included the former Prime Minister David Cameron - continually emphasised Britain's 'influence' within the EU. What influence did we actually have?

The key measures of 'influence' were that the UK voted in the Council of Ministers, had its own MEPs, and appointed one EU Commissioner. There were also British nationals employed in the European institutions. In particular, the Commission employed UK staff. From the tables below, it is crystal clear that on these criteria - which are the terms cited by the CBI - the UK's 'influence' decreased materially and significantly since our accession in 1973.

1.1. Council of Ministers' votes

Table 1

The UK's percentage vote in the Council of Ministers under Qualified Majority Voting (QMV)

Year	UK's percentage of vote
1973	17.0%
1993	13.0%
1999	11.0%
2005	9.9%
2013 Pre Croat Accession	8.4%
From 1st July 2013 Post Croat Accession	8.2%

Source: Treaty of Rome and EUROPA

1.2. Number and percentage of UK MEPs

Since records began in 1996, the UK has tried to block proposals from the EU Commission 72 times.[1&2] And failed each time. The truth is that we have no worthwhile influence. While our presence suggests that we have real influence, every new member state dilutes it.

Table 2

Number of UK MEPs and percentage of the European Parliament										
Year	1979	1981	1986	1994	1995	2004	2007	2009	After Treaty of Lisbon	After 2014 Elections
Number of Total MEPs	410	434	518	567	626	732	785	736	754	751
Number of UK MEPs	81	81	81	87	87	78	78	72	73	73
Percentage of UK MEPs	19.8%	18.7%	15.6%	15.3%	13.9%	10.7%	9.9%	9.8%	9.7%	9.7%

Source: Resolution of 13 March 2013 on the composition of the European Parliament with a view to the 2014 elections

The comparatively small proportion of UK MEPs - as of 2019, less than 10%[3] - has consequences.

1.3. Number and percentage of UK Commissioners

Table 3

Number and percentage of UK Commissioners								
Year	1973	1981	1986	1994	1995	After October 2004	2007	From 1 July 2013
Number of EU Commissioners	13	14	17	17	20	25	27	28
Number of UK Commissioners	2	2	2	2	2	1	1	1
Proportion of UK Commissioners	15.4%	14.3%	11.8%	11.8%	10.0%	4.0%	3.7%	3.6%

Source: The Number of EU Commissioners: Past, Present and Future. EU Law Blog 2009

As shown above, the UK has just one Commissioner out of 28. During the 2009-2014 Commission, the UK's Commissioner was Baroness Catherine Ashton, the fourth choice of the then Labour government. Ashton was appointed High Representative for Foreign Affairs - an important job in the context of the Commission but one with absolutely no relevance to the UK. One is reminded of the old 1970s US joke. The husband says: "I make the principal decisions in our marriage and my wife decides on the detail." Questioner: "What decisions does your wife make then?"

Husband: “She decides where we live, where the children go to school and what company I work at.” Questioner: “What do you decide then?” Husband: “I decide the family policy on Vietnam and sometimes, gun control.”

It was clear from day ‘minus one’ that Ashton was simply not up to the job. This is not a gender issue. The author stated in a debate - on Arctic Policy - that the Commissioner was “supremely unqualified.” Free speech in the European Parliament has its limits… he was ejected at the behest of the Liberal Democrat MEP chairing the debate. The UK electorate has fortunately “rumbled” the Liberal Democrats as a group of committed EU federalists whose commitment to free speech comes to a grinding halt when they get to Calais.

The UK’s Commissioner from 2014-2019 was Lord Hill, until his resignation post-Brexit and his replacement by Sir Julian King. Hill was a career public relations man and Conservative Party apparatchik. Hill worked alongside former Prime Minister Cameron as a Special Political Advisor, seemingly the only reason for this otherwise baffling appointment. Hill’s qualifications were underwhelming. And where was he - as the UK’s Commissioner - in the Commission’s pecking order? Hill was one of approximately eight commissioners reporting to Vice President Jyrki Katainen, who in return reported to First Vice President Frans Timmermans. It is the First Vice President who reports to the President of the Commission At that time (from 2014-2019) the President was Jean-Claude Juncker.

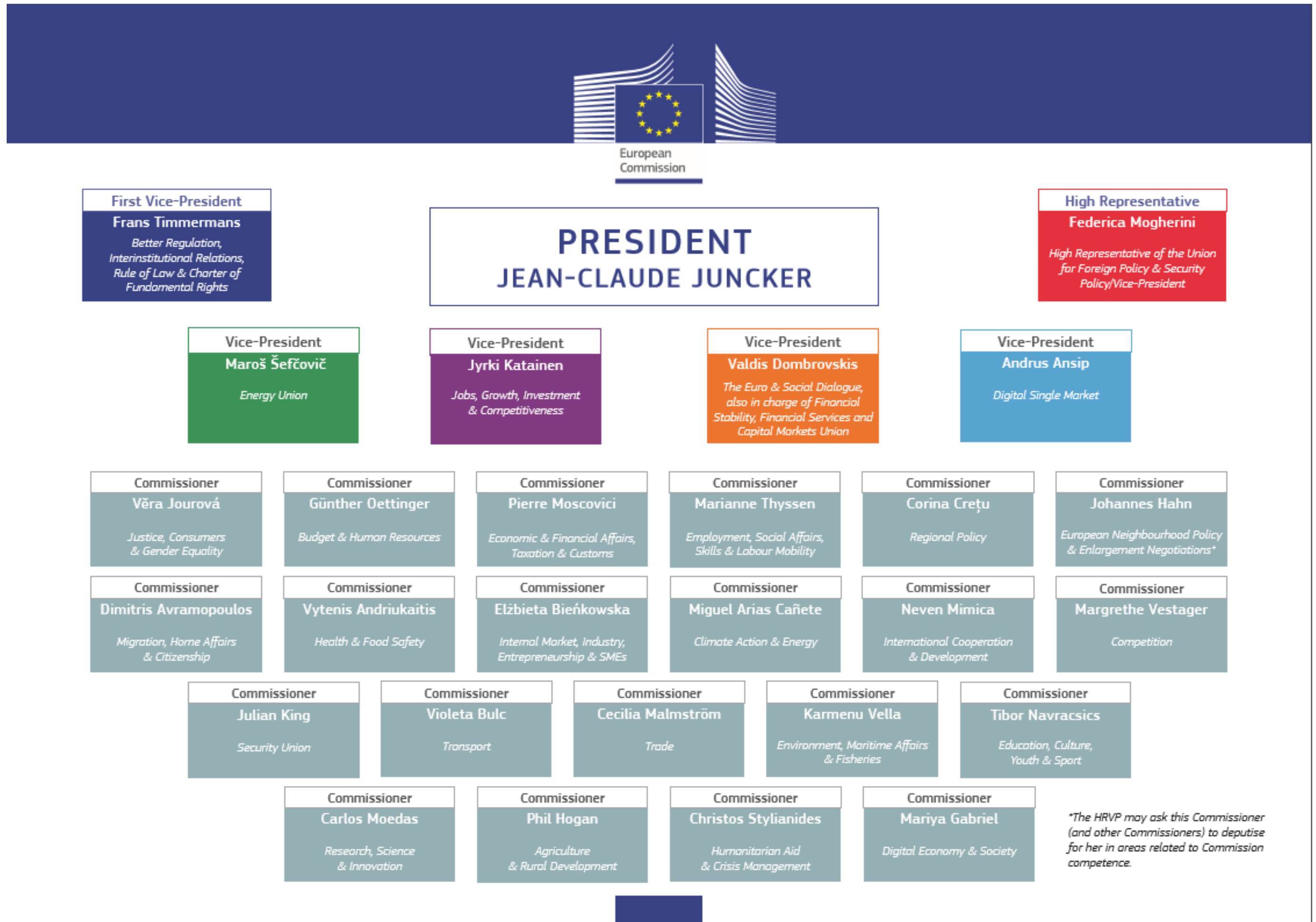
However, we were always told that Jonathan Hill’s lowly place in the pecking order of Commissioners did not matter. This was because Hill’s portfolio was “Financial Stability, Financial Services and Capital Markets Union.”

What actually happened was this. Soon after the referendum, in July 2016, Hill resigned. His portfolio was reallocated and the new UK Commissioner was given “the Security Union” portfolio. In retrospect, Hill’s resignation was almost - but not quite - as irresponsible as his boss former David Cameron, who resigned as Prime Minister at 8 AM the morning after the referendum.

But, there was worse. The new UK Commissioner had been moved from his job as UK ambassador in Paris. And that plum job was given to David Cameron’s former Chief of Staff, and Eton contemporary, Edward David Llewellyn. These manoeuvres arguably do David Cameron credit as a human being - he was loyal to his friend. But, where was the UK’s national interest?

Table 4

European Commission Organisation Chart 2014-2019



Source: EU Commission College Structure

Originally, larger member states had two Commissioners each, while smaller states had just one. Following the 2004 Enlargement, that changed. Now, each member state has one Commissioner, regardless of its size.[4]

The evidence is clear and compelling. Since the UK joined the EU in 1973, its votes in the Council of Ministers, percentage of MEPs, number of Commissioners and percentage of UK staff in the Commission have all declined substantially. It was thus counter-intuitive, indeed bizarre, for the UK to be a vociferous supporter of more countries joining the EU. Each new member state further diluted UK ‘influence.’

As seen above, the UK Commissioner was scarcely important. If this were amateur dramatics, Lord Hill, and subsequently Sir Julian King, would have been the third spear carrier from the left.

It is the President of the Commission who is important. During 2009-2014, that was Senhor Barroso, who was very keen to state to the European Parliament that he had been “elected.” Barroso emerged as President of the Commission via an opaque, secret process. He was the only candidate. There was then an “election.” Again, Barroso was the only candidate put forward to MEPs. That was the system until 2014.

EU institutions are not democratically accountable and the people involved hold democracy in ill-concealed contempt. However, even by their standards, the process by which a man - and it has always been men so far - became President of the Commission was impossible to justify - to use the vernacular, did not pass the smell test. The powers that be then came up with the so-called “Spitzenkandidaten” process.

At one level, “Spitzenkandidaten” may be deemed to test everyone’s ability to spell. Some European political parties came up with a candidate. The political party achieving the highest number of MEPs then

nominated the President of the Commission. This was the process by which Jean-Claude Juncker from Luxembourg, the nominee of the European People's Party (EPP) became President of the Commission. At 216 MEPs, the EPP was the largest party in the European Parliament. This was despite 58 EPP MEPs having lost their seats in the 2014 European Election. A very bad result, especially in a proportional representation electoral system.

Where was the UK during this? The EPP did stand in London at the European Elections in 2014; they received just 28,014 votes of 16.5 million cast. From the UK's viewpoint, the Spitzenkandidaten process deprived UK governments of all influence (to use the word "influence" with precision) in the appointment of the President of the European Commission without any meaningful input from the electorate of the UK in compensation. To be objective, then Prime Minister Cameron realised this, but much, much too late.

In view of these facts, the pro-EU pressure group "British Influence" should have really renamed itself "British total lack of influence," perhaps even "British incompetence." The situation was even worse than it seemed. The reduction of the UK's representation in the EU institutions since 1973 and the consequent dilution of our 'influence' was paralleled by the growth of EU power and control over the UK via successive treaties.[5]

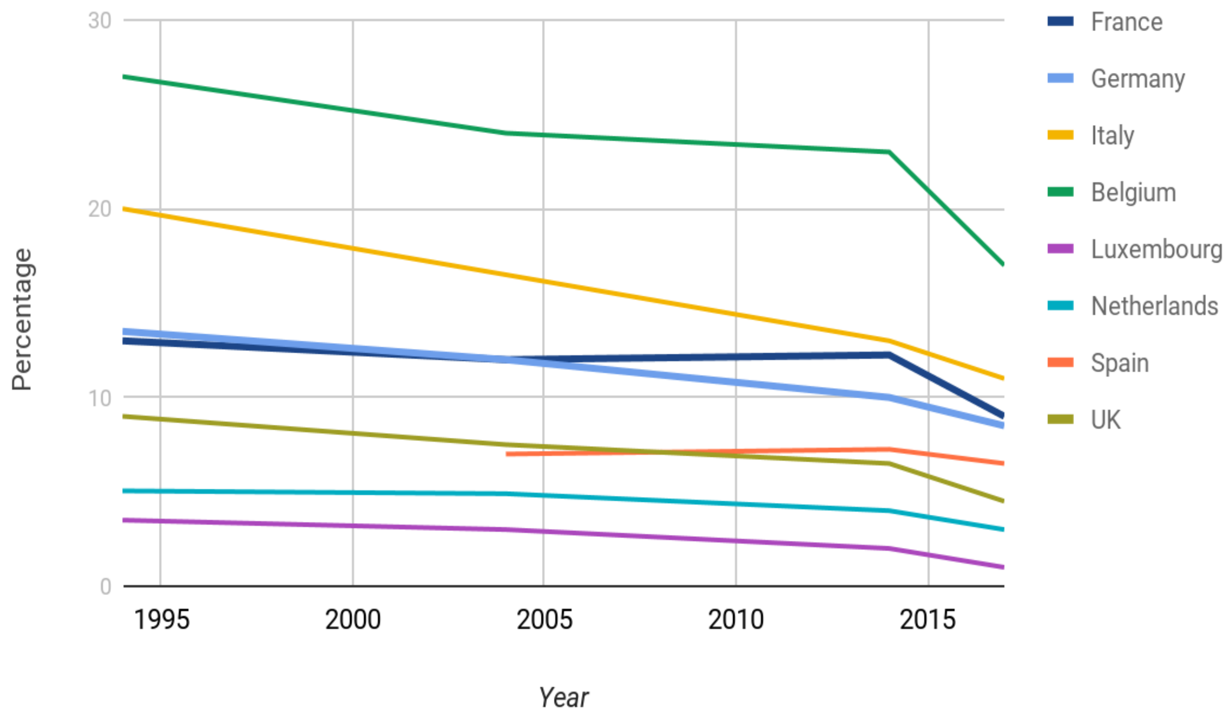
The Single European Act of 1987, the Treaty of Maastricht (November 1993), the Treaty of Amsterdam (May 1999), the Treaty of Nice (February 2003) and the Treaty of Lisbon (December 2009) materially and significantly advanced EU powers. Compare that with the UK's diminished, immaterial 'influence.'

1.4. Number of UK staff in the EU Commission

Another measure of influence is the number and percentage of British staff working in the European Commission.

Table 5

EU Commission: employees by individual member state



Source: Business for New Europe "The Changing Character of Brussels: Charting the UK's Influence"

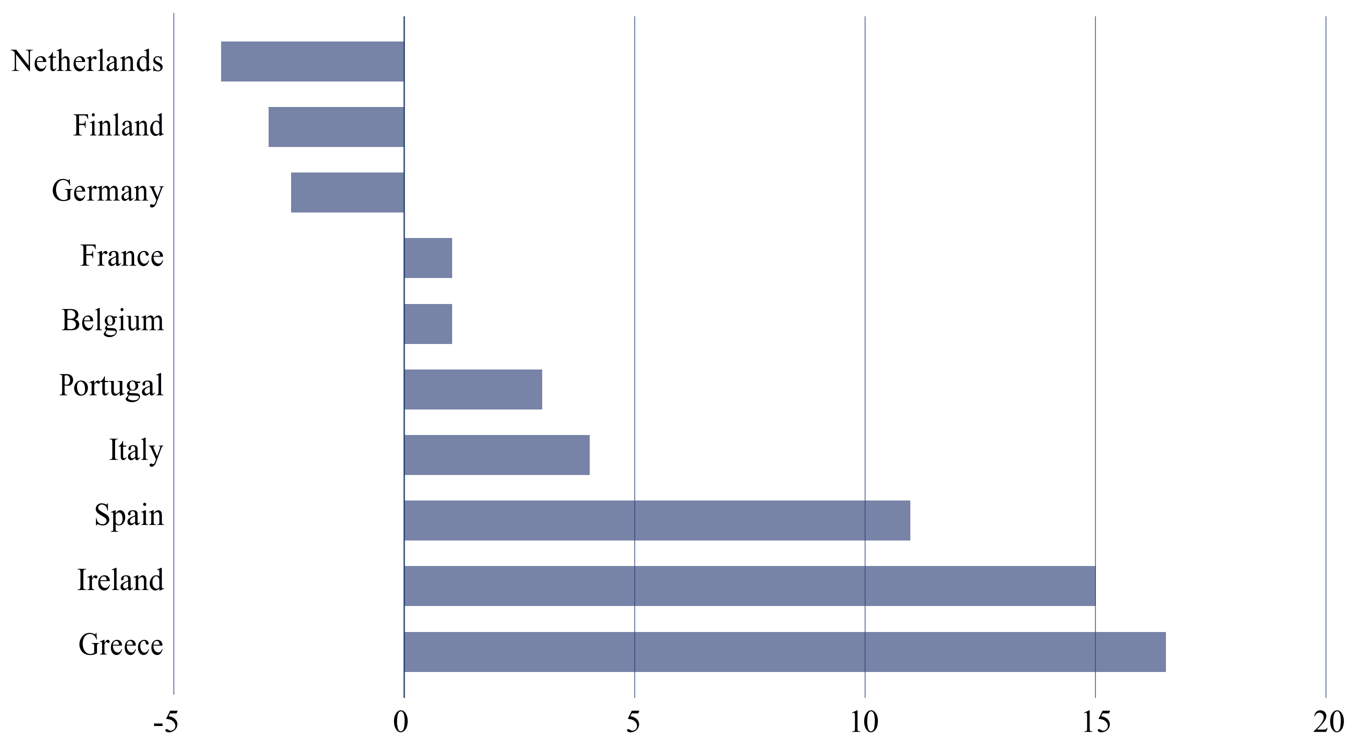
The House of Commons Foreign Affairs Committee wrote: "In relation to its share of the EU's population, the UK is significantly under-represented among the staff of the major EU institutions (Council, Commission and Parliament)... the number of UK nationals on the staff of the European Commission has fallen by 24% in seven years. Prior to the UK's exit at the end of January 2020, it fielded 4.6% of Commission staff, compared with its 12.5% share of the EU's population; France's shares are 13% of the EU population and 9.7% of Commission staff…"[6]

2. Money - The root of so many marital problems

Christine Lagarde, head of the International Monetary Fund (IMF), said in Brussels on 10 December 2013: "There is a palpable sense of optimism in some quarters that the European crisis is over. But can a crisis really be over when 12% of the labour force is without a job? When unemployment amongst youth is in very high double digits, reaching more than 50% in Greece and Spain? And when there is no sign that it is becoming easier for people to pay down their debts? First and perhaps most important, growth rates and output levels still remain well below where they should be. With unemployment rates as high as they are, this gap between actual and potential growth rates is likely to remain large for the foreseeable future…"[7] Unusually, the author can only agree with Mme Lagarde!

Table 6

Eurozone exchange rate undervaluation and overvaluation as a percentage



Source: Bank of America

Table 6 above shows the undervaluation and overvaluation of the euro compared with a (hypothetical) national currency, according to analysis produced by Bank of America.[8]

What the chart demonstrates is that a “one-size-fits-all” currency in reality fits almost no one. The undervaluations and overvaluations in the chart demonstrate how the euro has become an ‘Economic Doomsday machine.’ The economy of Greece - and probably also Italy and Spain - cannot function properly in the same monetary zone with the same currency as Germany. It does not work.

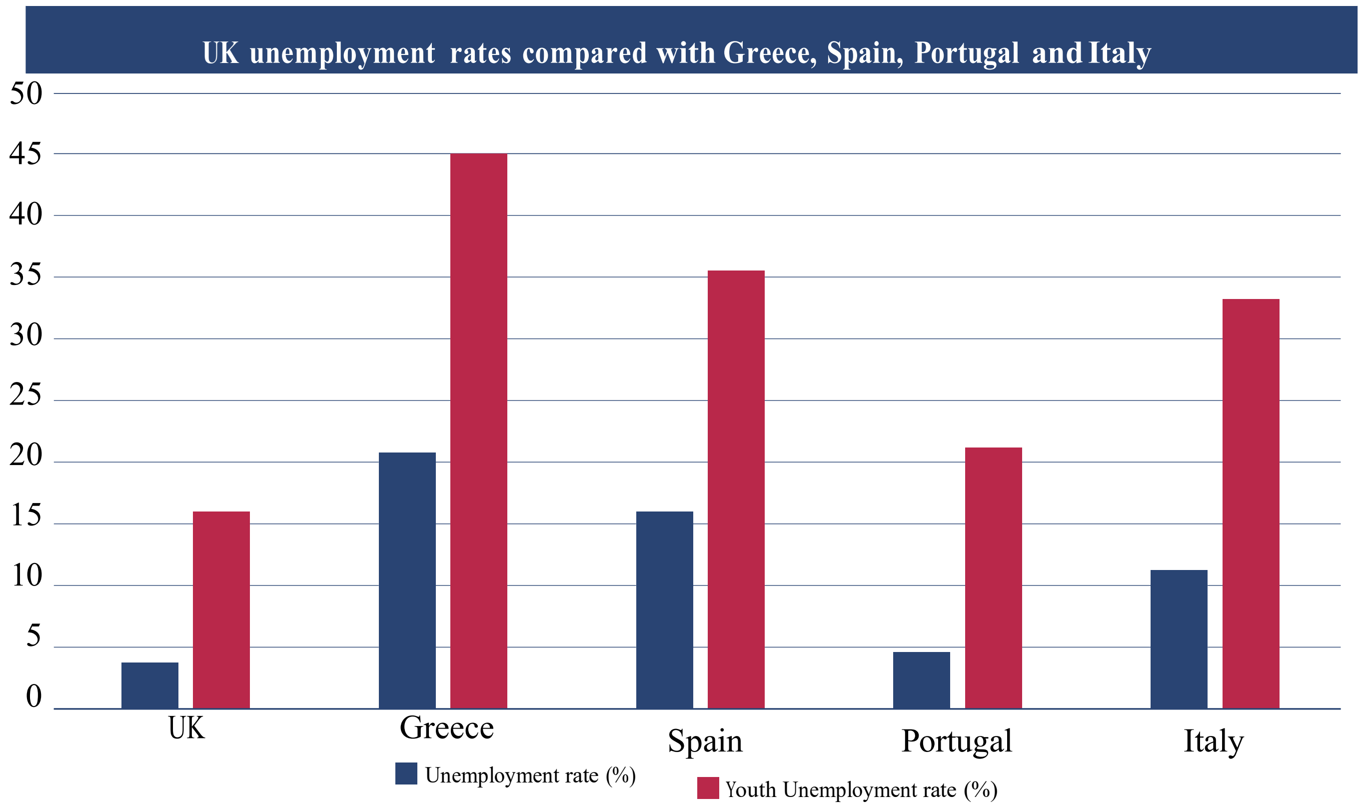
The economic profile, and more importantly prospects, for many EU member states - especially in Southern and Eastern Europe - are dismal. The conclusion is clear. Today, the UK would likely not choose to be in a political union with EU member states.

2.1 EU unemployment

The EU as a whole is an area of, at best, low GDP growth. Within the Eurozone there has been economic contraction in 2009 and 2012. What is growing - quickly - is unemployment in the EU. In Spain, the level of youth unemployment averaged around 34.7% from 1986 to 2018, reaching a record high of 55.9% in February 2013.[9]

High unemployment is certainly not an indicator of high growth. It is probable, therefore, that the Eurozone economies will continue to stagnate. This is particularly true for the countries of Southern Europe. Only endless wealth transfers from Northern Europe can sustain these economies. While the establishment in Northern Europe favours these transfers, the political reality is that popular support for such transfers is unlikely to endure for long.

Table 7

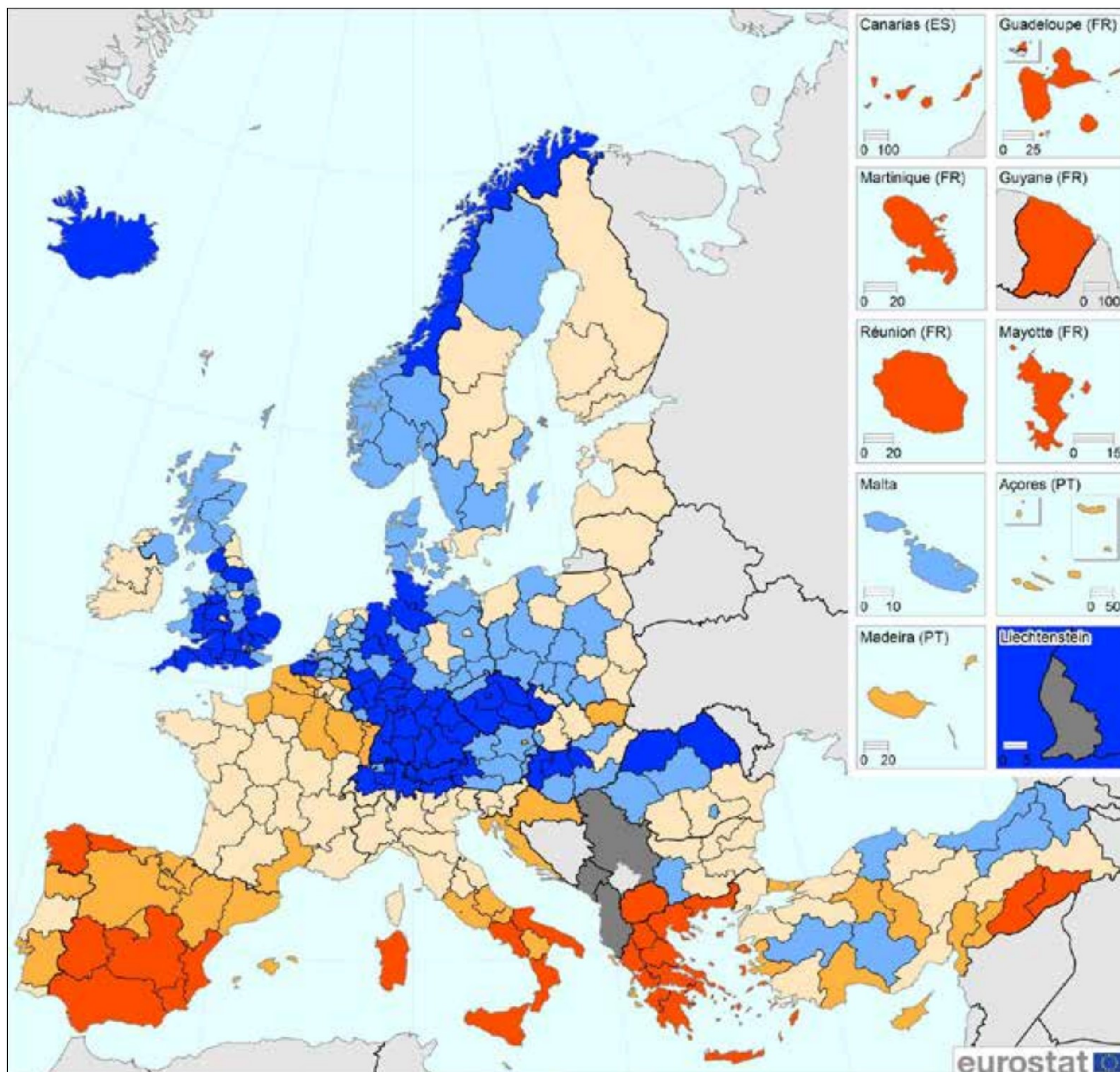


Source: Unemployment Figures from Eurostat

The following map shows unemployment in EU member states in 2016.

Table 8

Unemployment rates across EU member states



=< 4.3%
4.4% - 6.5%
6.6% - 10.8%
10.9% - 17.1%
>= 17.2%
Data not available

Administrative boundaries: ©EuroGraphics ©UN-FAO ©Turkstat
Cartography: Eurostat - GISCO, 04/2017

0 200 400 600 800km

Source: Eurostat

Regrettably, and even tragically, for those involved, the EU Accession Treaties require new EU member states to join eventually the ‘Economic Doomsday machine’ that is the Eurozone. This means that new, (and usually, comparatively impoverished) EU member states will lose control over their own monetary policy. Their adopted currency - the euro - will almost certainly be overvalued for their economy, with predictably dire results. That the current jargon uses the euphemism “internal devaluation,” is little consolation for the drastic and painful austerity which is the consequence of an overvalued currency.

As a reader (Gregory Shenkman) wrote in the Financial Times in a letter (29 October 2013): “Greeks, Spaniards and Italians will not absorb the economic discipline of Germans any more than the people of southern Italy have absorbed the economic discipline of northern Italy in the long period since the country’s 19th century unification, despite full political, fiscal and banking union. The Mediterranean belt will never catch up economically with core Eurozone countries. The result will be regular crises ending, one fears, in a truly terrible reckoning. The longer European bureaucrats and politicians delay matters, the worse will be the ultimate consequences when the Eurozone finally breaks up.”[10] To paraphrase Dr Ralph Miliband, the father of Ed and David Milliband, the new UK parliamentary Independent Group’s “king over the water,” “the single currency, the euro, is no cure for the disease of the EU - it is a part of the disease.”

From the map above, it is clear that those member states that fall to the South or East of the line (including Southern Italy) have materially higher rates of unemployment. These member states receive the most in internal transfers paid via EU institutions. Furthermore, the member states in Eastern Europe are the most recent members of the EU. Thus far, the addition to the EU of Eastern European countries has increased the economic burden on Northern Europe, a burden incidentally shouldered disproportionately by the UK. Unemployment rates indicate that these countries will continue to be a burden on the contributing member states of the EU for the foreseeable future.

The jobs’ problem facing the EU is normally reported in terms of the alarming rates of unemployment. The table below depicts what is more worrying still - the low levels of employment and hence opportunities and growth in the EU. Again, this is worse still in the Eurozone. As Professor Tim Congdon has stated “more Europe means fewer jobs.”

Table 9

Employment rate in high income nations	
Country	**Employment rate**
Iceland	85.8%
Switzerland	80.0%
Japan	76.3%
United Kingdom	74.4%
Norway	74.1%
Canada	73.7%
Australia	73.6%
USA	70.5%
European Union	68.0%
Eurozone	66.8%

Source: OECD

2.2. Demographics

Many of the countries with the highest unemployment rates also have rapidly ageing populations. In 2015, in Greece, Italy and Portugal, more than 20% of their citizens were over 65. Of still greater concern is that more than 20% of Germany's citizens were over 65 that year. Germany – with the UK – was the principal paymaster of the EU. Greece, Italy and Portugal all currently depend on German bailouts. As the average age of Germans advances towards 50, the question arises: for how long will Germany be able to afford to support – let alone bail out – the EU member states of Southern and Eastern Europe? Inevitably, an increasing proportion of German taxes will go to support the increasing number of Germany's own pensioners. It may then become very difficult for Germany both to support its own large retired population as well as those of Italy, Greece and the rest.

What is then likely to happen? We can be sure that the EU would have wanted to look to its (now former) second greatest contributor – the UK – for even more and/or to keep the UK paying in, even from outside the EU. This has already come to pass, through the extra €2.1 billion that the EU Commission demanded from the UK because its economy performed better than other EU economies over the previous budgetary period. At the time the Commission claimed that Eurostat`s calculations of the country's gross national income (GNI) were more accurate than those of the Office of National Statistics (ONS). The UK stupidly, in the author's view, agreed to make two interest-free payments of this amount in July and September 2015.

Table 10

Percentage of population over 65 in selected European states

≤10% | 10-15% | 16-20% | ≥20% | Non EU countries

Source: Eurostat

2.3. The brain drain from Southern and Eastern Europe

Economic migration almost always means the departure of the brightest and the best to seek a better life. The consequence… a "brain drain." Within the EU, this leaves the poorer countries of Southern and Eastern Europe without the benefit of their best-educated and most highly qualified people.

The evidence is also anecdotal. The pro-EU Independent newspaper on 22 October 2013 highlighted this in an article: "A PhD with your coffee? Barista serving your drink might be better educated than you are." See also the Financial Times article: "Bucharest strives to reverse brain drain."[12]

This book is principally about trade, not immigration. But in order to justify the 7.2 million immigrants who came to the UK during 1997-2010 (see Appendix 18), European apologists often claim that the free movement of goods and services must also mean free movement of people.[13 &14] This is clearly untrue.

To cite a few of many examples, the USA, Australia, Singapore - and especially China - all have strong immigration controls. Indeed, immigration is almost impossible in China.

On China and immigration, China grants foreigners "green cards." These permit a person to live and work in China for three years only. By the end of 2017, only 1,881 people had been granted green cards.[15] Nevertheless, China participates fully in the global economy. It could even be said to be a leader.

As is well-known, Japan is not dissimilar.

A further example is that there is no freedom of movement between members of the North American Free Trade Area (NAFTA now USMCA).

The evidence is clear. Strong immigration controls are no bar to full and profitable participation in the global economy.
It must also be pointed out that the UK's membership in the EU prevents us from controlling immigration to the UK from the EU at all. In consequence, UK Immigration can control only immigration from outside the EU.

The consequence is a paradox. An unskilled Bulgarian or Romanian, has the absolute right to live, work and settle in the UK. Conversely, indeed perversely, a scientist or a qualified doctor from, for example, the USA or Australia, has no such right.

2.4. Failure of Southern and Eastern Europe in higher education

Is there a way the EU, especially its Southern and Eastern European members, can escape the predicament of low growth and high unemployment?

One solution could lie in education: the EU has a reputation for having a skilled workforce. In the 21st century, we live in a global economy in which knowledge and skills are highly valued.

Unfortunately, the weakness of some Southern and Eastern European economies is mirrored by their poor systems of higher education.

Table 11

The Times World Ranking of Southern and Eastern European universities	
World Ranking	**Number of Universities**
1-10	0
11-20	0
21-100	0
101-200	4

Source: The Times World Ranking 2017

These findings from the Times Higher Education World University Rankings are startling.[16] Perhaps the Times Higher Education Supplement is being Anglo-centric? We therefore looked at two other sets of rankings from the USA to see if there is any material difference.

Table 12

US News Global Ranking of Southern and Eastern European universities	
World ranking	**Number of universities**
1-10	0
11-20	0
21-100	1
101-200	7

Source: US News Global Ranking 2017

Table 13

QS World Ranking of Southern and Eastern European universities	
World ranking	**Number of universities**
1-100	0
101-200	6

Source: QS World Ranking 2017

A little better. But there is no meaningful or material difference in these US-researched rankings. The abject failure of Southern and Eastern Europe to feature prominently in the World Rankings in Higher Education makes it highly unlikely that the unemployment problem in those countries will be solved. The outcome is likely to be mass emigration. In any event, such dependent 'relatives' are worrying for the future prosperity of the UK-EU marriage and for the EU itself.

Mme Christine Lagarde has previously commented on the dire prospects for the European economies as a whole. What are the prospects for the strongest economy in the EU and the Eurozone - Germany?

2.5. Economic prospects for Germany

Germany is the powerhouse of the EU and the Eurozone. But cracks are showing in its economy.

Germany has had a comparative advantage since the launch of the euro. However, Lombard Street Research says of Germany "they have been ripping off their own people to build up pointless trade surpluses... their weakness is reliance on foreign demand, which is no longer forthcoming from emerging markets..."[17]

Moreover, Germany's energy policy, overly influenced by the Greens, is a threat to German prosperity.[18]

Chancellor Angela Merkel has committed Germany to reducing its dependence on fossil fuels, with plans for renewable energy to meet 50% of its needs by 2030, and 80% by 2050.[19]

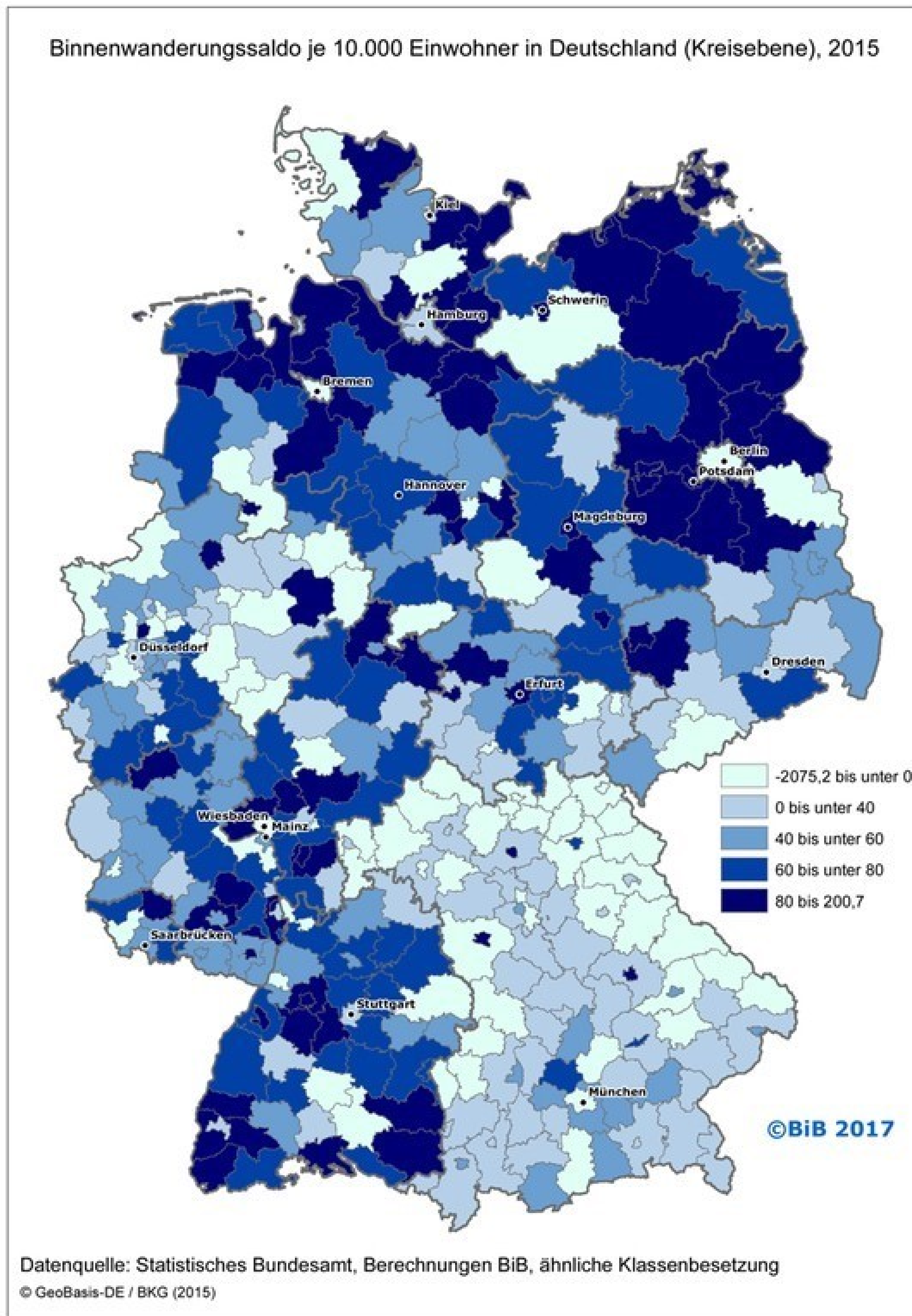
The implications are enormous. Estimates for reaching these targets are some €1 trillion, in the form of larger government subsidies for renewable energy producers that are passed on to consumers as higher prices for electricity generated from renewable energy. Moreover, see the Financial Times article from 21 January 2014: "EU energy costs more than twice those of the US," and "Natural gas prices in the US are roughly a third of the price in Europe."[20]

Germany has up to now been depopulating. The following extract and map from the Economist on 14 March 2015 bear this out:

> "Germany has one of the world's most rapidly ageing and shrinking populations, even though an uptick in immigration has temporarily halted its overall decline since 2011. By 2060, it is estimated that the total number of Germans will have tumbled by 20 million, equivalent to Romania's population today. But decline is unevenly spread. Some cities are growing. Other areas, mainly in the east and the countryside, are emptying."[21]

Table 14

Germany: population age profile



Source: Statistisches Bundesamt, Berechnungen BiB

It was in the context of depopulation that Chancellor Merkel made her otherwise incomprehensible decision to admit unlimited numbers of immigrants - a large proportion of whom were economic immigrants. It is worth pointing out that Chancellor Merkel made this decision without consulting other European leaders, without consulting other ministers in her government, indeed without consulting her own political party.

Chancellor Merkel unilaterally tore up the long-standing Dublin Convention, which determines 'the State responsible for examining applications for asylum lodged in one of the Member States of the European Communities.' This had been in force since January 1990. The effect was that refugees had to claim asylum in the first EU state they entered. The inevitable consequence of Merkel's decision was a massive influx of refugees and economic immigrants into Germany. The number estimated at the end of 2017 was 1.4 million.[22]

Initially, German business was enthusiastic about the influx. Dieter Zetsche, chief executive of carmaker Daimler, is quoted as saying that there could be a new "Wirtschaftswunder" or economic miracle. However, the reality is very different. A German official is quoted as saying in a Financial Times article posted on 3 January 2016:

> "It was different in the 1960s, with the Turkish immigrants... We had a different kind of industry, and a lot of simple work on assembly lines. We don't have those jobs anymore... Low-skilled work in the postwar era required 'little language but strong muscles.' These days, you don't need muscles, but you do need to be able to speak German... "[23]

Of course some companies were hiring. For example, Bayer announced the start of a four-month training course for 20 refugees. However, this was in a context where Bayer had around 118,900 employees worldwide and 35,800 in Germany. And, as referred to above, there were more than 1 million immigrants in 2015 alone.

Der Spiegel cited (February 9, 2019) a document drafted by the German Finance Ministry. This estimates spending of 78 billion euros on (im)migration matters through 2022. This includes transfers of 8 billion euros to states and local communities.

Countries have cultures as well as economies. Many of the Middle Eastern immigrants come from very different cultures than that of 21st century Germany. In particular, Joseph Schuster, Head of The Central Council of German Jews has said:

"When one lives in a country in which one is told for 30 years that Israel is the No. 1 arch-enemy and Jews from the outset are all bad, then one does not simply arrive in Germany and that is suddenly forgotten."[24]

What are the economic prospects for Germany? To quote Hamish Macrae (in the pro-EU independent newspaper):

> “One should never understimate the country’s [Germany’s] ability to fight back against economic headwinds, but trade talks, Brexit and a struggling car industry aren’t helping matters....
>
> To exaggerate, Germany is brilliant at making cars people no longer want to buy....
>
> There is some sort of downturn looming, and the experience of the last one is that we should not be too clever in trying to predict how serious it might be....”

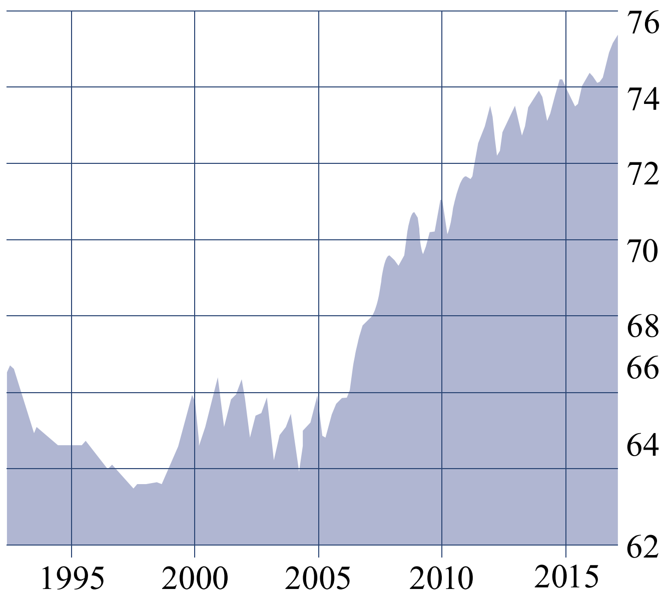
The combination of an ageing population, a high-cost renewables programme resulting in expensive energy, and a possible decline in foreign demand and investment, is a threat to continued German prosperity.

A weakening German economy is likely. Under those circumstances - with, possibly, Germany unable to afford welfare for its own ageing population as well as non-German-speaking immigrants numbering potentially in the millions - how can Germany then pay yet more in transfer payments to EU countries, far less bail out the entire Eurozone?

The situation of Germany in the EU is akin to a wealthy relative of a spouse who has always supported that marriage financially, then begins to have financial problems of their own. Consequently, they have to cut back. Cutting back is bound to include the reduction (or even elimination) of that financial support for the marriage.

Table 15

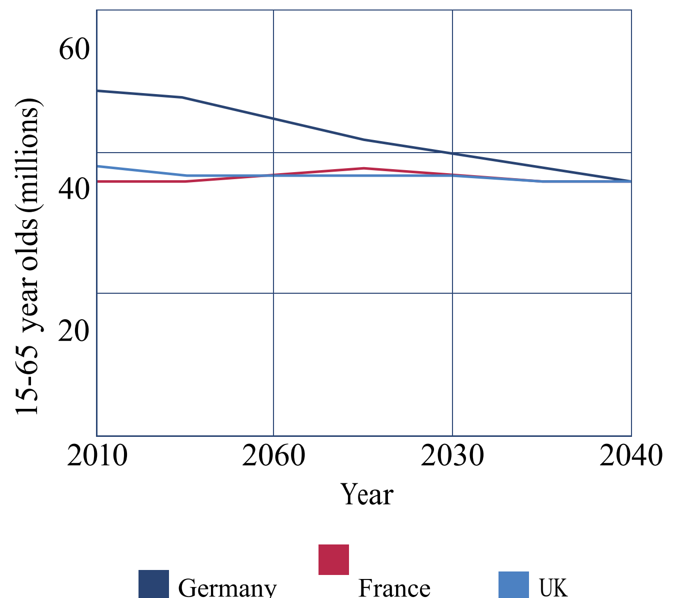
Germany: employment turnaround after the 2004 reforms



Source: Trading Economics

Table 16

Germany: diminishing population of working age



Source: Arbeitsagentur and World Bank

If these are the prospects for the EU’s strongest economy, what then are the prospects for weaker EU economies; for example, France?

2.6. Economic prospects for France - from Hollande to Macron

Not good, the French budget for 2014 provided for “unprecedented” public spending cuts.[25]

France committed to cutting €15 billion from public expenditure in 2014 in an attempt to control its deficit.[26] These cuts were designed to avoid raising taxes. However, Le Monde found that over 70% of the French people believed their taxes were “excessive.” This is not surprising: President Hollande added €60 billion in new taxes in just over three years. In November 2013, Standard & Poor’s reduced France’s credit ranking from AA+ to AA, citing specifically the country’s high taxes and need for structural reform.[27] On 18 January 2016, President Hollande in setting out a new job creation plan stated that “France is in a state of economic emergency.” He further announced that the job creation plan would be financed by savings in other areas of public spending - in one word ‘cuts.’ More recently, in September 2018, the French government tried to cut social spending to relieve some of the pressure low growth was putting on budget deficits.[28] It presented both spending cuts and tax increases to finance current President Emmanuel Macron’s stimulus package.[29]

France is currently considered one of the “stronger” EU economies, but is already showing symptoms of distress; high taxes and a large deficit that cannot be reduced materially by public spending cuts alone.[30]

The French economy suffers from poor investment, subdued consumer spending, and a very high level of unemployment - more than 10%.[31] According to one forecast by the Centre for Economics and Business Research, France will begin to slip from being the world’s fifth-largest economy in 2013 to its ninth-largest by 2031.[32] This would then mean that France would no longer qualify on economic grounds for membership of the G7. When considering the current Gilets Jaunes protests and riots alongside these deeper issues, the country’s already grim economic prospects seem even more fraught.

As the world knows, the next French President was a private citizen, Emmanuel Macron, leading his own party, by the way named after his initials (En Marche). President Macron is of course a former banker and, relevantly, a convinced federalist. Nonetheless, the French Presidential election of 2017 was a clear repudiation of the established parties with le Parti Socialiste coming 5th with a mere 6.36% of the vote. It was a political revolution.

Subsequently, there has been the phenomenon of the “Gilets Jaunes.” It is evident that President Macron’s support is “a mile wide, but an inch deep.” (Perhaps one should write a kilometer wide, and a millimeter deep.)

2.7. Economic prospects for Italy and Spain

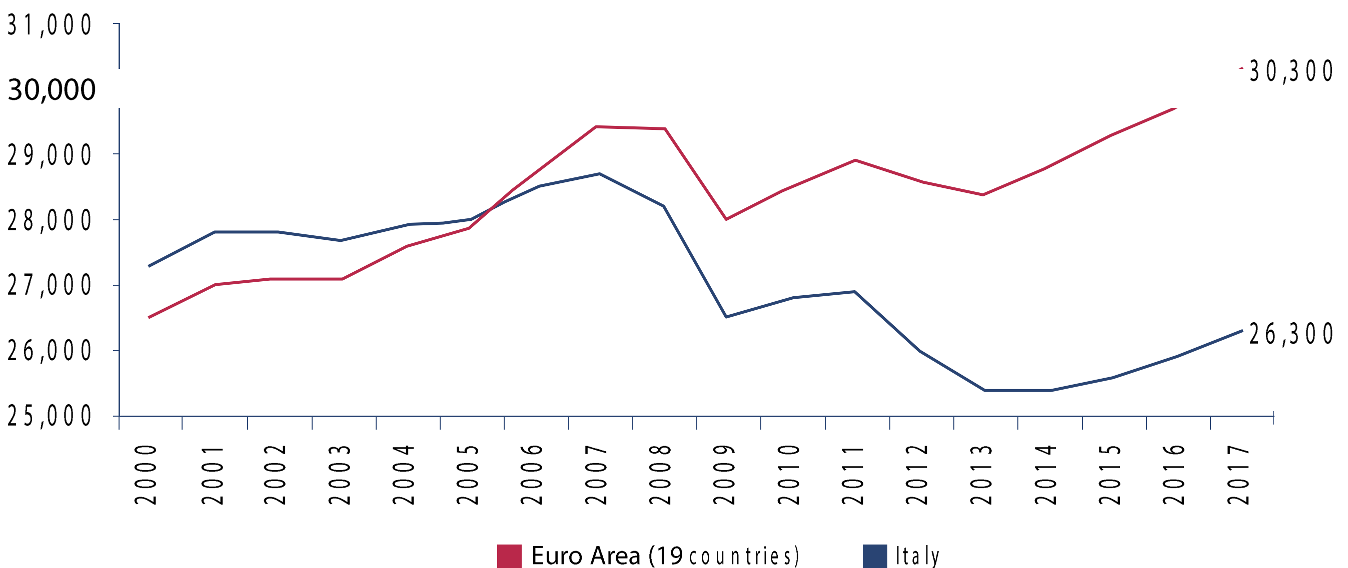
The economic prospects for Italy and Spain are even worse. These are the two other large EU economies, now that the EU's former second-largest economy - the UK – has left.

The chart below sets out the decline in income per capita in Italy. This has had consequences. There have been not one but two political revolutions. There was first the "Cashmere Revolution" of 1993-1994 that resulted in the dissolution of the Christian Democratic Party and the rise of Forza Italia. It also meant that Silvio Berlusconi, a private citizen, was Prime Minister for 8 years between 2001 and 2011.

The second political revolution is current. The alliance of La Lega and the Five Star Movement formed the Italian government until September 2019. This was a government of euro-sceptics of both the Left and Right. La Lega has now left the Government and is in opposition.

Table 17

GDP per capita in Italy and the Eurozone from 2000-2017 in euros



Source: Development of the Confartigianato Studies Office and Eurostat

Spain suffered as much as any other country in the economic crisis subsequent to 2008. The mystery for interested observers was the continuing levels of support for the two establishment political parties, the Partido Popular (PP) and the Partido Socialista Obrero Espanol (PSOE), each of whom supported Eurozone austerity and the "European Project." This changed in the June 2015 general election. Two new parties, Podemos on the far left and Ciudadanos in the center, got elected to the Cortes (the Spanish Parliament) and in substantial numbers - 71 seats in the Cortes for Podemos and 32 seats for Ciudadanos.

The effect has been that neither the PP nor the PSOE has been able to form a majority

government. The PSOE government only held 84 out of 350 seats in the Cortes. Following the 2019 general election, the PSOE increased its share to hold 120 seats, PP has 89, and Vox has 52 seats.

One characteristic that each of the PP and PSOE governments share is persecution of the Catalan independence movement. 22 leaders were charged and some of them are now in prison facing long sentences.

These are political prisoners. Anyone who has been a member of the European Parliament will hear “the powers that be” banging on about “EU values.” It is worth pointing out that these values are not specifically EU values; they are the values of “the Enlightenment” of the 18th century, adopted by the American revolutionaries and set out succinctly in the American Declaration of Independence.

There are Catalan political prisoners in Spain, but the European Commission does nothing. The European Council does nothing. The European Parliament, as an institution, says nothing, and even the garrulous Mr Verhofstadt stays quiet.

The EU values that we hear about all the time are, in the matter of the Catalan political prisoners in Spain, conveniently forgotten. One has to wonder why. The likely reason has to be that Spanish governments support the EU project. In the parallel universe of the EU “powers that be,” that makes it okay for a country to have political prisoners. The hypocrisy is to be deplored, I suggest the EU should look at themselves in the mirror and start campaigning for these political prisoners to be freed.

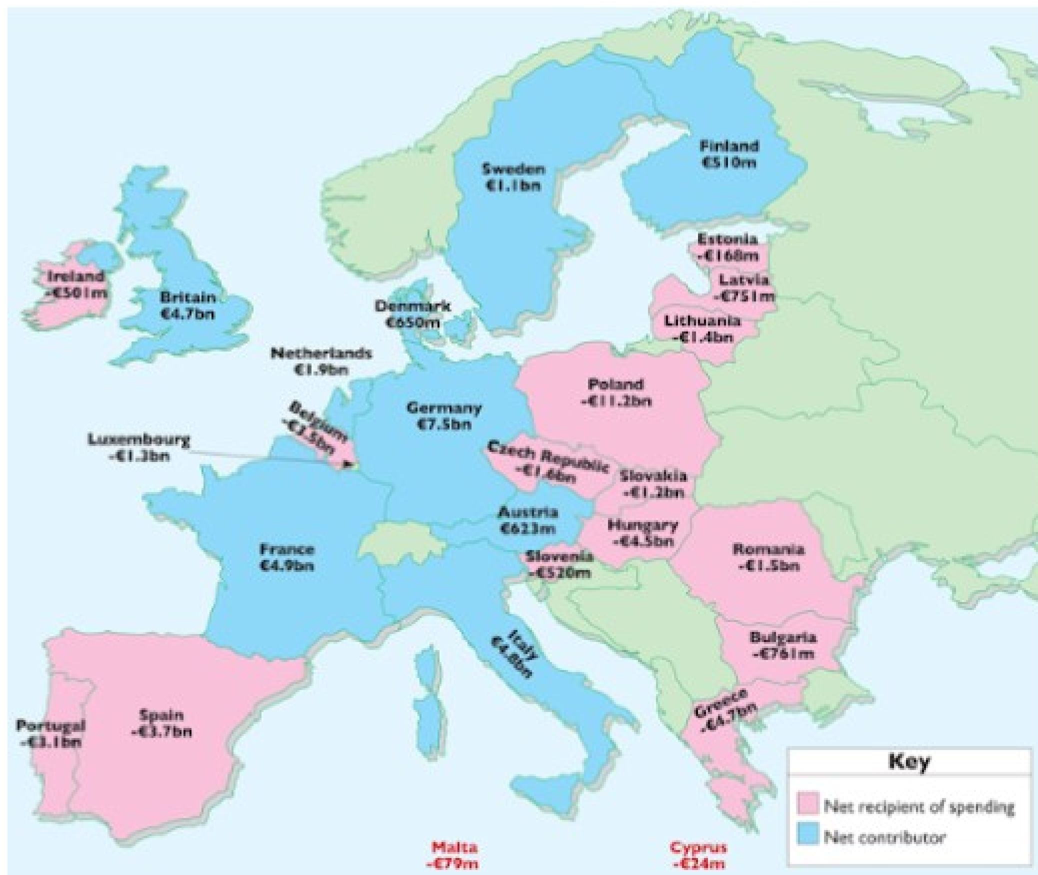
3. Are there irreconcilable differences?

3.1. Contributing and recipient countries

In a speech to the European Parliament in 2009, the author described the different status of the 12 EU member states that are net recipients of EU funds, and that of the 15 EU member states that are net contributors, as the “San Andreas fault of the European Union.” (For the record, when the speech was made, there were 27 member states).

Table 18

EU member states: contributing and recipient countries



Source: Moneyweek

For those EU member states which are net contributors to the EU budget, the future may be worse. EU candidate countries already receive very large sums in pre-accession funding.

3.1.1. EU candidate countries - Pre-accession funding

In "A Budget for Europe 2020," the EU Commission allocated €11.7 billion for pre-accession funding for the period 2014-2020.[33] This is to be paid to "candidate countries" to prepare for EU membership. To quote the Commission: "Socio-economic indicators show that enlargement countries are still well below the EU average and even below the level of the [current] weakest Member States. This low level of socio-economic development calls for substantial investments to bring these countries closer to EU standards..."[34]

The status of Turkey as a "candidate country" has the consequence that Turkey is eligible for, and is the major beneficiary of EU pre-accession funding. From 2014-2019, the EU allocated €4.5 billion in financial assistance.[35]

Table 19

Amount paid to Turkey in pre-accession funds		
Instrument	**Period**	**EU allocation**
Turkey Pre-Accession Instrument	2002-2006	€ 1.3 billion
IPA I	2007-2014	€ 4.8 billion
IPA II	2014-2020	€ 4.5 billion

Source: European Parliament Directorate-General for Internal Policies, Budgetary Affairs 2016

Moreover, an additional €11.3 billion in pre-accession funding is being allocated to EU candidate countries for the 2014-2020 budgetary period, of which Turkey will be the major beneficiary.[36]

Should Turkey and the other countries eventually not join the EU, these very large sums will have been paid out for no purpose.

On 29 November 2015 in Brussels, in return for Turkey controlling the flow of economic migrants and refugees, it was agreed, first that the EU would give Turkey an initial €3 billion assistance package (this on top of pre-accession funding) and an agreement that accession negotiations would resume.[37] Alarmingly, Turkey also obtained a promise of visa-free travel - and this for a country with direct and porous borders with Iran, Iraq and Syria.

The Turkish navy currently has 145 vessels; this can be compared with the Royal Navy's 76.[38] Of course, there are many reasons why the number of vessels is not a good

basis for comparison. Nonetheless, it is hard to understand just how it is that with 145 vessels, Turkey cannot police the six miles between the Turkish coast and Lesbos, from where there is effectively visa-free access throughout the EU.

None of this changes the basic facts:

- 97% of the landmass of Turkey is located in Asia - not Europe
- Turkey's population of 75 million is projected by the World Bank to become 94.6 million by 2050
- Turkey's GDP per person is less than half of that that we enjoy in the UK

As former European Commissioner Frits Bolkestein has stated, Turkey is "too big, too poor, too different" ever realistically to be a member of the EU.

In the European Parliament, an amendment (April 18, 2018) to cancel all Pre-Accession Funding to Turkey lost by 588 votes to 88.

Turkey becoming an EU member state was British Government policy at the time of the referendum. It was entirely valid for the Leave Campaign to make Turkey's membership of the EU an issue. Indeed it should have been done before.

3.2. The UK Conservative Party and more countries joining the EU (Enlargement)

Should the establishment get the countries outlined in Table 20 below admitted to the EU, eventually transitional controls on "free movement" will have to be lifted. It can be confidently predicted there will then be (to quote Ross Perot on NAFTA) "a giant sucking sound." Many citizens of these countries will emigrate to the UK as long as free movement remains possible, and very sensibly from their point of view. The widespread and increasing use of English as a second language, although a commercial strength for the UK, also acts as a major incentive for migration westwards. In comparison, the use of French or German as a second language is minimal; this acts as a disincentive to emigration to France and Germany.

Depressingly, the completely reckless and ill-thought-out policy of more member states coming into the EU was a policy not only of the Conservatives but also of the Liberal Democrats and Labour.

Table 20

Population and GDP per capita of potential candidate countries compared with the UK		
Country	**Population in 2018**	**GDP per capita**
Ukraine	44.1 million	$2,991
Belarus	9.5 million	$6,375
Turkey	81.9 million	$14,993
Georgia	3.9 million	$4,290
UK	66.9 million	$42,514

Source: CIA World Factbook

It is not just immigration. Should the current crop of EU candidate countries become member states of the EU, they will receive very large amounts - far more than pre-accession funding - from the EU "Cohesion Fund". This is bankrolled disproportionately by the UK. Will this continue on Brexit or even after Brexit?

3.3. Bulgaria and Romania

The Office of National Statistics reports that there has been nearly an 80% increase in people from Bulgaria and Romania living in Britain since 2014.[39] There is significant interest and concern in the UK in what will happen. But this right for Bulgarians and Romanians is not "the hand of God," it is a natural consequence of UK government policy to support and encourage more countries to join the EU.

The accession of Romania has opened another 'backdoor' route into the EU for citizens of Moldova - a non-EU country - through its 'open border' arrangement with Romania.[40]

The candidate countries are mostly poor. The inevitable consequence of these countries becoming EU member states is that under this heading alone, the UK, already the second largest net contributor to the EU, would be paying out far more.[41]

Table 21

GDP per capita of UK, Bulgaria and Romania		
Country	**Population**	**GDP per capita**
UK	65.1 million	$44,300
Bulgaria	7.1 million	$24,600
Romania	21.5 million	$21,800

Source: CIA World Factbook

Bulgaria and Romania's accession to the EU and Free Movement of People to the UK conferred on Bulgaria and Romania on 1 January 2014 has created a further paradox. Bulgaria and Romania were both allies of Germany in World War 2. Bulgaria was also Germany's ally in World War 1. Citizens of Commonwealth countries whose relatives and ancestors fought - and in many cases died - for the UK do not now have the rights to live, work and settle in the UK for themselves and their families, enjoyed by Bulgarians and Romanians.

4. The EU's "unreasonable behaviour"

In the eyes of many of us, the EU has been guilty of "unreasonable behaviour" towards the UK. Here are some examples.

4.1. Boats from other EU countries have plundered our fishing stocks due to the Common Fisheries Policy

70% of the 'EU's' fish stocks are in UK waters. The Common Fisheries Policy opened UK territorial waters to all other EU member states. They have responded over the past 35 years by plundering the UK's fish stocks. Moreover, the UK is not permitted to manage its own fish stocks. Management is carried out according to the rules of the Common Fisheries Policy. This has been an environmental as well as economic disaster. The EU mind-set framed a fisheries policy under which dead fish had to be thrown back into the sea. After 30 years of this insanity there has been marginal improvement, but from a conservation viewpoint, too little, too late. There are also direct costs to the UK of the Common Fisheries Policy. A 370 foot long Dutch trawler gets 23% of the entire English fish quota. According to Daily Mail, in November 2014, roughly 43% of England's fishing quota was foreign owned.[42] In comparison, English fishermen are often allowed "to keep just two half-filled plastic trays worth £50..." The article continues: "[the] real villains... are the bureaucrats in Brussels and politicians in Westminster who created a market rigged against small players, one that is wasting vast quantities of fish and gravely threatening many traditional fishing communities."

It is essential that the UK Government continues with its policy of reinstating full control of British waters.

4.2. The NHS is harmed by the EU's Working Time Directive[43]

On 1 August 2010, John Black, President of the Royal College of Surgeons, stated: "To say the European Working Time Regulations have failed spectacularly would be a massive understatement. Despite previous denial by the Department of Health that there was a problem, surgeons at all levels are telling us that not only is patient safety worse than it was before the directive, but their work and home lives are poorer for it..."

Mr Black continued: "The new government have indicated they share our concerns, but there is not a moment to lose in implementing a better system which would enable surgeons to work in teams, with fewer handovers and with the backup of senior colleagues..."[44]

Howard Cottam, President of the British Orthopaedic Trainees Association (BOTA), added: "Anecdotally, orthopaedic surgeons in training have yet to see any of the promised improvements in the quality of training, and the College survey proves this to be the case. Attempts to implement the European Working Time Directive (EWTD) have largely failed and the system remains reliant on the professional integrity of trainees who continue to cover the gaps in the rota. BOTA genuinely looks forward to the promised work of the new government to limit the application of the EWTD in the UK..."[45]

4.3. Recording expenditure - The EU will not provide and cannot produce a clean set of accounts[46]

The European Court of Auditors (ECA) has regularly identified "material levels of irregularity," or errors in EU spending.[47] The estimated level of error in payments made from the EU budget was, 3.8% in 2015, 3.1% in 2016, and 2.4% in 2017 - all significantly above the 2% materiality threshold.[48] Before 1994, the ECA did not issue an annual Statement of Assurance on EU accounts at all.

Inappropriately, astoundingly, the then President of the EU Council, Herman Van Rompuy, sought to influence the auditors. Van Rompuy said to the ECA: "Your reports are not released into a void but into the rough and tumble of political life and media reporting..." He continued: "In the end we are all responsible for Europe and its image. In times of crisis, it is more vital than ever to foster confidence. We should also be teaching, to convince Europeans and demonstrate clearly that Europe is not the source of problems, but the solution..."

Mr van Rompuy has been described as "having the charisma of a low grade bank clerk."[49] But, surely, the lowliest grade bank clerk knows better than to seek to influence auditors! If the EU were a financial institution in the United States, Von Rompuy would be subject to prosecution and a prison term.

4.4. Our post offices are closing down

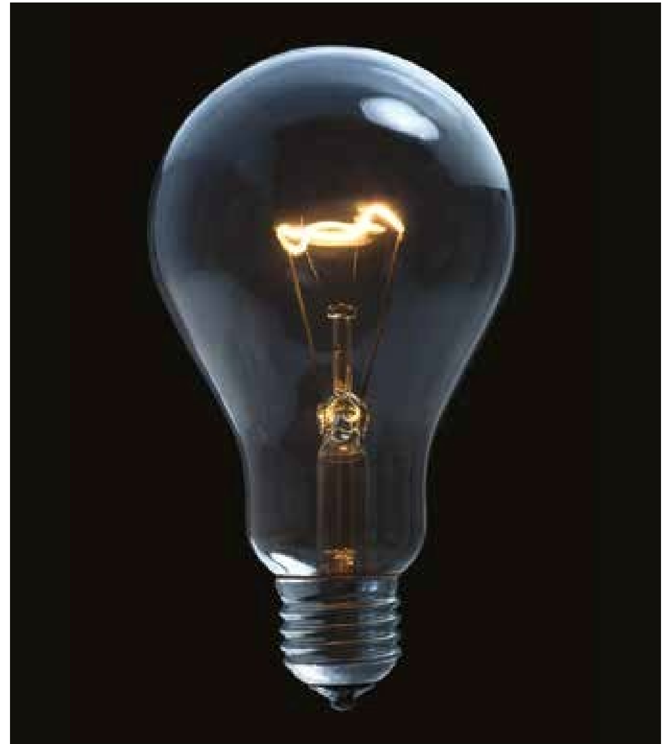
In recent years, more and more post offices in the UK have closed. This has been a calamity for many communities, as rural post offices had often been their major mailing hub. With public transport extremely limited in rural areas, many now face costly car and taxi journeys to reach their nearest post office. This is a direct consequence

of the EU Postal Services Directive steered through the European Parliament by the British (Labour) MEP Brian Simpson in 1997.[50] Before that directive, the Royal Mail had been able to cross-subsidise rural post offices. Furthermore, the directive forced Royal Mail to open commercial mail delivery to competition from European companies, enabling them to cream off the best business.

4.5. European Arrest Warrant (EAW)

The primary purpose of the law in the Anglo-American world is not to lock up people but to protect us from arbitrary arrest and imprisonment. Hence, we have had habeas corpus - "no imprisonment without trial" or, more accurately, without charge - since, arguably, Magna Carta. Now, under the European Arrest Warrant, a prosecutor in another EU member state can serve a warrant so that any resident of the UK is carted off to prison in their country. EU countries now include Bulgaria and Romania.

The European Arrest Warrant negates at a stroke a vital part of 900 years of English Common Law, including the presumption of "innocent until proven guilty."
Were Turkey to become a member of the EU, British citizens would then be liable to be carted off to a Turkish prison under the European Arrest Warrant. If anybody still remembers the 1978 film "Midnight Express," this prospect is scary! For my part, I would not wish a Turkish prison on my worst enemy.



4.6. We cannot use the light bulbs we want

Incandescent bulbs have had to be replaced as a consequence of directives 2009/125/EC (Ecodesign Directive), 2008/28/EC (Amending Directive) and 2005/32/EC (Ecodesign Directive).[51 52 53] The replacement bulbs produce a different, lesser quality of light.

Moreover, the EU specified that light bulbs must contain mercury, a poisonous neurotoxin. There are significant problems in how, eventually, to dispose of the mercury in these EU light bulbs, another ill-thought-out EU directive.

4.7. The EU is placing unfair measures on our vacuum manufacturers

Ecodesign for Energy-Using Products and Energy Labelling Directive 2009/125/ EC has been the source of much criticism from UK vacuum companies/manufacturers, including Sir James Dyson.[54]

Dyson states that the way new EU standards are being implemented is concerning. Further, he argues that the costly research and development required to obtain the energy label prevents companies from allocating resources towards developing more energy-efficient vacuum cleaners.

4.8. The relatives move in

As an EU member state, the UK was bound by "free movement of people" (Article 45 of the Treaty on the Functioning of the European Union). "Free movement of people" is misleading. It is in fact a right to work, live, settle and claim benefits. This has had many consequences.

Table 22

Population from selected Eastern European countries in the UK			
Country	Poland	Romania	Bulgaria
Number	889,000	410,000	83,000

Source: ONS

One response to the figures above - almost certainly underestimates - is along the lines of "what about UK citizens living in their countries?" See below.

The effect of the free movement article is almost completely one-way traffic, certainly from Eastern Europe.

People come to the UK for lots of reasons. Probably, the principle one is that wages are significantly and materially higher in the UK than in those countries providing most of the immigrants. This wage gap will become even greater with the scheduled increases in the UK's minimum wage, the living wage.

Table 23

Statutory minimum wage rates for full-time employees		
Country	**Monthly minimum wage**	**Effective year**
UK	€1,397	2016
Bulgaria	€214	2016
Croatia	€407	2016
Czech Republic	€360	2016
Estonia	€430	2016
France	€1,466	2016
Greece	€580	2012
Hungary	€353	2016
Kosovo	€210	2017
Lithuania	€350	2016
Luxembourg	€1,922	2015
Netherlands	€1,524	2016
Poland	€430	2016
Portugal	€530	2016
Romania	€276	2016
Slovakia	€405	2016
Slovenia	€790	2016
Spain	€655	2016
Slovenia	€791	2016
Spain	€655	2016

Source: The Federation of International Employers

Table 24

Immigration from the UK to selected Eastern European countries			
	Poland	**Romania**	**Bulgaria**
Number of UK Citizens	5,559	3,511	18,000

Source: ONS

UK citizens living but not working in EU countries have rights from the Vienna Convention (see Appendix 2).

In the circumstances of what is set out above, it is clear that the UK has had an entirely dysfunctional relationship with the EU. It is hardly surprising that even those who want the UK to stay in the EU talk about a "reformed Europe." The next chapter shows why "reformation" is not sufficient. It focuses on dismissing some of the falsehoods of the Remain argument.

II. WHY MUST THE UK PAY TO ACCESS THE EU SINGLE MARKET?

Why is the UK paying £39 billion to have "access" to a market with which the UK ran a £71 .9 billion deficit in 2019? This included a whopping £95.3 billion deficit in goods.

Table 25

UK's trade balance with the EU – goods and services – in £ billions						
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
Exports	150	151	226	230	223	274
Imports	-206	-216	-288	-291	-291	-341
Balance	-56	-65	-62	-61	-68	-67

Source: House of Commons Library "Statistics on EU-UK Trade 2019"

The Remainers and their hangers-on in the media, in particular the BBC and SkyNews, are fond of repeating words to the effect “The EU is the UK’s largest trading partner.” This in its own terms is true. However, that glosses over, indeed conceals, the key fact that since joining the EU, the UK has run a large and seemingly every increasing trade deficit with the EU.

The 2019 trade deficit in goods was £95.3 billion. Just this deficit is larger than the entire economy of Ghana. Is this deficit sustainable? It has been so far, but for countries whose currency is not a reserve currency, balance of payments cannot be ignored forever.

Every country in the world - even North Korea - has some kind of access to the EU market. It is a fundamental error of principle and of fact to imagine that there is a clear dichotomy between EU membership and “access,” and no EU membership and “no access.”

Table 26

Goods exports to the EU from the UK and China (in billions of euros)							
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
UK	166	191	185	187	191	158	166
China	284	295	292	280	302	351	345

Source: ONS Pink Book and Eurostat

China does not pay to have access to the EU Single Market.

The reality is that there are several, indeed numerous, kinds of different trade relationships that the EU has. This chapter sets these out and, in so doing, corrects many falsehoods.

1. Falsehood: The UK needs to be in a political union in order to access EU markets.

The BBC and the EU's fellow-travelers in the media have been peddling this falsehood for years.

The figures reveal something entirely different.

The total trade between the EU and these 20 non-EU countries was almost €2.6 trillion in 2013. This was more than the entire GDPs of France and the UK, in that same year, which were €2 trillion and €1.9 trillion, respectively.

Table 27 illustrates further the magnitude of the trade between the EU and non-EU countries.

Table 27

Rest of the world: trade with the EU		
Number	**Country**	**Trade volume in millions**
1	USA	€ 632,589
2	China	€ 573,087
3	Switzerland	€ 260,842
4	Russia	€ 231,166
5	Turkey	€ 154,267
6	Japan	€ 129,568
7	Norway	€ 128,162
8	South Korea	€ 99,536
9	India	€ 85,937
10	Canada	€ 69,213
11	Brazil	€ 63,394
12	Mexico	€ 61,824
13	Saudi Arabia	€ 54,964
14	Singapore	€ 53,250
15	U.A. Emirates	€ 52,674
16	Taiwan	€ 50,072
17	Hong Kong	€ 47,928
18	Australia	€ 47,701
19	Vietnam	€ 47,640
20	South Africa	€ 47,171

Source: Eurostat

Table 28 expresses the magnitude of the trade (exports + imports) between the EU and the top 20 non-EU countries in terms of the GDP of the five wealthiest countries in the EU. So this 'EU-non EU' trade is more than 1.5 times the GDP of Spain, and over 2% greater than that of the GDP of the UK. Even considering the EU's wealthiest member, Germany, the EU-non EU trade is 80% of that country's GDP.

The facts are crystal clear. The UK's europhile establishment and its assorted hangers-on in the media are peddling blatant falsehoods. These figures are provided by Eurostat, a 'Directorate-General' of the European Union itself. Unlike the EU's accounts, no independent auditors have disagreed with these figures.

Table 28

GDPs of selected European countries compared to the value of total trad from 20 non-EU countries		
Country	**GDP**	**Total trade from 20 non-EU countries**
Spain	$1,778 billion	1.86x
Italy	$2,317 billion	1.4x
UK	$2,925 billion	1.02x
France	$2,856 billion	0.99x
Germany	$4,199 billion	0.80x

Source: CIA World Factbook

A country does not have to be in a political union in order to trade… not remotely, not at all. We are not going to be leaving EU markets when we leave the EU. We are not going to be excluded from EU markets when we leave the EU. It is transparently clear that UK trade with EU member states will continue. Facts are facts: that all trade is going to come to a stop is simply not a tenable proposition – let alone a valid one

2. Falsehood: A country outside the European Union (EU) must have a free trade agreement (FTA) with the EU in order to trade with and in particular to export into it.

Table 29

Top exporters from the rest of the world to the EU		
Rank	**Country**	**Value of exports to the EU**
1	China*	€ 374.5 billion
2	USA*	€ 255.4 billion
3	Russia*	€ 145.1 billion
4	Switzerland	€ 110.3 billion
5	Norway	€ 77.4 billion
6	Turkey	€ 69.7 billion
7	Japan**	€ 68.5 billion
8	South Korea	€ 49.9 billion
9	India*	€ 44.1 billion
10	Vietnam*	€ 36.9 billion

*Countries with which the EU did not have an FTA in 2017
**An EU-Japan Trade Agreement came into force February 2019

Source: European Commission "Top Trading Partners"

Table 29 lists 10 countries, none of which are members of the EU but nevertheless have very sizeable exports to the EU. All 10 countries listed are ranked in their exports to the EU: their rank number is given in the first column. Clearly, a country does not have to have a FTA with the EU in order to trade with it.

In exports alone, China exported goods and services worth over €374 billion into the EU in 2017.[1]

The author was asked about a future EU-UK Trade Agreement on Brexit on the BBC's "Daily Politics" on 10 November 2015:

Interviewer, Jo Coburn:
"On that, what does make you think that Brussels would negotiate such a good deal. Why would they, if we pulled out, which they don't want us to do?"

William Dartmouth:
"I would like to point out to you, if I may, that the three biggest exporters to the European Union, namely Russia, China and the United States do not have a trade deal. Six out of the ten biggest exporters do not have a trade deal, eleven out of twenty do not have a trade deal, so it's not absolutely necessary. But in practice, because we run a very, very large deficit, it's about £687 billion since we joined, a trade deal isn't necessary, but it's absolutely inevitable because it's in the economic interests for Brussels and Brussels businessmen to be in one."

The facts are clear: a country does not need to have an additional trade agreement with the EU in order to be able to trade.

2.1. Top EU trading partners without a trade agreement

Six out of the top 10, 11 of the top 20, and 21 of the top 40 exporting countries to the EU do not have a trade agreement with the EU.

2.1.1. Case Study: China

It might be supposed that, given the type of bloc trading structure that the EU represents, its trade with non-EU countries would be based on there being a trade surplus in favour of the EU. However, China runs a massive trade surplus with the EU, and that without a trade agreement.

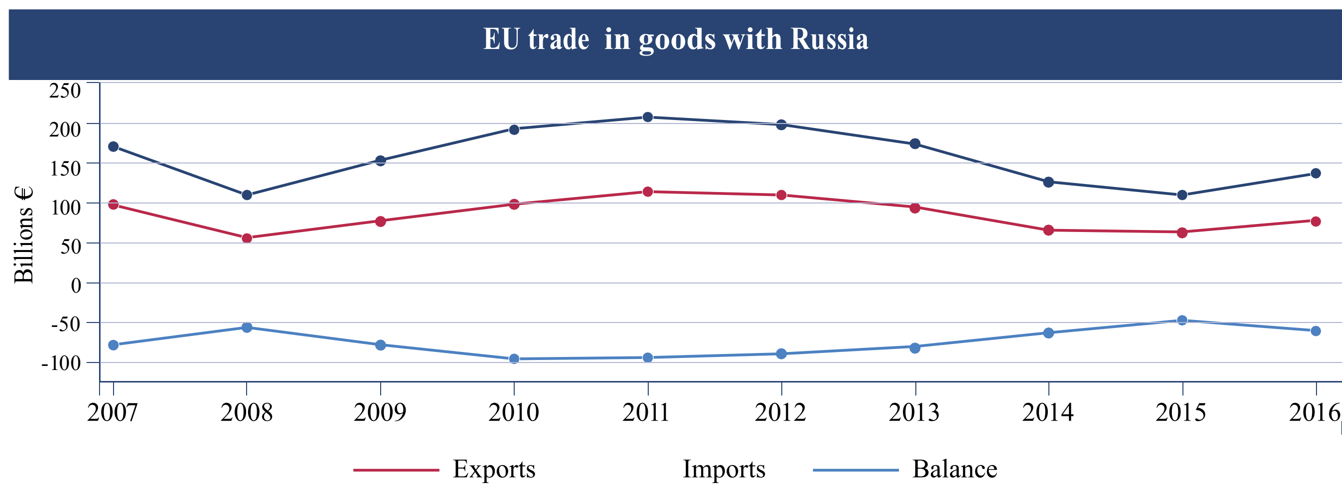
Table 30

Source: Eurostat

2.1.2. Case Study: Russia

There was an observed decline in trade volumes between the EU and Russia after the effect of trade sanctions and counter-sanctions enacted in 2014.[2] In addition, in recent years, Russia has suffered from a downturn in its economy, falling oil prices and the ensuing weakening of the ruble. However, Russia had run a massive trade surplus with the EU until the end of 2013.

Table 31

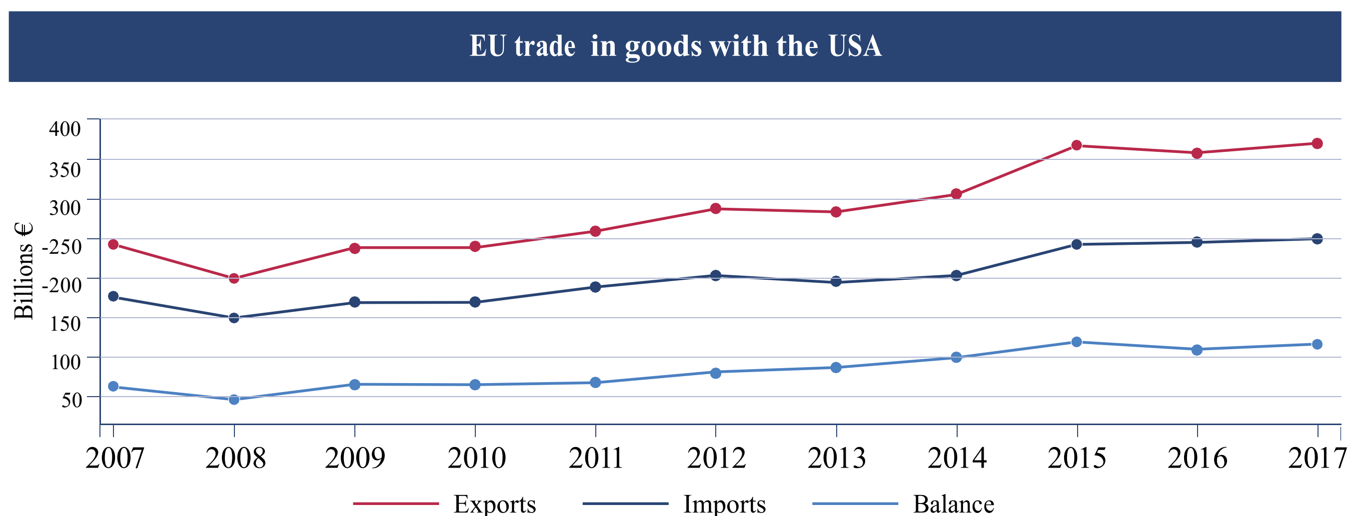


Source: Eurostat

2.1.3. Case Study: USA

The USA has consistently run a trade deficit with the EU. However, what is important to the argument is the sheer value of the two-way trade between the USA and people and businesses in the EU.

Table 32



Summary

A UK-EU Trade Agreement – which is addressed below – is, in practice, inevitable, but as we see here NOT essential.

Source: Eurostat

2.2. The WTO

Tariffs are the customs duties imposed on imported goods by the importing country. Since World War 2, tariffs have been negotiated down dramatically. The average trade weighted tariff in 2018 was only 2.8%.[3] One of the reasons a trade agreement is not essential is because of the fall in global tariffs. Another is the development of WTO Codes on non-tariff barriers. These have also reduced the necessity for bilateral trade agreements.

2.2.1. WTO - Basic Facts

Let us review and restate the WTO basics.

The post-Brexit alternative of trading under the WTO is far more appealing than remaining in the EU. Under the GATT/WTO Most Favoured Nation (MFN) principle, countries have the obligation to treat all nations equally, apart from those in a free trade or Customs Union agreement, a safeguard which prevents the 27 from discriminating against the departing member.

The EU27 retain their obligations not to increase their “Bound tariffs”[4] with other WTO members. ”Other WTO members” will include a departing Member State. Thus fears that the EU would impose punitive tariffs on the UK are completely unfounded. Similarly, the “Technical Barriers to Trade” and other WTO Agreements prevent vexatious non-tariff barrier actions by the EU.

Whilst increases in Bound tariffs are not permitted, reductions are allowed. In particular, the WTO would not prevent the UK from reducing or eliminating the duties which it currently pays to the EU on items of which it is a net importer (notably food and footwear).

The exception on lowering Bound tariffs for free trade agreements or customs unions is quite narrow. The exception allows only agreements which reduce tariffs on ALL (or almost all) trade between the parties to zero. The reduction in tariffs cannot be selective.

If a Member State leaves the EU, then regardless of European law, its obligations under GATT/WTO continue unaltered. It cannot increase its bound tariffs; i.e. the tariffs it currently applies under the EU’s Common External Tariff (CET), in trade with one another as well as with third country WTO members.

For simplicity, the UK and EU have chosen to maintain the CET as it stands on 29 March. Neither the EU nor the UK would have an alternative to maintaining CET tariff rates, except:

1. The choice whether or not to conclude a free trade agreement.
2. The opportunity to unilaterally reduce tariffs to all WTO members on certain items

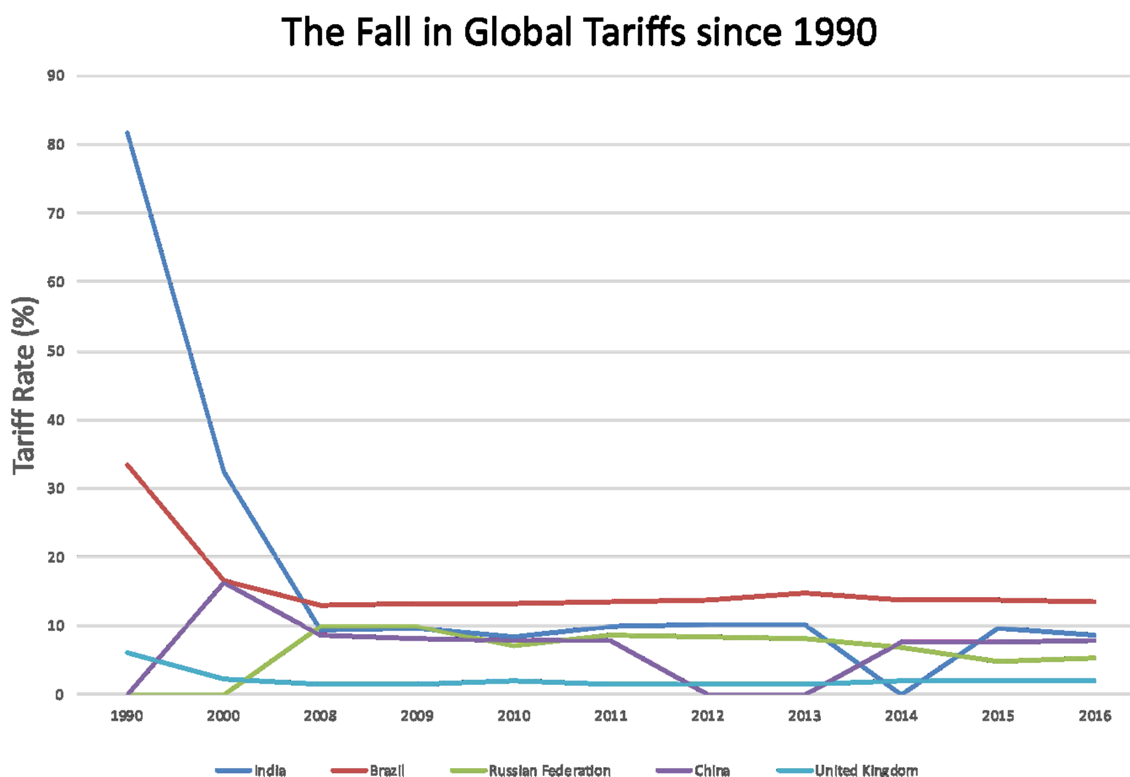
To consider some important specifics:

i. In the absence of a Trade Agreement, what is the average level of tariff that the UK would face on its exports to the EU 27? This has to take into account the range of goods we actually sell there. The average figure across that range is about 3% (more precise estimates say 2.7%). There are some outlier rates - one of which is cars at 10%.

2.2.2 The fall in global tariffs

Table 33

The fall in global tariffs since 1990



Source: World Bank

Table 33 illustrates how the tariffs imposed by five countries (India, Brazil, Russia, China and the UK) have fallen so that the average each country charges on imports is well under 10%, and is mostly around 5%.

Another reason for this fall is that WTO membership assures all members of Most Favoured Nation status (MFN). MFN ensures that reduced tariffs are applied to all, reduces 'rules of origin' complications, restrains domestic special interests from developing protectionist trade restrictions, and promotes non-discrimination in trade.

Thus, the WTO is a good reason why a trade agreement – for example with the EU – is not essential for a country which is a WTO member. Membership of the WTO guarantees a country the ability to trade with the EU with or without a trade agreement. The WTO also makes it impossible for the committed federalists in the European Commission and the European Parliament to place discriminatory tariffs on the UK.

Note the extent of WTO membership (see Table 34). All members have an equal right to participate in trade negotiations, whether or not they are part of a large trading bloc.

Table 34

WTO Members

Membership status: WTO member; Observer negotiating accession

Source: World Trade Organisation

ii. What is the level of revenue that would likely flow each way? The key point is that the UK has a large deficit on visible trade with the EU27 and would gain tariff revenue on imports commensurately. This net gain would be quite large. So on the reasonable expectation of increased revenue, why is the UK Treasury so opposed to proper Brexit?

To make it crystal clear: tariffs can only be negotiated down (not up) because if a Member State leaves the EU, then regardless of European law, its GATT/WTO obligations continue unaltered. A state cannot increase its bound tariffs; i.e. the tariffs it currently applies under the GATT/WTO.

2.2.3. A "Hard Break" is preferable to being part of the EU Customs Union

There were once many in Westminster favouring a Customs Union. "A" Customs Union is not an option. It is the current EU Customs Union or nothing. Perhaps they confuse a Customs Union with Tariff Free access. The second is a subset of the first but comes without all the strings of a Customs Union.

Crucially, a Customs Union would deny the UK the freedom to negotiate trade agreements with third countries (where the majority of our exports go) whereas tariff free access via a UK-EU trade agreement would allow that freedom. The UK can negotiate tariff free access for most or all tariff lines on a bilateral basis as part of a bilateral UK/EU Trade Agreement. The EU can conduct its own trade agreements within the Customs Union, the UK cannot.

We can and, should, look for free trade agreements with our friends world-wide, including our European friends. But we cannot make "low tariff deals" with them, or they with us. It is zero tariffs or nothing.

Even if a bilateral EU-UK trade agreement is not negotiated, leaving the EU would *still* be preferable to remaining in a Customs Union. The cost to the UK of belonging to the Single Market is in excess of an equivalent 4% on our exports. The USA, as a non-member of the Single Market, pays only 3% on exports to the EU.

2.2.4. Bigger is not necessarily better in trade negotiations

A common Remainer claim is that the UK will more easily negotiate new trade agreements with non-EU countries if we do it jointly with the EU than on our own. The proposition is that a big trading bloc has inherently greater negotiating strength. Ergo, Brexit will weaken the EU slightly and the UK considerably. This belief has of course always been part of the raison d'être of the EU.

However, the proposition is wrong in principle. Although it is true that a bigger trading bloc can use its wide market as a negotiating card, this is offset by the negotiating disadvantage that comes from asking for more, because it has more exports to sell. Where does the balance lie? There is no *a priori* assumption as to which of these factors will prevail. It will vary from case to case.

Thus smaller countries often find it easier to reach trade deals than large trading blocs. Iceland, with a population the size of Coventry, negotiated a trade deal with China. The EU does not have a deal with China.

Also, a large trading bloc has to negotiate twice. It has to go through a pre-negotiation stage, in order to establish a common position in advance of the main negotiation. For the UK, the pre-negotiation stage with our European "partners" has always been tougher than the main negotiation (for example getting the Uruguay-round launched). In other words, our main commercial adversaries are within Europe, not beyond it!

A free trade agreement is not necessary (and potentially not helpful) to trade with the EU.

Food

Negotiating strength depends on what a country has to offer. The UK has an ace up its sleeve, in the shape of a willingness to import food without trade barriers. That gives us a strong card when negotiating a free trade agreement with any food exporting country - of which there are many. The EU, as a net exporter of food, lacks this advantage, and places protectionist tariffs on agricultural imports.

Nevertheless we cannot take full advantage unless we revert to our historical policy of buying food at world prices, and subsidising UK farmers directly, if we choose to do so.

Clothing

On textiles, the EU's CET is 15-20% in order to protect EU textile exporters. The UK as a net importer is unlikely to export textiles to the EU on any scale. It will have access to significantly cheaper textiles by cutting or eliminating this tariff.

Cars

On motor vehicles, the EU's CET is 10%, more than three times its average rate for industrial products. Britain exports substantial numbers of vehicles to Europe, all from foreign-owned plants, and many relying heavily on international supply-chains which

include from EU Member States. The recent EU - Japan Trade Agreement has lowered most EU and Japanese vehicle tariffs to zero. This has had the effect of persuading some Japanese manufacturers (e.g. Honda) to relocate Manufacturing from Europe to Japan. This is not a result of Brexit, but rather of the trade agreement negotiated between Japan and the EU which affects the UK even without Brexit.

The motor industry is suffering worldwide. Causes include the government-led encouragement for diesel and its subsequent reversal, the German car manufacturers' deceptions on emissions, and the 'dash' for electric cars. The car-buying public are rightly confused and are as a direct result postponing purchases - for reasons entirely unconnected with Brexit.

The 10% CET on cars would be the default for the UK after 31 December 2020. We could then apply that tariff on all EU 27 cars imported into the UK. So French, Italian and German cars would all have to pay 10% tariffs. It is worth noting that the UK is Germany's single largest export market for motor vehicles.

Subsidies

The EU opposes industrial subsidies as giving local industries "unfair advantage over similar sectors in other EU countries."[5] In theory, then, the Customs Union has a downside for the Labour Party because it does not allow industrial subsidies of the kind the Labour Party would like (e.g. steel subsidies in Port Talbot). This argument against the Customs Union has to be used with care as the EU Commission, ever inventive, invoked an exemption procedure in the 1990s to allow major steel subsidies in Germany, Italy and Spain.

2.3. Conclusion

Continued membership of the existing EU Customs Union or of a new EU-centric creation is neither desirable nor beneficial for the UK. It negates many of Brexit's potential benefits.

Furthermore, it gives precedence to our declining trade with the EU at the expense of our greater and expanding trade with the rest of the world.

3. Falsehood: There is only one kind or type of trading relationship with the EU.

In fact, the EU has entered into multiple different kinds and types of trade agreements and arrangements. The author has counted seven.

Others define the number differently. For example, see the table from Dr Lee Rotherham's 'Manning the Pumps' – reproduced in Appendix 6 – which calculates 15. If we take the view that not all trade arrangements are exactly the same, and that there are material differences, we would be almost up to Heinz's "57 varieties." The key point is that whatever the criteria, the dichotomy normally presented and still presented in terms of EU trade and markets as "in" or "out" is invalid and false.

Paragraphs above have addressed one kind of EU arrangement for trade; that is, no trade agreement at all. Let us consider the others. All have "access" to the EU markets.

Table 35

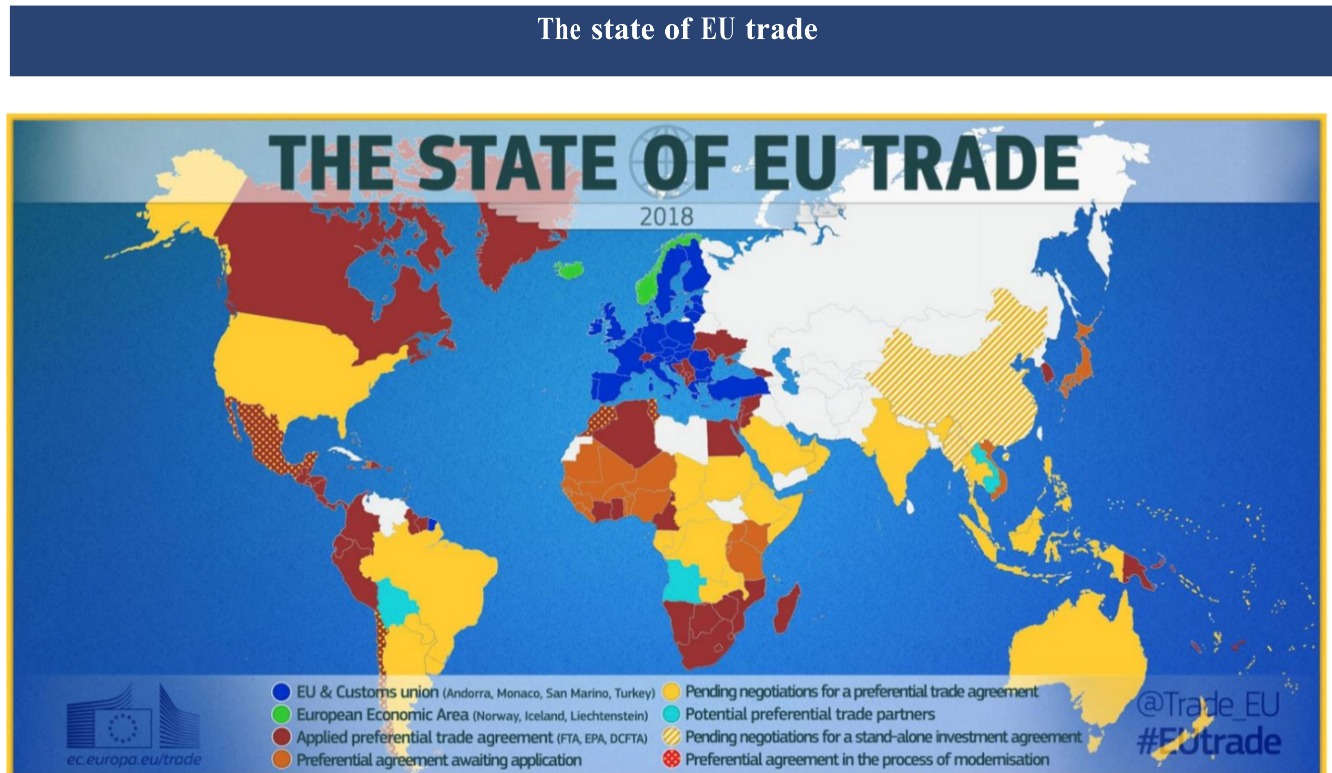
The EU's trade arrangements in ascending order of integration
1. The WTO/USA option - No trade agreement 2. Trade Agreements a. According to the European Commission, the EU has around 50 trade agreements currently in operation, including Mexico and South Korea. There are also 12 further trade agreements in negotiation and another 8 concluded but not yet ratified. b. Generalised Scheme of (Trade) Preferences - GSP - (for developing countries) - 90 countries, of which 10 countries are Generalised Scheme of (Trade) Preferences Plus (GSP+). Total: Over 100 countries have Trade Arrangements with the EU. 3. European Free Trade Association - EFTA - many advantages but requires "Free Movement of People" 4. European Economic Area - EEA - also requires "Free Movement of People" - 4 countries 5. Switzerland - a special category has one-to-one agreements with the European Union. Since the February 9th 2014 referendum, restrictions intended on "Free Movement of People." 6. In the EU Customs Union - but not member states - Andorra, San Marino, Turkey, and Monaco 7. EU Political Union - 27 countries including the United Kingdom

What matters is not the precise terms of these EU agreements/arrangements. For the purposes of the argument, what matters is that multiple kinds of EU trade arrangements and agreements exist. The trade agreements are there; they are in place. They set the precedents.

The chart below shows all of the countries with which the EU has trade agreements. All of these agreements are unique and have been, will be, or are in the process of being, voted and negotiated between the EU and the respective states.

Table 36

The state of EU trade



Source: European Commission News Archive

We now consider the EU's multiple trade arrangements in more detail.

3.1. The EU's arms-length relationship in trade

3.1.1 Case Studies

3.1.1.1. Case Study: Mexico

As shown above, a country can be outside the EU – and geographically and politically separate and distant – yet still have extensive free trade with the EU. One such is Mexico, with which the EU signed a free trade agreement (FTA) in December 1999. That FTA, which came into force in October 2000, stated a goal of ending tariff and non-tariff barriers, including customs duties, anti-dumping measures and technical regulations. It contains provisions, inter alia, for the liberalisation of market access in public procurement, intellectual property rights, investment, financial services, technical barriers to trade in industrial and agricultural goods, telecommunications and information services, agriculture and dispute settlement. The agreement also includes components in which the parties agree to increase cooperation in mining, energy, transportation, tourism, statistics, science and technology, and the environment.[6]

Consequently, all manufacturing exports from Mexico have benefited from tariff-free access to the EU market since 2003 i.e. no tariffs at all. In agriculture and fisheries, both parties have committed to reducing tariffs on most items.

As of April 2018, trade in goods between the EU and Mexico had risen by 148% since the existing EU-Mexico Trade Agreement came into force in 2000.[7] In 2017, the total value of two-way trade in goods between the EU and Mexico reached a new high of €61.7 billion, and continues to grow.[8] Investment flows between the EU and Mexico are increasingly reciprocal, with growing Mexican direct investment in the EU. In 2015, Mexican companies had made investments totalling some €16 billion in EU countries.[9] In 1999, the total value of Mexico-EU two-way trade was only €16.7 billion.

In summary, the EU-Mexico Trade Agreement clearly demonstrates that a country on a distant continent from Europe can – without being a part of the political construct that is the EU – have a trade agreement with the EU which eliminates tariffs and operates successfully.

3.1.1.2. Case Study: South Korea

South Korea is another country which successfully trades with the EU – €50 billion in 2017.[10] A comprehensive free trade agreement between the EU and South Korea was provisionally applied in July 2011 and formally ratified in December 2015.[11] It eliminated all tariffs on industrial goods and agricultural goods in a progressive, step-by-step approach. The majority of import duties had been removed in 2011. The remaining ones – with exception of a limited number of agricultural products – were removed after 5 years on 1 July 2016.[12]

The EU tariff on imports from South Korean cars was 10% before the implementation of the agreement; it is now 3.3% for small cars and 0% for larger models.

99% of the EU's average tariffs (8.2%) on South Korean textiles were immediately eliminated when the agreement came into effect, with the remainder being removed over the next few years.

Similar provisions are in place for major manufactured goods, including appliances and pharmaceutical products. Most EU tariffs on South Korean glass, leather, fur products, footwear, iron and steel products, and optical instruments, were also eliminated.

Table 37

South Korea: EU tariffs on cars and textiles			
Category	Average tariff rate pre-trade agreement in 2011	Average tariff rate in 2015	
South Korean cars	10.0%	Small cars	Medium/large cars
		3.3%	0%
South Korean textiles	8.2%	0%	

Source: Hlasny, Vladmir. "Korea-EU FTA One Year On" and European Commission TARIC Database

The EU-South Korea agreement is also notable for its comprehensive removal of non-tariff barriers. This covers technical barriers, customs administration and trade facilitation, rules of origin, competition law, and transparency.

In 2017, the total trade in goods totalled around €100 billion.[13] In the fourth quarter of 2018, overall foreign direct investment in South Korea increased by $7.7 billion.[14] Due in part to the agreement, South Korea's GDP is projected to grow by at least 2.6% during each year of the next five.[15]

South Korea's Trade Agreement with the EU, like that for Mexico, is another example of geographically distant countries entering into bilateral trade agreements (FTAs) with the EU and benefiting from enhanced and – mostly – tariff-free trade.

3.1.1.3. Case Study: Singapore

EU-Singapore Trade Agreement (consent given by the European Parliament in February 2019).

The main features of the EU-Singapore Trade Agreement: almost all goods will enjoy tariff free access within five years; there is an investor protection mechanism; there will be more openness in public procurement markets; Singapore will recognise EU safety tests, and there will be mutual recognition of professional qualifications.

Why not the same for the UK?

3.1.2. Generalized Scheme of Tariff Preferences (GSP)

The Generalized Scheme of Preferences (GSP) is a type of trade agreement principally for developing countries.[16] Since 1971, this scheme has allowed developing countries to pay lower tariffs on their exports to the then Common Market, now the EU.[17] The scheme is subject to WTO rules, in particular to a so-called "Enabling Clause" which allows for exceptions to the WTO's "Most Favoured Nation" principle for developing countries.

As of 1 January 2018, there were 17 countries in the scheme, (down from 88 in 2014 and 111 in 2013).[18] The countries cut from the programme were those ranked as high income or upper-middle income by the World Bank, including Brazil and Saudi Arabia. The arrangements cover 6,200 of a total of some 7,100 tariff lines that have rates above 0%.

Overall, GSP reduces tariffs on 66% of all tariff lines for beneficiaries.[19] The tariff lines are split into non-sensitive products - which enjoy tariff-free access to the EU - and sensitive products such as food, textiles, clothing, carpets, and footwear - which enjoy tariff reductions. In 2016, GSP category exports to the EU were valued at €62.7 billion.[20]

3.1.3. General Scheme of Preferences Plus (GSP+)

In addition to GSPs, the EU has a GSP+ scheme. In 2016-2017, the EU entered into GSP+ agreements with nine countries: Armenia, Bolivia, Cape Verde, Kyrgyzstan, Mongolia, Pakistan, Paraguay, the Philippines, and Sri Lanka. GSP+ has stricter entry criteria, but offers deeper tariff cuts to these countries.

In 2016, the exports of these 10 GSP+ beneficiary countries to the EU were worth €15.1 billion.[21]

Regrettably, GSP+ also exemplifies a highly undesirable trend that of continuing EU attempts to "politicise" trade.

Alone, the EU requires GSP+ countries to ratify certain international treaties. GSP+ applicants must fulfil criteria linked to 27 international conventions on human and labour rights, sustainable development and governance. These mainly stem from UN and International Labour Organisation (ILO) conventions.

Even with full ratification, the EU imposes a right to cancel its side of the GSP+ arrangement. The EU did this to Sri Lanka in 2010, notwithstanding the fact that the country had suffered over 25 years of civil war followed by the Asian super-tsunami. The EU's cancellation of GSP+ cost Sri Lanka around €100 million.[22] It was not until May 2017 that Sri Lanka was reinstated.

This has opened the way for China, which is replacing European countries in Sri Lanka on key projects such as the Hambantota Port.[23]

Moreover, GSP+ provides an opportunity for EU fishing vessels to fish (many would say "plunder") the waters of African countries. This policy has been particularly harmful to Somalia. It is estimated that the value of fish taken from Somali waters by EU fishermen is five times the amount that Somalia receives in foreign aid each year.

Is it not logical to see a link between the EU's depletion of Somali fishing stocks and the economic necessity that drives Somali fishermen to people-smuggling and piracy off the Horn of Africa?

That smuggling and piracy have been the cause of enormous cost to the world economy in loss of life and disruption to shipping.

3.1.4. Everything but Arms (EBA)

Another component of the EU's GSP scheme is 'Everything but Arms' (EBA), introduced in March 2001.[24] Excluding arms and armaments, it provides complete tariff and quota-free access to the EU market for the 49 least-developed countries (LDCs) as defined by the United Nations. A full list appears in Appendix 12.

A major drawback of EBA is its concentration on commodities. This can have the effect of focusing the economies of developing countries on raw materials, rather than trying to increase added-value businesses and so develop a diverse economy.

Given the list above, one has to ask, why does the UK not have an FTA - already agreed? Is this perhaps because it was never properly asked for? Now to the EU´s closer relationships encompassing trade.

3.2. The EU's closer relationships - Encompassing trade

3.2.1. European Free Trade Association (EFTA)

EFTA (the European Free Trade Association) is now often referred to. The UK was a founding member in 1960 when the UK sought a counterweight to the EEC. EFTA still exists and has four members: Norway, Iceland, Switzerland and Liechtenstein. However, the total GDP of the four EFTA countries ($1.1 billion),[25] is only around half that of the UK ($2.8 billion).[26]

It is important to note that in addition to its agreements with the EU, EFTA had 28 FTAs, together with six joint declarations on cooperation in 2018.[27]

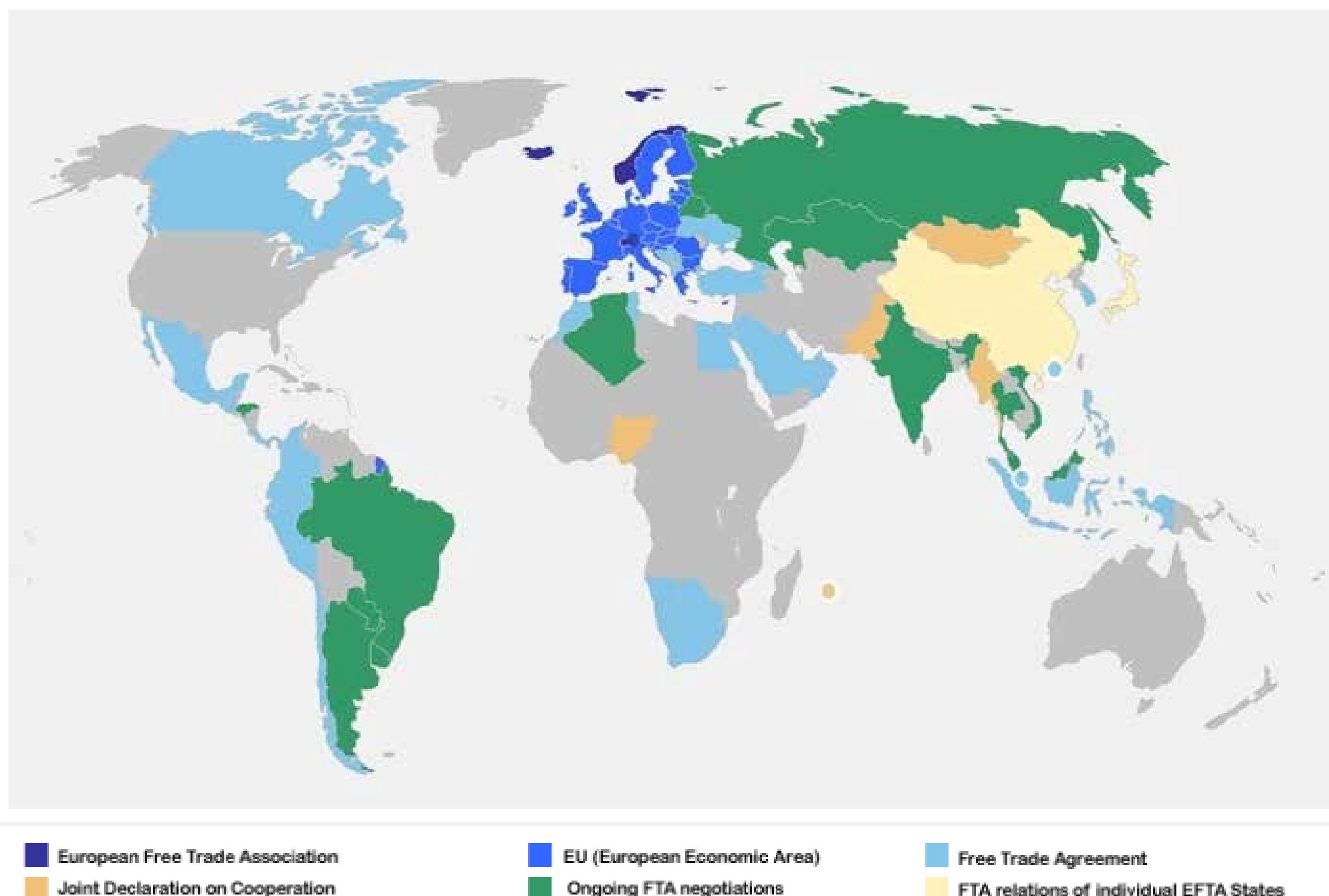
The EFTA countries – except Switzerland, discussed separately below – joined the European Economic Area (EEA) in 1994. This is an arrangement whereby EFTA states pay for full access to the EU Single Market… and in turn comply with Single Market regulations.

Let us consider the advantages that EFTA countries have. They are exempt from both the Common External Tariff and EU external trade policy. This means that they can import goods from non-EU countries under their own tariff regimes, and are free to conclude their own trade agreements with other countries, something which the UK is not allowed to do under EU regulations, and even in a Customs Union.

For example, since July 2009, EFTA has entered trade agreements with a

Table 38

EFTA international trade agreements



Source: EFTA Free Trade Map

Commonwealth country, Canada.[28] As of February 2019, the national parliaments, and in some cases regional ones, in EU countries still have to ratify the Trade Agreement with Canada - currently known as CETA, although terms are agreed and the Agreement entered into force provisionally on 21 September 2017.[29] Consequently, the UK still has no FTA with Canada, a fellow Commonwealth country. Ironically, the UK had its own Trade Agreement with Canada (based on the Ottawa Agreements) which we turned our back on – together with agreements with other Commonwealth countries – when the UK joined the then Common Market in 1973.

EFTA also has FTAs with organisations and countries with which the EU does not: the Gulf Cooperation Council and Singapore. Table 38 shows the extent of EFTA's trade agreements around the world (although an EU-Singapore agreement has now been agreed).

EFTA member Iceland has a population of just 300,000. Yet Iceland in its own right has an FTA with China. The EU has no such agreement with China. If Iceland were to join the EU – now highly unlikely – it would then have to cancel its FTA with China.[30]

Iceland is not the only European – but non-EU – country to enjoy the advantages of being able to sign its own trade agreements. In July 2013, Switzerland also signed a Free Trade Agreement with China. During 2017,

Switzerland exported over $24.5 billion to China.

Compare that with the EU, which almost started a trade war with China. The then EU Trade Commissioner, Karel De Gucht, proposed off his own bat penal tariffs on Chinese solar panels. One thousand European companies signed an open letter pleading with the Commission not to embark on this course of action. The two sides finally reached an agreement on a minimum price for Chinese solar panels in July 2013. The reason is that whilst Iceland and Switzerland signed trade agreements with China, the EU was burning bridges before it had even built them.

It is noteworthy that this proposal was an "own-initiative" – rather an own goal – by the EU Trade Commissioner against the stated wishes of 17 of 28 Member States. The author described it at the time as a "frolic." It could have triggered a trade war. The affair demonstrates, yet again, the power wielded by unelected and unaccountable EU Commissioners. The Director of the European Centre for International Political Economy, Hosuk Lee-Makiyama, rightly suggested (in a Financial Times) article that the geopolitical relationship with China is too important to be entrusted to the EU Commission. See Appendix 13 for the full text of that article.

This is one example of the advantages the UK regains as an independent trading nation able to negotiate its own trade agreements thanks to Brexit. It was folly for the UK to have given away its right to negotiate trade agreements to EU institutions, whose instincts are protectionist and inward looking; they do not embrace free trade. On this basis alone, the UK is better off when fully out of the EU, and able to negotiate FTAs for itself.

EFTA has had its accounts approved and signed off every year throughout its history. The EU cannot say the same.[31]

EFTA countries consistently run a trade surplus in goods with the EU; €9.6 billion in 2017.[32] Compare that with the UK's trade deficit with the EU; £95 billion in 2017.[33]

Table 39

EFTA's trade surplus with the EU: the UK's trade deficit with the EU		
Year	**EFTA's trade surplus with the EU**	**UK's trade deficit with the EU**
2009	€ 22.1 billion	-£36.9 billion
2010	€ 27.6 billion	-£42.8 billion
2011	€ 32.1 billion	-£43.3 billion
2012	€ 22.3 billion	-£56.9 billion
2013	€ 34.9 billion	-£66.7 billion
2014	€ 43.9 billion	-£71.7 billion

Sources: ONS, European Commission, HMRC and Eurostat

EFTA countries are not subject to the Common Agricultural Policy; Common Fisheries Policy, EU criminal justice and asylum policy; EU foreign and defence policy.[34]

But there is a powerful negative for EFTA; its member countries have to accept Article 45 of the Lisbon Treaty relating to the free movement of people. In addition, EFTA countries are also signatories to the Schengen Agreement for free movement. The EFTA 'three' – i.e. bar Switzerland – also have to make annual contributions to the EU budget and to participate financially in the EU's regional policy. For 2014-2020, the EFTA states will contribute €3.2 billion to the EU budget.[35]

3.2.2. Norway

Norway also has significant advantages in its trade agreement with the EU. Many europhiles (for example, the CBI) state that Norway has no meaningful influence in the EU. They assert that Norway has to accept almost all regulations coming from the Commission in Brussels; the phrase often used is "government by fax." They argue – on behalf of Norway – that Norway already pays for access to the Single Market, and so should join the EU in order to promote its own interests in the EU Single Market.

These arguments distort the definition of 'influence.' They further assume that to be part of the EU's artificial political construct is the only way to promote a country's economic interests within the EU. Norway has a population of barely four million, less than half that of London. Nevertheless, in 2016, Norway enjoyed a trade surplus of €26.7 billion with the EU.[36]

It is not correct to assert that Norway has no influence on EU regulations. As

an EFTA member, Norway has the right to advise EU countries on how it would vote, if it had the vote, on proposed EEA regulations. This right ensures that Norway has the ability to influence new regulations; technically, Norway also has the right not to implement EU regulations. Articles of the EEA Agreement explain the procedures for the EU and EFTA working together. These articles mean that Norway can influence EU regulations by prompting debate and so ensuring that the EU takes Norway's interests into account. These demonstrate tangible influence upon EU regulations separate from direct voting. In the highly unlikely event that the Norwegian people voted for Norway to become a member of the EU, Norway's vote in the Council of Ministers would be only some 2% (see table below). In terms of 'influence,' what Norway has in the hand is more effective for Norway than a mere 2% of the weighted vote in the Council of Ministers.

Table 40

Influence: EFTA members in the EU, assumed QMV vote in the Council of Ministers			
Country	**Comparably sized EU member (by population)**	**Number of votes in Council of Ministers (of 353 total votes)**	**Percentage of vote in Council**
Norway	**Slovakia**	**7**	**2.0%**
Switzerland	**Austria**	**10**	**2.9%**
Iceland	**Malta**	**3**	**0.9%**

Source: The Council of the European Union and CIA World Factbook

The number of EU regulations that Norway adopts is fewer than the number of regulations adopted by the UK as an EU member: over the period 2016-2018, a total of 1,352 acts were incorporated into the EEA Agreement, while over the same period, the EU adopted 6,075 directives, regulations, and other legal instruments.[37] [38] [39]

The free trade agreements that EFTA negotiates are signed by Norway and all other EFTA members individually. Compare this with the EU, whose Trade Commissioner negotiates trade arrangements on behalf of all 27 EU countries. Furthermore, Norway can import goods from other countries under its own tariff regime as it wishes.[40] Norway is not obliged to apply the EU's Common External Tariff.

Norway still has tariff-free access to the EU market – and this without its farmers and fishermen being subject to the EU's Common Agricultural or Common Fisheries policies. Furthermore, unlike the financial contributions of EU member states – which go directly to the Commission to be used only as the Commission sees fit – Norway retains significant control over how its contribution to EU regional policy is spent.

Norway does make financial contribution to the EU; €447 million annually according to one measure.[41] (Compare this with Professor Tim Congdon's table depicting the costs of EU membership for the UK). This is often presented as a payment for access to the EU 'Single Market.' However, Norway's ambassador to the EU stated to the European Parliament's INTA Committee (5 November 2014):

“One member (MEP member of the INTA Committee) said, ‘How much do we pay?’ We don’t pay. The EEA and Norway grants amounting to about €1.8 billion in the period we just finished is a contribution from Norway in addition to Iceland and Liechtenstein to reduce social and economic cohesion. We don’t pay for the EEA, the EEA – this one – was negotiated in order to achieve a level playing field, and then in addition we provide economic means in this five- year period €1.8 billion to reduce social and economic disparities inside the European Union...”

Further, and perhaps most important of all, Norway is represented in its own right in international organisations. Norway even holds the chair of NASCO (the North Atlantic Salmon Conservation Organisation) and NEAFC (the Northeast Atlantic Fisheries Commission), both important to Norway. By contrast the UK has – in many instances – just a fraction (1/28th) of a seat at the table.

It may be that Norway’s arrangement with the EU could be improved. Nonetheless, Norway retains its autonomy in key areas, with arrangements that put it in a much better place than that of the UK. The UK has a much larger economy – almost five times greater than that of Norway. Moreover, the UK has a trade deficit with the EU. The UK really ought to be able to create better arrangements with the EU than those that Norway has.

3.2.3. Switzerland

Switzerland is a very special case. Although it is at the geographical heart of Europe, totally surrounded by EU member states, it is not a member of the EU. It exports multiple times more per head to EU countries than does the UK. Furthermore, Switzerland, with a population of just eight million, is the EU's fourth largest trading partner, behind only the US, China and Russia.

In a 1992 referendum, the Swiss people narrowly voted NOT to join the European Economic Area (EEA): the majority was just half of one percent.[42] In consequence, the Swiss trading relationship with the EU is made up of bilateral agreements. There is no blanket omnibus agreement, no Treaty of Rome or equivalent; it is case-by-case. After the rejection of the EEA, bilateral arrangements became the basis of Switzerland's trading relationship (and other relationships) with the EU. When, in 2001, a popular initiative asked the government to open negotiations to join the EU, over 76% of Swiss voters voted against.

Switzerland agrees on only those bilaterals that it wishes. Switzerland can choose. 34 main bilaterals and another 100 or so subsidiaries are agreed.[43] The principal ones include eliminating technical barriers to trade, public procurement, civil aviation, overland transport, agriculture, research and free movement of persons.

Many of the areas, which so bedevil the UK´s relationship with the EU and limit British freedoms, are not part of any Swiss bilateral deal. The Common Agricultural Policy; the Common Fisheries Policy; the Customs Union; Common Foreign and Security policy (other than ad hoc cooperation); Justice and Home Affairs (other than Schengen of which Switzerland is an associate member); Social Policy (other than the coordination of national social security systems in the context of the free movement of persons); and Economic and Monetary Union (EMU) are all excluded.

None of the bilateral agreements transfer national Swiss authority to a supranational

body. As it wishes, Switzerland can and does hold referenda on particularly important matters, as well as local issues which would require adoption into Swiss federal laws or amendments to them. Some referenda enable parts of the *acquis communautaire* (the accumulated legislation, legal acts, and court decisions which constitute the body of EU law) to apply to Switzerland (e.g. the Civil Aviation Agreement and Schengen/Dublin).[44] Changes are made on a case-by-case basis. Bilateral agreements are not automatically updated; they are managed through joint EU-Switzerland committees. Decisions have to be unanimous.

As an EFTA member, Switzerland benefits from all the EFTA trade agreements. Even more, Switzerland remains able to separately enter into its own trade agreements. Thus, Switzerland has trade agreements with Japan and China.

Switzerland signed a Trade Agreement with China on 6 July 2013. This is in marked contrast to the progress of the EU Commission. The Switzerland-China Trade Agreement is a compelling example of how an independent country is much better placed to negotiate trade agreements than an artificial, political construct of 28 countries stretching from the Arctic tundra to the olive groves of Greece.

Because it is not in the EEA, Switzerland has no participation rights or observer status in EU agencies. Nonetheless, Swiss diplomats can and do lobby the Council of Ministers directly.

Switzerland has only limited agreements with the EU on financial services. These agreements apply to the ability of insurance companies to choose their country of domicile (the Insurance Agreement of 1989). Switzerland also collects a withholding tax on interests on behalf of the EU states from those who are resident for tax purposes in the EU. The constraints of the 50 complex directives which limit the UK's financial

markets do not apply to Switzerland. Would the UK be better in that position or not?

Switzerland does not contribute directly to the EU budget. Its contributions to social and economic cohesion projects are relatively small. However, since 1991 Switzerland has contributed around €2.7 billion to develop and stabilise Eastern Europe and the Balkans.[45] This contribution was made legally binding by the 2006 Eastern Europe Cooperation Act, and further approved by Swiss voters in a national referendum. Importantly, the funds are paid to Eastern European countries directly. As a result, and relatively unlike the UK, Switzerland retains a degree of control over how its money is spent.[46]

Switzerland is now an Associate member of the Schengen Agreement on the free movement of persons. In this context, however, these are restrictions. In 1999, Switzerland signed a Bilateral Agreement so that citizens of Switzerland and the EU had the right to choose their place of employment and/or residence within those national territories. For those wishing to live in Switzerland, a valid employment contract, or self-employment, or proof of financial independence together with full health insurance coverage were preconditions. The “free movement of persons” also encompassed the mutual recognition of professional qualifications and coordination of national social security systems. 67% of Swiss voters said “Yes” in 2000 and the bilateral agreement became effective in 2002. The bilateral agreement was then extended via further referenda to the new members of the EU from Eastern Europe in 2006 and to Bulgaria and Romania in 2009.

However, unrestricted immigration proved a problem for Switzerland. The Swiss population rose by 4.6% in 2013 alone, mostly due to immigration.[47] At the end

of 2017, there were over two million legally resident foreigners in Switzerland, representing a massive portion of the country’s overall population of eight million.

Switzerland had insisted on a safeguard clause when the bilateral agreement on the free movement of persons was drawn up with the EU; this was to allow the opening of Swiss borders to be phased in. Further, the safeguard clause could temporarily halt residence and work permits for some EU citizens.

Switzerland has so far invoked the safeguard clause in order to restrict immigration three times. In April 2012, the safeguard clause was invoked and applied to the 28 EU member states. In April 2013, the restriction was extended for a further year, and applied to the EU member states also for a year. Switzerland then introduced new quotas and limited long-term work permits available

to EU citizens. Brussels reacted strongly, indeed with anger and outright hostility.

On 9 February 2014, the Swiss electorate voted in favour of the initiative “Stop mass immigration.” The referendum demanded that “Switzerland have autonomous control of immigration by means of quantitative limits and quotas, as well as a renegotiation and adaptation of international treaties…”[48]

In that referendum, 50.3% of Swiss voters voted in favour of immigration quotas. The Swiss government was given three years to decide on Swiss quota thresholds.

The vote swiftly led to an offensive of words from the EU. The EU immediately responded that if the new Swiss laws were to breach EU rules on the free movement of people, Switzerland could be cut off from the EU’s Single Market. Within days, the EU went further than words. The EU delayed an energy treaty with Switzerland. The benefit to Switzerland would have been possibly cheaper energy. However, Switzerland itself is an electricity power hub, so the efficacy of this punishment was undermined.

The next test was Croatia. The EU had expected Switzerland to pass legislation to open the Swiss labour market to immigration from the new member state of Croatia by 1 July 2014. But Switzerland has refused to sign this “in its current form.”

In retaliation, the EU suspended some joint programmes, but notably the EU did not suspend key agreements on market access. The EU postponed negotiations on Swiss participation in both the EU’s €80 billion Horizon 2020 research program and its €14.7 billion Erasmus+ educational exchange programme. Both schemes cover the period from 2014 to 2020. But that was it.

Since the February 2014 referendum, the Swiss People’s Party (SVP) – which organised the referendum – has become more popular. In General Elections held on 18 October 2015, the Swiss People’s Party achieved 29.5% of the vote for (the lower house of) Parliament.

As of February 2019, the EU has still not implemented any firm sanctions against Switzerland for its unilateral decision to limit

EU immigration. Initially, the EU refused to negotiate at all, but in December 2015, Swiss President Simonetta Sommaruga met European Commission President Jean-Claude Juncker and President of the Council of Ministers Jean Asselborn to discuss the matter. In December 2018, the EU extended the deadline for a deal to be reached by six months.[49]

Negotiations between Switzerland and the European Commission on an institutional framework accord concluded in November 2018. On 7 December 2018, the Swiss Federal Council decided to neither accept nor decline the negotiated accord, instead opting for a public consultation.[50] If the accord were accepted by Switzerland, the country would be similarly subjected to EU regulations as are other EFTA countries which are members of the EEA.

If the referendum were to be rerun, in view of subsequent events, it is highly probable that there would be a larger majority in favour of limiting EU emigration to Switzerland.

There are wider implications for the future. The aftermath of the Swiss referendum on immigration demonstrates that countries can stand up for themselves against European Union laws.

The huge disadvantage of Switzerland's former arrangements was that Switzerland was bound by EU rules on "Free Movement of Persons..." Switzerland has now removed itself from the obligation.

After the referendum on 9 February 2014, Switzerland has a different blueprint for its relationship with the EU. This creates a precedent for other countries, although not (in my judgment) for the UK.

On Brexit, we do NOT put forward Norway, Switzerland or for that matter Iceland (nor membership of the EEA) as a blueprint. For more on this, see the following exchange from BBC's "The Daily Politics" on 10 November 2015:

Interviewer, Jo Coburn:
"Those who wish to leave the EU often cite Norway as an example to follow. Do you accept that even from Norway's perspective, certainly at an official level, the foreign minister recently wrote in the Guardian that Britain shouldn't choose his country as an example, as they would still have to accept freedom of movement and accept directives from Brussels. This idea of being outside the EU but being in a broader economic area, you would still be subject to those restrictions.

William Dartmouth:
"No, no. I've been Trade Spokesman for five years; we don't put forward the blueprint for either Norway, or Switzerland or for that matter Iceland, because we are the fifth largest economy in the world, and provided we don't have politicians at our head like David Cameron who sells the pass before it's even begun, we would be able to negotiate a much better arrangement."

The fact of the matter is, in the European Union, we have 8.24% of the votes on the Council of Ministers. If Turkey gets EU membership, which is what the Conservative Party and the Labour Party want, it will be even fewer. MEPs aren't particularly important, but we have less than 10% of MEPs, and we have one out of 28 Commissioners. In the councils of the world, particularly in trade, our voice is muted as one out of 28. But a short answer to your question is, both Norway and Switzerland have better arrangements than we do, but we can do better than either of them."

It was impossible to know then that the Brexit negotiation would be handled as badly as it was by then Prime Minister Theresa May. Theresa May failed utterly to think strategically or long-term. The lady has set out innumerable 'red lines' only to breach them herself. She has failed to win allies or build leverage thus having few apparent cards to play. She has failed to convince either her party or the country of her stance or competence - and the Prime Minister now approaches a key deadline with no plausible route forward. In the entire annals of Britain's Prime Ministers, it is difficult to imagine worse. (Even the hapless lord North who lost the 'first British Empire, the north American colonies' – had the excuse of an interfering higher power, George III.)

3.2.3.1. European Economic Area

The EEA Agreement includes specific clauses on the free movement of workers beginning with Article 2b:

> "In order to attain the objectives set out in paragraph 1, the association shall entail, in accordance with the provisions of this Agreement: the free movement of persons..."

The EEA has further major disadvantages. Protocols 37, 38 and 38a of the EEA Agreement of 1992 establishing the Financial Mechanism (FM) mandate contributions by Liechtenstein, Iceland, and Norway to the EU programmes that they participate in - determined by the proportion of these countries' combined GDP to the EEA's GDP. The contributions go to countries designated by the EU - meaning control of where the money goes is largely out of these countries' hands.

Because of Article 128 in the Agreement, the total amount of contributions increases when new countries join the EU (and thus the EEA). While the EU determines the amount of the Financial Mechanism and the proportions going to the various recipient countries (Protocol 38, Article 4.1), the three states mentioned above have decided internally to split up their portions of the FM based on GDP (revised in Article 2 of EFTA Decision 3/2010/SC, 1 July 2010).[51 & 52]

Both the amount of the FM and the countries covered by it have increased substantially since the EEA's inception. For the period 1994 to 1999, the total contribution under the Financial Mechanism was €500 million – distributed amongst Greece, Ireland, Northern Ireland, Portugal, and nine regions of Spain.[53]

When Eastern European countries joined the EU in 2004, the EFTA/EEA states' contribution for the period 2004 to 2009 was €1.2 billion compared with €119.6 million during the previous period from 1999 to 2003, a huge increase.[54] For the period 2009-14, the contributions are known as the EEA Grants and are disbursed in annual tranches of €197.7 million to the 12 newest EU member states (Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, and Slovenia), as well as to Greece, Portugal, and Spain.[55] This is a total of €2.8 billion.[56 57]

3.3. The EU Customs Union - Turkey, San Marino, Andorra and Monaco

In the context of trade, the EU is, simply, a Customs Union. From the point of view of this paper, it is an important distinction that a country can be in the EU Customs Union without being in the EU political union. That is the agreement that Turkey and three micro-countries – Andorra, San Marino and Monaco – currently have with the EU. There are big pluses: those countries' economies are not subject to the rules of the EU's Single Market; there is no requirement for the "free movement of people" (in reality, a right of permanent settlement for all citizens of EU member states); they are exempt from the Common Agricultural and Common Fisheries policies; and, moreover, they make no financial contributions to the EU.

The disadvantage is that the EU Customs Union – as with other Customs Unions – requires of its signatories that they "[impose] a common external tariff (or tax) on substantially all goods imported from outside the customs union..."[58]

3.3.1. Andorra, San Marino and Turkey

Arguably, Andorra and San Marino have more favourable and better terms as members of the EU Customs Union than the UK 'enjoyed' from full EU membership. Certainly, in the context of trade agreements, Andorra and San Marino have better terms.

Turkey has been in the EU Customs Union since 1996 (with the important exception of agriculture). As a consequence, Turkey exports industrial and processed agricultural goods to the EU free of tariffs… and has done so since 1996.[59]

3.3.2. Turkey's candidacy for EU membership

Turkey is the only country in the EU Customs Union that is also a candidate for EU membership. In EU jargon, Turkey holds the status of "candidate country."

The rationale for Turkey to become a full EU member is unclear. The case has never been properly made, and certainly not in David Cameron's deeply embarrassing speech in Ankara in July 2010, in which he said: "... it makes me angry that your progress toward EU membership can be frustrated in the way that it has been."[60]

Turkey joining the EU is often justified in terms of trade. For example, Nick Clegg at a press conference, after a fleeting visit to Turkey on 4 October 2012 stated that "... [t]he UK has long supported Turkey's accession to the EU. We view this as a strategic necessity. Consumers and businesses across the EU will benefit from access to Europe's main emerging market..."[61]

On the basis of this statement, it would seem that Mr Clegg – then Deputy Prime Minister – was unaware that Turkey has been in the EU Customs Union since 1996. If trade is indeed the rationale, it is phoney. Again, as Turkey is in the Customs Union, the UK already has all of the benefits that we can reasonably expect from trade with Turkey. Yet the UK runs a trade deficit with Turkey; in 2017, this deficit was £3.1 billion.[62] This is without Turkey being a full member of the EU. Turkey's membership of the EU would confer on 73 million Turkish citizens in due course the EU's "free movement of people." This means the absolute right to live, work and settle in the United Kingdom. The population of Turkey is projected to grow to 89.6 million people by 2025, and the UN estimates that Turkey's population will then continue to grow to 97.3 million by 2050.[63][64] Yet, 97% of the landmass of Turkey is not in Europe at all, but in Asia. Furthermore, Turkey has porous borders with Syria, Iran, and Iraq. Turkey's borders will effectively become the UK's borders.

Neither Tim Farron, Clegg's successor as Lib Dem Leader, nor Labour Leader Jeremy Corbyn (2015-2020) have similarly opined on Turkey. Nevertheless, Turkey becoming an EU member state is still Labour and Lib Dem policy. It is intellectually incomprehensible that the Conservative Party, Liberal Democrats and the Labour Party not only support but are also all cheerleaders for Turkey's accession to the EU.

The only possible explanation is that the EU wants to draw Turkey, and all other Southern and Eastern European countries, under its wing in order to protect them from Russia's

sphere of influence. This argument in the name of regional security is just another attempt at politicising EU membership in what is a political union (Treaty of Rome). Nonetheless, many in the UK despite all the evidence, continue to see the EU as being primarily about economics.

The EU seems to be willing to suffer the financial costs of pre-accession funding for candidate countries and of propping up their infrastructure development. This is even though the governments in candidate countries may not be properly democratic. As we've seen across Europe, however, citizens across the more developed EU member states are rejecting this model.

To revert to trade relationships, the benefits of being in the Customs Union – but not a full EU member – are considerable. If the UK were in a customs union arrangement, such as that which Turkey enjoys, the UK would retain free movement of goods without duties. But there would be no free movement of people. We could reactivate our seat at the World Trade Organisation. We would be exempt from the Common Agricultural and Common Fisheries policies, EU social and employment legislation, and contributions to the EU budget and EU structural funds. Financial services regulation and supervision would be firmly under UK – not EU Commissioner – control.

One objection to the Customs Union could be the "influence" point; I can almost hear the field artillery of the CBI limbering up! However, it is clear from the answer to a written question to the European Commission tabled by the author that Turkey is consulted as part of the EU Customs Union:

> "On 10 July 2013, Jean-Luc Demarty, Director-General of DG Trade at the European Commission, addressed the International Trade Committee. He spoke at length on a series of issues, including the Transatlantic Trade and Investment Partnership (TTIP) negotiations. However, because of time constraints, he did not adequately address six questions. Could the Commission respond to the following questions?
>
> 1. How does the Commission provide representation to customs union countries during its trade negotiations with other countries?
> 2. Are there any formal or informal mechanisms in place?
> 3. Does the Commission have specific mechanisms in place for Turkey?
> 4. Will Turkish officials be present during the TTIP negotiations?
> 5. How will Turkish interests be represented during the TTIP negotiations?
> 6. Could the Commission provide data showing how the TTIP will affect Turkey?"

Trade Commissioner Karel De Gucht answered on behalf of the Commission on 12 September 2013:

> "The Commission has informed the United States Trade Representative (USTR) about the EU-Turkey Customs Union and will continue to support Turkey's request to also negotiate a Free Trade Agreement with the USA".

> "Furthermore, the Commission has already established a trade dialogue with Turkey, and Turkey will be informed of Transatlantic Trade and Investment Partnership (TTIP) developments. This trade dialogue is complementary to the formal meetings that take place within the institutional bodies set up under the EU-Turkey Customs Union Agreement."

After the trade dispute between the EU and USA ended and President Donald Trump re-opened the door for negotiations, TTIP trade talks were again underway.[65] They are carried out by Commission and US officials. However, Turkey will be able to inform the Commission on its offensive and defensive interests, as part of the established trade dialogue. Such information will be considered to the extent possible. An independent study released in March 2013 concluded that liberalising trade between the EU and the USA would have a positive impact on worldwide trade and income.[66] If the EU and the USA were to succeed in lowering respective tariffs and reducing regulatory divergence, some of the reductions achieved in the cost of doing trade will also benefit other partners. Furthermore, a sustainable impact assessment will soon be carried out by independent researchers, with a particular reference to the impact on Turkey.[67]

The author tabled similar questions to the EU Trade Commissioner, Ms Cecilia Malmström, on 17 December 2014. On the representation of Customs Union countries during EU trade negotiations, on 12 February 2015 the new Trade Commissioner referred the author to the answer to the previous question set out above.

In response to a question on Turkey´s specific representation in the TTIP negotiations, the author tabled a separate series of questions to Ms Malmström – again, similar to the Turkey-TTIP questions he previously submitted to Mr de Gucht. Ms Malmström´s answer, delivered on 18 February 2015, reprinted most of Mr de Gucht´s answer, while clarifying that "A sustainability impact assessment looking at specific effects of the TTIP on Turkey is currently being carried out. Publication of an interim technical report by independent researchers is expected in mid-2015."

In March 2015, a Senior Officials Working Group (SOWG) issued a report containing several recommendations for improving the EU-Turkey Customs Union. The group recommended that the Customs Union be extended to cover services, public procurement, and agricultural products not already covered by the arrangement. It also recommended that the Customs Union be upgraded to reinforce its efficiency, including but not limited to the creation of a dispute-settlement mechanism. Both sides aimed to pursue new trade negotiations in line with these recommendations upon the adoption of the report by the Turkish Authorities.

In addition, it should be noted that Turkey has its own FTAs with Bosnia-Herzegovina, Macedonia, the Palestinian Authority, Tunisia and EFTA.

4. Falsehood: A member state of the EU will always export more to EU states than will a non-member state.

Many make the mistaken assumption that a member state of the European Union will always export more to countries within that union than will a non-member state.

Switzerland has an economy less than one quarter the size of ours. Switzerland is not a member of the European Union. Nevertheless, Switzerland exports to the EU more per person than does the UK to the tune of four and a half times.

Table 41

Exports to the EU from the UK compared with Switzerland					
Year	**Country**	**Total exports to the EU in billions €**	**Population in millions**	**Exports per capita**	**Exorts per capita multiple Switzerland : UK**
2009	UK	217.9	62.3	€ 3,497.6	4.8x
	Switzerland	130.0	7.7	€ 16,883.1	
2010	UK	246.1	62.8	€ 3,918.8	4.5x
	Switzerland	139.0	7.8	€ 17,820.5	
2011	UK	267.5	63.3	€ 4,225.9	4.5x
	Switzerland	150.4	7.9	€ 19,038.0	
2012	UK	274.5	63.7	€ 4,309	4.8x
	Switzerland	166.9	8.0	€ 20,862.5	
2013	UK	264.9	64.1	€ 4,132.6	4.7x
	Switzerland	157.0	8.1	€ 19,382.7	
Average 2009 – 2013					**4.6x**

Sources: ONS, HMRC and Eurostat

5. Falsehood: A country needs to be in a large trade bloc to be able to negotiate trade agreements.

The claim is often made that the UK "will be more likely to get new trade agreements with non-EU countries if we do it jointly with the EU, i.e. in a large trading bloc."

This restates the dogma that a big trading bloc has inherently greater negotiating strength. It follows the EU will be somewhat weakened by Brexit, and the UK will be greatly weakened. Ergo, the UK after Brexit is in a weak negotiating position.

This dogma has of course always been part of the raison d'etre of the EU. However the assumption is likely wrong in principle. Although it is true that a bigger trading bloc can use its market as a negotiating card, this is offset by the negotiating disadvantage that comes from having to ask for more, because the big trading bloc has more to sell. So, where does the balance lie? There can be no *a priori* assumption as to which factor will prevail. It will vary from case to case.

Moreover, and this is key, a large trading bloc has to negotiate twice. There is a pre-negotiation stage; this is to establish a common position for the main negotiation. It is noteworthy that for the UK in the EU, the pre-negotiation stage with EU member states has always been tougher than the main external negotiation, (for example getting the Uruguay Round launched).

5.1. New Zealand, Iceland and Switzerland

It should be noted that all of these small countries all have trade agreements with China.

5.1.1. Case Study: New Zealand

Table 42

New Zealand's trade agreements	
Country	**GDP (adjusted for PPP)**
Australia	$1,246 billion
Hong Kong	$454 billion
China	$23,160 billion
ASEAN (Myanmar, Laos, Vietnam, Thailand, Philippines, Cambodia, Malaysia, Singapore, Brunei, Indonesia)	$7,930 billion
Korea	$2,029 billion
Malaysia	$930 billion
Singapore	$527 billion
Thailand	$1,234 billion
P4 "Pacific Four" (Brunei Darussalem, Chile, Singapore, New Zealand)	$1,199 billion

Source: World Development Indicators, World Bank, Statistics New Zealand, Trading Economics 2017

5.1.2. Case Study: Iceland

Table 43

Iceland's trade agreements	
Country	**GDP**
China	$23,160 billion
Mexico	$2,458 billion
Turkey	$2,173 billion
Canada	$1,769 billion
Egypt	$1,201 billion
South Africa Customs Union (Sum of 2014 GDPs for Botswana, Lesotho, Namibia, Swaziland, and South Africa)	$848 billion
Algeria	$632 billion
Singapore	$527 billion
Switzerland	$517 billion
Chile	$451 billion
Peru	$424 billion
Norway	$380 billion
Israel	$316 billion
Morocco	$298 billion
Tunisia	$135 billion
Serbia	$105 billion
Croatia	$101 billion
Jordan	$89 billion
Korea	$40 billion
Lebanon	$87 billion
Macedonia	$31 billion
Greenland	$2.4 billion
Palestinian Authority (West Bank and Gaza)	$12.74 billion

Source: CIA World Factbook 2017

5.1.3. Case Study: Switzerland

The case of Switzerland is particularly compelling; see the table below. In 2013, the EU had agreements with just four countries or regions that Switzerland does not. Whereas Switzerland had agreements with five countries including, and especially, China and Japan, with which the EU does not have agreements.

The table below also highlights the telling point that the GDP of these four countries or regions with which the EU has agreements is less than 1/30th that of the five countries with which Switzerland has agreements. Why does the BBC, and the media at large, continue to peddle the blatantly false assertion that a country needs to be in a large trading bloc in order to enter into trade agreements?

Table 44

The EU's trade agreements	
Country	**GDP**
Algeria	$522 billion
Andorra	$3 billion
Central America	$362 billion
San Marino	$1 billion

Source:

Table 45

Switzerland's selected trade agreements	
Country	**GDP**
China	$16,173 billion
Gulf Cooperation Council	$2,886 billion
Japan	$4,685 billion
Singapore	$433 billion

Sources: IMF World Economic Outlook Database and CIA World Factbook, 2015

5.2. The "size argument" - Trade agreements

Pro-EU commentators often restate the myth that it is obligatory to be in a large trading bloc to sign trade agreements at all. This is not true. For example, Switzerland has had a bilateral Free Trade and Economic Partnership Agreement with Japan since 2009.[68] The EU has only just managed this, in 2019

Table 44 on the previous page sets out (as of 2015) the four countries or regions with which the EU has trade agreements and Switzerland does not and compares them with the five countries with which Switzerland has trade agreements and the EU does not. Switzerland also has a trade agreement with Hong Kong; the EU does not.

Further, New Zealand, Iceland and Switzerland have signed trade agreements with China in April 2008, April 2013 and July 2013, respectively.

It is put forward by the EU's apologists that the UK's economy is too small for the USA to enter into a trade agreement with the UK on its own.

This gets it wrong. Compare that with the facts. The USA (the world's largest economy) currently has free trade agreements with 20 countries: Australia, Bahrain, Canada, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Jordan, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, Singapore and South Korea.[69] The GDP of each of the 20 countries with which the USA has FTAs is smaller, mostly far smaller, than that of the UK.[70]

The world's second-largest economy, China, currently has trade agreements with eight countries and the Association of Southeast Asian Nations (ASEAN). As mentioned above, the eight include New Zealand, Iceland and Switzerland. China is also negotiating trade agreements with seven more countries and the Gulf Cooperation Council. The combined GDP of all of these – including the ASEAN countries – is smaller than that of the UK.[71]

The concept that the UK needs to be part of a large trading bloc – let alone bolt itself to an artificial political construct, with the very

different economies of continental Europe, in order to enter into trade agreements with the countries of the world – is contrary to the facts. It is simply untrue, a falsehood.

5.3. Negotiating for 27 is more difficult

Rather than a country like the UK needing to be part of a trading bloc in order to sign trade agreements, the reverse is the case. It is actually harder for a bloc of 27 different countries to negotiate trade agreements. There are 27 different economies and 27 different sets of economic and social priorities which have to be accommodated and satisfied. As UK Trade Minister Lord Livingston said in a response to a question from the author: "all the 27 [EU] countries have to agree on each and every trade agreement..." (13 November 2014).

Protectionism is one of the "different sets of priorities" cited above. There is a strong protectionist culture in some member states; in France, going back to Colbert and Mercantilism as far back as the 17th century, and in Germany dating back to the Iron and Rye Tariffs of 1879.

Far from helping international trade, the EU's bloc structure has given it a bloc outlook to trade – which has resulted in it needlessly picking trade fights. As an instance, the EU launched a trade dispute – the infamous "banana wars" – with the USA that lasted almost two decades. This dispute arose over protectionist tariffs that the EU placed on banana imports from Latin America, where the US had and has significant investments. Only in 2012 did the EU accept that it had to drop these tariffs. This was after 20 years of avoidable and unnecessary acrimony. In the meantime, EU consumers endured 15 years of higher prices for bananas.[72]

It is clear that EU trade agreements are more difficult to negotiate than would be the case for the UK on its own. The interests of all 27 EU member states – as opposed to the interests of just one country – have to be taken into account. In most cases, all of the terms of trade agreements have to be agreed unanimously by all 27 member states. As mentioned above, this was also confirmed by the UK Trade Minister Lord Livingston in a response to a question from the author. As a direct consequence, the FTAs signed by the EU are unlikely to benefit the UK as much as would bilateral agreements negotiated by the UK for itself. Only when the UK leaves the EU fully after 31 December 2020 can the UK put its own trade interests first.

Because there is so much misunderstanding of the role and function of FTAs, this chapter has dealt with FTAs at some length. But it cannot be over-emphasised that FTAs are the "icing" on the cake. Trade is not conditional on FTAs.

6. The most blatant falsehood of all: Three million jobs in the UK will disappear when the UK exits the EU.

The facts are crystal clear: a country does not have to be in the EU to trade with a country in the EU. As mentioned, the value of two-way trade in goods and services between the EU and the top 20 non-EU countries was greater than that of the entire economy of France. Even if we examine only exports to the EU from non-member states, the value of exports to the EU by the top 10 non-EU countries exporting to the EU, those exports exceeded the entire GDP of Spain.

It must be repeated: "A country does not have to be in a political union in order to trade."

Sadly for the ethics of our political dialogue, that simple, obvious and clear fact is denied by our senior establishment politicians. The not so hidden agenda is – one supposes – to advance the concept of the UK as a province in a European superstate. In trade terms, this European superstate would be protectionist.

The UK's then Deputy Prime Minister Nick Clegg was especially blatant in propagating this fallacy. (Well, he had to do something). At Prime Minister's Questions on 4 December 2013: "I'm sure I speak on behalf of people on both sides of the House that it would be a spectacular act of economic suicide for the country to pull itself out of the world's largest borderless single market. By some estimates over three million jobs are dependent one way or another in this country on our membership of the European Union."[73]

Clegg again, on 10 January 2013 to Westminster reporters:

> "When you have one in 10 jobs in this country, three million people, whose jobs

are dependent on our position as a leading member of the world's biggest borderless single market, you play with that status at your peril – these are jobs at stake, livelihoods."[74]

Mr Clegg is perceived by many as an apologist for a European superstate. Clegg is now a paid-for apologist for Facebook - perhaps this is not such a comedown. He was discredited even within his own party. It is more surprising that the then Leader of the Opposition and Prime Minister in waiting, Mr Ed Miliband, made speeches in similar vein on 29 June 2014:

> "Ed Miliband yesterday slated David Cameron for putting three million jobs at risk after the PM's humiliating defeat in a row over the new European Commission president."[75]

And on 23 October 2014,

> "I will never propose a policy or a course of action which would damage our country. Nigel Farage wants to leave the European Union on which three million British jobs and thousands of businesses in our country depend."[76]

And again on 5 January 2015,

> "Three million British jobs rest on commerce and trade within the European Union."[77]

As we shall see in the next chapter, former Prime Minister David Cameron and his ministers are equally disingenuous.

Mr Ed Miliband and Mr Clegg asserted that "three million jobs" rely on EU trade, and – in effect – that trade with the EU is only possible when the UK is an EU member state. It is implicit (indeed may be said to be explicit) in what both Mr Miliband and Mr Clegg asserted that in the event that the UK leaves the EU, all trade between the EU and the UK would cease, and cease forthwith. Many in the UK seem to believe this.

As we have seen, China sold over €374 billion of goods to people and businesses in EU member states in 2017 without being in the EU itself.[78] Moreover, Russia sold over €145 billion, the USA sold €256 billion, and even Bangladesh sold €17 billion in exports to the EU.[79 80 81]

To restate, China, Russia, the USA, Bangladesh, indeed most countries in the world are not in the European Union. Clegg is allegedly a liberal, defined as one who listens to both sides of an argument. Mr Miliband has claims to be an intellectual. But for both of them the fact that China et al. are NOT in the European Union is an inconvenient truth. They deny the facts.

If establishment politicians and their hangers-on in the establishment media persist in their groundless claims that all trade would cease, they should and must explain the how and why. Baseless statements flying in the face of the hard facts and incontrovertible evidence are fallacious.

The Remain campaign presented a choice between exiting the EU and losing three

million jobs to the UK electorate. That "choice" was entirely false. It may even be said to have been deceitful. To remain in the EU political union would have been a political choice – not an economic one. Far less was Brexit governed by percentages of UK exports or even jobs.

Whether it be two million or 20 million jobs, three million or 30 million jobs, which 'depend' on UK trade with people and businesses in the other 27 member states, the number is not the central point, because the trade and the jobs will continue post-Brexit. That is unless the europhile proposition is that all trade between the UK and EU countries would cease totally at such time as the UK leaves their political union. If that is the europhile proposition, it is demonstrably untrue and worse, it is a deliberate deceit.

What Mr Miliband and Mr Clegg, their replacements and their acolytes offer is the politics of untruths, fear, misrepresentation and – worse still – calculated deceit. But they are politicians. Some level of misrepresentation of the basic facts by politicians is not entirely unexpected.

However, there are business journalists and supposedly objective commentators who are making the same blatant misrepresentations. How should one describe such people?

The CBI, a staunch cheerleader for Britain to join the euro, has put forward a series of publications.

The CBI's book-length pamphlet "Our Global Future" – i.e. "in the EU" – runs to 175 small-print pages, not one of which mentions Britain's declining number and proportion of MEPs, Commissioners, votes in the Council of Ministers, and Commission staff.

That same CBI pamphlet appears to be a paper commissioned by an institution seeking a predetermined conclusion. "Our Global Future" has all the intellectual honesty one might expect of the CBI, an institution that has received over €800,000 from the European Commission during the past five years.[82]

It has become clear that the CBI supports EU membership for the UK on whatever terms. That is even if those terms become worse as they almost certainly will. As a former

Director-General of the CBI, Digby Jones, has pointed out:

> "I think you never ever bought a house by offering the vendor the whole asking price on Day One. And at the moment the CBI have been engineered into a position to that's where they are. They need to take a deep breath, they need to go back to their roots and say 'when the democratically elected Prime Minister comes back with what he's going to put to the people, we the CBI will then poll our members and tell you what it is."

There are free trade areas throughout the world. We have identified 16, including: the North American Free Trade Agreement (NAFTA); the ASEAN Free Trade Area (AFTA); and the South Asia Free Trade Agreement (SAFTA). For a full list of the identified free trade areas, see Appendix 14. None of the free trade areas is a political union. Moreover, the EU itself has entered into, via at least six different kinds and types of structure, trade relationships with over 100 countries.

The centrepiece of the UK's trade policy on Brexit would be membership of the WTO. It governs our trade relations with all other WTO members, including those in the EU. Within the WTO, we could negotiate as a full and independent member. At the moment, we are rendered voiceless and almost impotent as trade falls within the 'competence' of the EU. We should align ourselves with other members aiming to increase ever more open and free trade, through the WTO and liberating more markets and so increasing both our own and global prosperity.

It is crucial to note that the top three exporting countries to the EU – China, Russia and the USA – have NO trade agreement or other agreement at all with the EU beyond those which derive from membership of the

World Trade Organisation (WTO). It is not just China, Russia and the USA, as a fact, six of the top 10 exporting countries to the EU and 11 of the top 20 do not have trade agreements with the EU.

We would be able to negotiate FTAs – multilateral or bilateral – and would seek such agreements with all willing countries or groups of countries. Crucially, these would be FTAs not Customs Unions, as a country can join only one customs union, but can negotiate as many FTAs as it likes. An FTA can be negotiated on exit from the diminished EU, but UK-EU trade is not remotely dependent on any UK-EU FTA. In the absence of an FTA with a particular country (or Customs Union), the UK is nonetheless fully able to trade and trade successfully – under the normal rules of the World Trade Organisation.

To be clear, the only people who lost their jobs on Brexit are MEPs such as the author.

Free trade agreements are helpful – but FTAs are not a precondition to trade, far less are FTAs essential.

7. The EU Trade Commissioner in action

7.1. European Commissioners

Originally, the larger member states had two Commissioners each, while smaller states had just one. Following enlargement in 2004, that has changed. Now, each of the 27 member states, regardless of size, is allocated just one Commissioner. For example, Malta, with a population of 300,000 – about the same as a London borough – appoints its own Commissioner, just the same as the UK did. The men and women appointed are not appointed on the basis that they are the 27 most capable people in Europe who want the job – far from it.

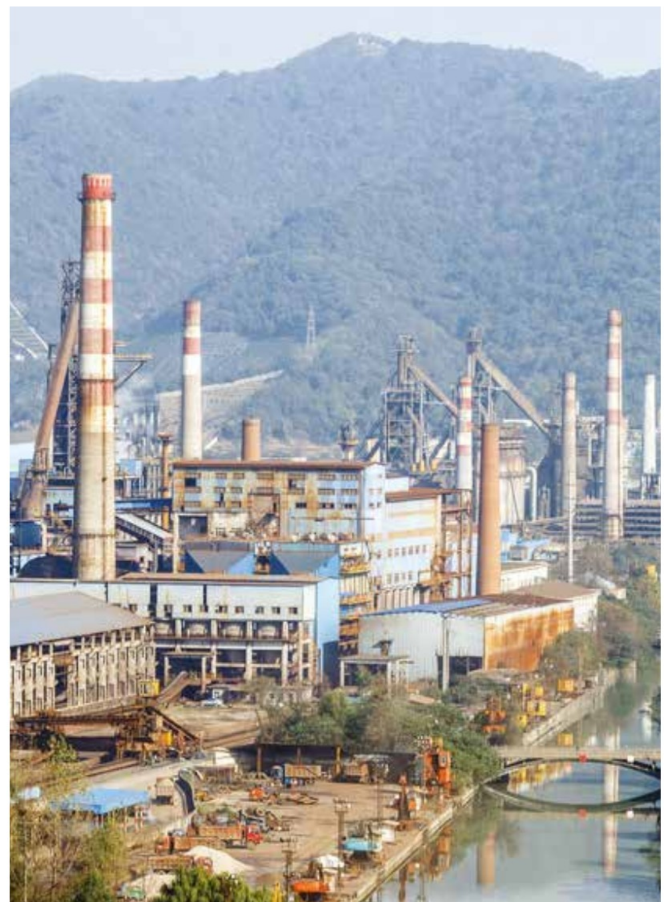
Commissioners are appointed in the first instance on the basis of nationality and then gender. Ability comes a long way behind.

Nobody (including the author) ever questioned the capability of the 2009-2014 Trade Commissioner Karel De Gucht. (Although he certainly did not and does not agree with everything that the Commissioner did.) The 2014-2019 Commissioner Cecilia Malmström is, however, rather different. One key example is set out below.

7.2. Case Study: Steel dumping

The UK steel industry has come under threat of being wiped out by cheap Chinese steel imports priced lower than their cost of production – this is commonly known as "dumping."

On 22 October 2015, with the crisis in full swing – SSI in Teesside had already cut 2,200 jobs and Tata Steel, in Scunthorpe and two sites in Scotland, had cut a further 1,200 jobs – the author, as EFDD Group Coordinator on the International Trade Committee of the European Parliament, wrote a letter to EU Trade Commissioner Cecilia Malmström requesting the urgent imposition of anti-dumping tariffs against Chinese steel imports entering the EU "... fully proportionate to be able to safeguard the UK steel industry (as well as the steel industry in other EU member states) from further damage..." The full letter is reprinted as Appendix 15.



Commissioner Malmström responded 33 days later, on 25 November. The Commissioner's response was unimpressive and lacking any urgency. "The Commission is ready to open anti- dumping cases if the steel industry asks us to do so, as long as they provide us with the necessary prima facie evidence..." and "time is needed to ensure that any action taken is in line with the legislation and our international obligations." This response reveals just how lethargic the Commission is in taking action on behalf of EU member states (see Appendix 16 for the full letter).

The Commission can take more than six months to reach a decision on anti-dumping tariffs – if it even decides to open a case on the matter at all. Any decisions are made by the Commission, not by individual member states. There are consequences. Writing to the Times on 22 October 2015, Robrecht Himpe, president of the European Steel Association Eurofer, stated that the entire process is "far too slow and is resulting in the closures and job losses we have seen in the UK..."

The steel crisis continued. In January 2016, Tata Steel announced a further 1,050 job cuts in the UK - 750 at its Port Talbot site in South Wales and 300 at Corby and Hartlepool.

It is bad enough that the UK surrendered conduct of its trade policy to a supranational body, the EU. But it is even worse when that supranational body is so listless when there is a crisis that unnecessary and immense harm is caused (in this case to the UK steel industry) – with the direct consequence of closed factories and thousands of lost jobs.

It should be noted, when coke ovens go cold, they go cold permanently – unlike, say, a car factory, they cannot be "mothballed." The steel industry - steel manufacturing in the UK - is a vital industry. It is in danger of disappearing. If this happens, it will be (in large part) because the UK government had signed over to an inadequate European Commission and Trade Commissioner its rights to take the necessary action to protect this key industry from "dumping," in this instance by China.

The EU's bureaucratic lethargy, costly in terms of jobs and (potentially) the destruction of a vital strategic industry, is bad enough. But there is worse to come.

8. The politicisation of trade

The EU's trade agreements with third countries are not just about trade. They contain binding political arrangements that force sovereign countries to change their laws in order to trade with the EU.

Karel De Gucht, former EU Trade Commissioner, stated at his European Parliament hearing on 12 January 2010: "When part of a wider set of measures, [free trade] is a potent lever promoting European values abroad, like sustainable development and human rights."

In prepared remarks delivered during her hearing at the European Parliament on 29 September 2014, EU Trade Commissioner Cecilia Malmström said that "trade is a powerful foreign policy tool. It must support Europe's wider international goals, promoting our values of peace, freedom and democracy throughout the world. I will apply these four principles across the board."

From these comments, it is evident that Malmström has gone even further than De Gucht in making politicisation of trade a priority item for the Commission. This approach makes it more difficult to sign free trade agreements when the EU has a political agenda.

Speaking during a European Parliament plenary session on 19 May 2015, Marietje Schaake, an ALDE MEP and Member of the Committee on International Trade (INTA), said, "Mr President, it is essential that trade policies are a key element in broader EU foreign policy goals." The charming Ms. Schaake does not hold the most important position in the European structures, but these words are a good summary of the politicisation that permeates EU trade policy.

Countries including Sri Lanka, Colombia and Peru have all experienced heavy politicisation of trade in their commercial relations with the EU. This can force these and other countries to barter their sovereignty for trade privileges.

8.1. GSP+

The Generalised Scheme of Preferences Plus (GSP+) allows eligible countries to benefit from generous EU tariff cuts only if they ratify and effectively implement 27 international conventions in the fields of human rights, core labour standards, sustainable development and good governance. A country seeking to benefit from these privileges must submit a request to the European Commission, which “shall assess the most recent available conclusions of the monitoring bodies of the relevant conventions.”

Resolution 3281 (XXIX) of the United Nations General Assembly, of 12 December 1974, and in particular Article 32 thereof, declares that ‘no State may use or encourage the use of economic, political or any other type of measures to coerce another State in order to obtain from it the subordination of the exercise of its sovereign rights’.

On 12 April 2012, the author tabled the following question to the Commission that remarked this Resolution:

> “The EU GSP+ scheme requires countries to make huge legal commitments, and thus uses economic coercion to force sovereign nation states to change their laws. Does the Commission concede that the GSP+ scheme violates the above-mentioned UN resolution?”

Former EU Trade Commissioner Karel De Gucht responded that

> “The special incentive arrangement for sustainable development and good governance (GSP+) is a fully voluntary scheme for additional tariff preferences which countries can apply for if they so wish.”

Even with full ratification, the EU can still decide to cancel its side of the GSP+ arrangement. The EU did this to Sri Lanka in 2010 even though the country had suffered over 25 years of civil war and the Asian super-tsunami. (Cancellation of GSP+ may have cost Sri Lanka around £1.5 billion).

Following a change of government in Sri Lanka in January 2015 via democratic election, when Maithripala Sirisena became president, the author tabled the following question to the Commission:

> “In view of the change of government in Sri Lanka, does the Commission have any plans to review the country’s exclusion from the GSP+?”

The Commission’s response, delivered on behalf of current EU Trade Commissioner Cecilia Malmström on 1 May 2015, stated that Sri Lanka must re-submit an application to be included in GSP+ with “The onus... on Sri Lanka to express its commitment and engagement in the GSP+ process.”

8.2. Free trade agreements

Though free trade agreements (FTAs) can move us closer to open, free trade, the EU's elite continually insist on inserting non-trade politics into FTAs the EU seeks to negotiate – thereby politicising trade. We are not against the agreements themselves, but the general principle is that, our trade is being used to promote other people's policies, with which we in the UK may or may not agree.

Article 267 of the EU's Free Trade Agreement with Colombia and Peru states that each side reaffirms its commitment to "promote international trade in such a way as to contribute to the objective of sustainable development and to work together to integrate and reflect this objective in their trade relationship."

It further lays out the ways in which the parties are to attain this objective, including to "strengthen compliance with the labour and environmental legislation of each Party" together with international conventions, and also to "strengthen the commitment to labour principles and rights."

The EU's Comprehensive Economic and Trade Agreement (CETA) with Canada, concluded in draft form on 1 August 2014, was another target for the politicisation of trade, especially on the part of the Greens in the European Parliament.

For the Committee on Foreign Affairs (AFET) draft report on a Strategic Partnership Agreement (SPA) with Canada, which the text states is "... complementary [with the CETA] in strengthening the EU-Canada relationship," Reinhard Butikofer MEP proposed the following amendments:

> "(db) to regret that Canada has not been an ally in finding international agreement to limit climate change to below 2˚C compared to pre-industrial levels;"

> "(dc) to express concern about Canadian federal and regional governments' attempts to interfere and undermine the integrity of EU climate legislation, in particular as regards greenhouse gas emission values for tar sand-derived transport fuels; finds it particularly unwelcome as Canada has not respected its international greenhouse gas reduction commitments"

Though neither of these amendments were adopted, they nonetheless reveal the Greens' skill and adroitness in exploiting the EU's control over trade to advance the Greens' own specific political agenda. In the EU, the Greens are a powerful and politically skilful grouping. This contrasts with the Greens' minimal representations in the UK.

Conclusion

The EU's control over trade and trade agreements – in the jargon of the treaties "EU competence" – is normally justified on the basis that this is the price we pay for the Single Market. As we have seen, a country does not have to be an EU member state to have access to the EU Single Market. Notwithstanding, the next chapter looks at the costs of the Single Market and its consequences as the EU has constituted it.

In addition to the blatant trade related falsehoods stated above, there are more widely disseminated and deliberate misrepresentations. These misrepresentations – from Senior Conservatives including our former Prime Minister – relate to the 'free movement of people' and the EU's so-called 'Single Market.' These are the subject of the next chapter.

III. WHAT IS THE EU SINGLE MARKET? IS IT WORTH IT?

1. The costs of the EU

The costs of the EU are often justified on the basis of a Single Market. However, services (on the whole) are not included in the Single Market; it seems legitimate therefore to ask the basis upon which the 'advantages' of the Single Market can possibly be deemed to outweigh the disadvantages of EU membership: loss of sovereignty, open borders, the direct and indirect costs of membership in the EU (these are covered in the next chapter) and the rest.

From the UK's viewpoint, the key point about the Single Market is this: although 100% of the UK economy – the entire activity of the UK economy – is subject to EU regulation. In 2019 only 13.4% of the UK's economy was accounted for by exports of goods and services to the EU. And, that percentage is declining. Where do these figures come from? The following table sets out some recent history.

Table 46

The UK economy	
Total UK exports in 2017	£615.9 billion
UK GDP in 2014	£2.5 trillion
Value of UK's exports of goods and services to other EU countries in 2014	£274.0 billion
UK's exports in goods and services to other EU countries in 2017 (percentage of total)	44.50%
Percentage of the UK's economy accounted for by exports to the EU	7.98%

Source: CIA World Factbook and ONS Trade Statistics

Why is the percentage, at less than 7.98%, so low? Simply put, the figure excludes the entire UK Retail and Hospitality Sectors. Both sectors earn substantial and material foreign currency for the UK, including from Europeans, but they do not directly export. Nonetheless, they are still subject to the whole weight of EU regulation, which in the UK, (unlike some other member states), is rigorously adhered to and enforced. To put these facts in a different way, 95% of UK firms do not sell to the EU at all but in pursuance of the Single Market are subject to the full weight and costs of EU regulation.[1]

This is a key fact, and a key finding. Regrettably, most politicians and even commentators are either unaware of this or choose to ignore it. Sadly, it is not possible to have a serious or productive dialogue on the EU and Brexit unless and until this basic fact is accepted.

The following table shows the costs to the UK of EU membership. Unusually, it includes and sets out the indirect costs of the EU.

Table 47

Summary of the costs to the UK of its EU membership		
Nature of cost	**Percentage of GDP**	**Explanation**
Direct fiscal cost	1.25%	Relatively easy to quantify from official publications and balance-of-payments data; concept is of gross payments to EU institutions over which UK government has no further control.
Costs of regulation	6.5%	Reduced employment due to "Social Chapter" - type legislation, cost of renewables agenda and financial regulation, businesses closed because of substance and procedure regulations.
Costs of resource misallocation	3.25%	CAP long recognised to cause large resource misallocation. This may now be only 0.5% -1% of GDP, but other EU protectionism estimated by Messerlin 2001, Bouet 2002, Minford 2005 to cost at least 2.5% of GDP.
Cost of lost jobs	0.38%	Open UK labour market from 2004 allowed in 700,000 Eastern Europeans, taking away jobs of over 100,000 UK-born people; labour market open in 2014 to Bulgaria and Romania, and since then the number of Bulgarians and Romanians has risen by 80%.
Costs of waste, fraud and corruption	0.38%	Current CFP involves fish discard and effective 'gift' to other nations of fishing rights in UK territorial waters, but cost under 0.1% of GDP; waste under pillar 2 of CAP; waste of over-prescriptive water standards; abuse of UK student loan system.
Contingent liabilities	0.25%	Costs of 'health tourism' and 'benefits tourism', plus some allowance for possible recapitalization of EU institutions.

Source: Professor Tim Congdon "How Much Does the European Union Cost Britain?"

Professor Tim Congdon prepared this impressive analysis (extracted from "How Much Does the European Union Cost Britain?"). The table and analysis is the subject of a worthwhile and interesting exchange between Professor Congdon and David Smith, Economics Editor of the Sunday Times.

All the readers who have read thus far, by definition, have an "open mind." So, now to the next stage in the argument.

"Remainers" have argued that a future EU-UK bilateral arrangement would be flawed because the UK would then have no influence over Single Market rules. This argument is misconceived. To continue the theme of professors, as Professor Sir Patrick Minford told a House of Commons Select Committee:

> "... for any country you export to, you have no influence over their regulations or the particular things that they want you to embody in your product if you sell it to them. That would be true of any market we sold to. If we left the European Union, we would have to sell to them on their terms, but it would be something that we routinely do...."

Table 48

Germany to the USA: value of exports of new passenger vehicles					
Year	**2013**	**2014**	**2015**	**2016**	**2017**
Value	$25,586 million	$25,630 million	$26,065 million	$21,581 million	$20,181 million

Source: US Department of Commerce, Bureau of the Census, Foreign Trade Division

The evidence above is clear: German carmakers - rather impressively - have exported passenger vehicles to the USA in each of the last five years to a value in excess of $20 billion. Each and every one of these vehicles have to comply with US regulations. The US regulations are drawn up in the first instance according to the criteria of US car manufactures (mostly in Detroit) and more important in this context, the German car manufacturers have little or no input in the formulation of these regulations. The importance of the point can hardly be overstated. An exporting country is obliged to, and moreover *can*, export successfully with no little or no input into regulations. Mutual Recognition (of regulation) is of course important and desirable - and some examples are set out below, but it is not the be-all or end-all.

By way of example, a manufacturer not in an EU member state that exports to the EU may well decide to manufacture its entire output under EU Single Market rules. This could well be for reasons of practicality and/or enhanced profit. But, that is the manufacturer's choice. Post Brexit, that could also be a choice for a UK manufacturer.

In the case of Switzerland, its massive exports to the EU are heavily oriented towards manufacturing. As has been pointed out in a letter to the Financial Times in November 2015, "Switzerland is actually the most industrialised economy in the world, with the highest rate of manufacturing output per person. We don't see many 'Made in Switzerland' products, partly because the country is small but also because it specialises in what economists call producer goods – machines and industrial chemicals – that ordinary consumers do not see..." Switzerland is able to export massively to the EU without having a vote on Single Market rules.

On Brexit, the same would apply to the UK, and there is no reason to suppose that the UK could not be at least half as successful. This element of our argument leaves aside the inconvenient truth, set out in Chapter 1, that within the EU, the UK in practice has little or no meaningful influence, whether on Single Market rules or, for that matter, much else.

The Single Market also imposes specific costs on the UK consumer. UK consumers are unable to purchase goods at world prices, but instead have to pay EU Single Market prices, which are almost always substantially higher. This is the basic principle behind the finding of the simulation conducted by Professor Sir Patrick Minford that, post Brexit, there would be an almost immediate eight per cent reduction in the UK cost of living.[2] The remainder of this chapter addresses the especially thorny issues of access to the Single Market and the "free movement of people."

2. Another falsehood: “Access to the Single Market requires “free movement of people”

The EU has over 100 trade arrangements. Of these 100, less than five agreements actually require “free movement of people” – in fact only those related to EFTA and the EEA. Well over 90% of the EU’s trade arrangements have no “free movement of people” clause.

Nevertheless, those opposed to an independent UK have often alleged that “free movement of people” is essential for a country to access the Single Market.

For example, in his speech on immigration on 28 November 2014, well before the referendum, former Prime Minister David Cameron stated: “Accepting the principle of free movement of workers is a key to being part of the single market.” What the Prime Minister was saying omits basic facts at best and intellectually dishonest at worse. He expounded:

> “Those who argue that Norway or Switzerland offer a better model for Britain ignore one crucial fact: they have each had to sign up to the principle of freedom of movement in order to access the single market, and both countries actually have far higher per capita immigration than the UK.”

In addition, Times columnist and Conservative Party peer Lord Finkelstein wrote on 26 November 2014:

> “If the United Kingdom wishes to take part in the single market it will, like Norway, have to accept free movement of labour in Europe...”

Further, Andrea Leadsom MP, then Economic Secretary to the Treasury, stated on 19 November 2014 in The Daily Politics:

> "Because access to the Single Market requires that you abide by the principles of free movement of labour, capital, services and so on, so if we want to retain access to the Single Market there will need to be free movement of labour..."

There was a particularly egregious example from Alan Johnson MP, head of Labour's pro-EU campaign, who said in Newsnight interview on 13 January 2016: "But all the models that say you're outside Europe but you still take advantage of this huge biggest commercial market in the world, bigger than the US, bigger than China, involve free movement..."

These statements are untrue. China and the United States, for example, have 'access to the Single Market.' Even if Ms. Leadsom meant 'tariff-free access' – which is absolutely not what the then Economic Secretary to Treasury stated—over 100 countries have trade arrangements with the EU, encompassing tariff-free access to the Single Market to a greater or lesser degree. In other words, what might be termed the Leadsom doctrine – that free movement (of people) is a prerequisite to access to the Single Market – is demonstrably and palpably FALSE.

Nonetheless, the EU Commission perceives the free movement of people as essential to continuing membership in the political construct and superstate in the making that is the EU. In July 2014 the author asked then President-elect of the Commission, Jean-Claude Juncker, the following question:

> "Do you still consider free movement of people within the European Union as fundamental, even though there are now very large differences of national income between countries in the EU?"

President-elect Juncker responded:

> "On the free movement of workers, which is a fundamental right. This is something that goes right back to the Treaty of Rome. I don't believe everyone that is moving around the European labour market are parasites or are criminals trying to abuse the welfare systems they find wherever they go. There are only 2.5% of people moving at all, whereas in the United States, Canada and Australia there is far more labour mobility than in Europe. So we are really only talking about a marginal issue. There are instances of abuse and those have to be tackled. I am in favour of free movement of workers, I certainly don't want to facilitate the actions of people who want to abuse the systems but it's up to the member states in their national legislation to adopt the different practices and policy guidelines to make sure that the abuses do not occur. Apart from that I have to say I am struck by the way this debate has developed in recent years. Ever since I have been in the council, I am a veteran a dinosaur aren't I, I have always heard our British colleagues arguing for enlargement. When it happened to come about they thought it would develop deepening but once enlargement has taken place, they say actually no we don't

> want the poor members to be able to move around and I cannot accept that sort of approach in Europe so I remain of the view that the member states have to deal with these issues. There is no reason to move away from that European principle of free movement."

President Juncker has doubled-down on this position in recent years, stating in a 2016 interview following the Brexit referendum that "there will be no access to the internal market for those who do not accept the rules – without exception or nuance – that make up the very nature of the internal market system."[3]

The EU Brexit negotiator, Michel Barnier, has toed the same line, stating in a 2018 interview:

> "There is—there are no copyright. On this side, we have the different model for cooperation with third countries, and particularly, madam, on trade. On one side, I put with the flags—the national flags the different model for cooperation. And then on the other side I put the red lines of the U.K., what I mentioned in my first intervention, huh: no Court of Justice, no payment, no current trade policy, no freedom of movement. So, if you respect the British red lines, today with their current red lines they close the door, one by one, to different types of—model of cooperation."

Barnier and Juncker, like so many other establishment politicians, actively seek the opportunity to present the 'politics of fear.' That is, they intend to convince UK citizens that uncontrolled immigration is an economically advantageous policy, and further, that trade depends upon it.

It should be pointed out that neither Japan nor China permit any material, non-ethnic immigration. In effect, they allow none. Notwithstanding, Japan and China are full and successful players in the 21st- century global economy. In fact, Japan's exports in 2017 were 1.5 times those of the UK. China's exports were 5 times those of the UK.[4]

These senior Conservatives, together with the pro-EU negotiators, present a false choice. The EU's version of "Free Movement of People" is actually a right – inter alia – of permanent settlement. The implicit proposition being put forward is 'no free movement of people, no trade.' However, as above, even the EU has over 100 trade arrangements without a "Free Movement of People" clause. Eight of these FTAs without a "Free Movement of People" clause are with other European countries (plus Guernsey and the Isle of Man).

Table 49

List of European countries that have FTAs with the EU without free movement clauses
Albania **Bosnia-Herzegovina** **Kosovo Macedonia** **Montenegro Turkey** **Andorra* San** **Marino**** **Guernsey** **The Isle of Man** **Monaco*****

*Andorra citizens can live and work in three EU countries: France, Spain, and Portugal.
**Citizens of San Marino can live and work in one: Italy.
***Citizens of Monaco can live and work in France.

2.1 Case Study: United States-Mexico-Canada Agreement (USMCA, formerly known as NAFTA)

On 30 September 2018, the US, Mexico and Canada agreed to replace the North American Free Trade Agreement (NAFTA) with a new plan called the United States-Mexico-Canada Agreement (USMCA). This new deal intends to increase the production of car and truck parts made in North America. It also provides for better labour standards, environmental rights, and intellectual property protection. However, the USMCA keeps NAFTA´s special dispute process intact, so the three countries can challenge each other's anti-dumping and countervailing duties before a panel of representatives from each country.

US President Donald Trump, Canadian Prime Minister Justin Trudeau and Mexican President Enrique Pena Nieto signed the deal in November 2018, but Congress and the legislatures in Canada and Mexico must ratify it for the key provisions to enter into force in 2020.[5]

The new deal is advantageous to US exporters. Starting in 2020, to qualify for zero tariffs, a car or truck must have 75% of its components manufactured in one of the participating countries, a substantial boost from the current 62.5% requirement. Furthermore, a significant percentage of the work done on the car must be completed by workers earning at least $16 an hour (or about three times what the typical Mexican car worker makes). In addition, Canada will open its milk market and pharmaceutical sector to US dairy farmers and drug companies respectively.

USMCA maintains two important items that were in NAFTA. First, there is mutual recognition, not harmonisation, of regulations. Second, there is still no free movement of people between the US, Mexico and Canada.

On the first point, Article 15.9 of the agreement provides for mutual recognition. This allows the three participating countries to recognise authorization, licensing or certification of other service suppliers both within the trade zone and abroad. “That recognition, which may be achieved through harmonisation or otherwise, may be based on an agreement or arrangement with the Party or non-Party concerned, or may be accorded autonomously.”[6] This provision facilitates trade in professional services without the unwieldy regulations and harmonisation of the EU.

On the second point, the agreement does not grant the right of permanent residence in another part of the free trade area for any US, Mexican or Canadian citizen. To be clear, NAFTA and now USMCA provide for the free movement of goods, services and capital - *but not people*. This was carried over to USMCA.

Under USMCA, the USA still maintains strict control of its borders. The implementation of NAFTA in 1994 came alongside the US Immigration and Naturalization Service’s first

National Border Patrol Strategy. Since then, according to US Homeland Security, "the Border Patrol has grown from a handful of mounted agents patrolling desolate areas along U.S. borders" to a force of some 20,000 agents in 2017.[7]

There are still tight border controls. The 2017 Homeland Security bill contained $11.2 billion in discretionary appropriations for Customs and Border Protection (CBP). Further, according to US Homeland Security, the US Border Patrol made 310,000 apprehensions in fiscal year 2017.[8]

In Canada, the problem of illegal immigration is arguably not as pressing as it is in the US. However, Canada has a comprehensive border control system, which requires even US citizens to possess a valid passport to cross. These arrangements are entirely, indeed totally and unequivocally, different from the Schengen Agreement.

These are facts. EU-style free movement and compulsory regulation did not exist in NAFTA and will not exist in USMCA. Yet NAFTA was a success and USMCA likely will be as well.

It is also noteworthy that although almost 80% of Canada's exports went to the other NAFTA countries (in the case of Mexico it was 70%), nobody suggested that there should be a political union, using the EU model, between Canada, Mexico, and the US. As we have just seen, Canada and Mexico have a much higher proportion of their exports going to the North American Free Trade Area. Notwithstanding, nobody puts this forward as a reason for Canada and Mexico to be in a political union with the United States.

Table 50

Percentage of selected countries' exports to their respective trading blocs	
Country	**Percentage of exports to NAFTA countries**
Canada	76.8%
Mexico	82.9%
Country	**Percentage of exports to EU countries**
UK	43.0%

Source: North American Free Trade Agreement, Global Affairs Canada, and Mexico, World Trade Organisation 2013

2.2. Other free trade agreements in the world

2.2.1 Central European Free Trade Area (CEFTA)

On 19 December 2006, Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro, Serbia and the United Nations Interim Administration Mission in Kosovo signed an agreement to "amend and enlarge the Central European Free Trade Agreement.[9]

The main objectives of this Free Trade Agreement include:

- Expanding trade in goods and services.
- Fostering investment by means of fair, stable and predictable rules.
- Eliminating barriers to trade between the parties.
- Providing appropriate protection of intellectual property rights in accordance with international standards.
- Harmonising provisions on modern trade policy issues such as competition rules and state aid.

As one might imagine, given the 1990s conflicts in this region and the large cultural differences, the agreement does not provide for free movement of labour or people.

2.2.2. G-3 Free Trade Agreement

The former G-3 Free Trade Agreement that existed between Columbia, Mexico and Venezuela had no provision for the free movement of people. That comprehensive trade agreement, however, covered many other issues including intellectual property rights, public sector investors and easing trade restrictions. Further the trade agreement enabled a gas pipeline to extend from Columbia to Venezuela; a lucrative arrangement.[10] It needs repeating… comprehensive, lucrative trade deals do not need free movement of labour.

2.2.3. Greater Arab Free Trade Area (GAFTA)

GAFTA does not stipulate free movement of people.

2.2.4. Trans-Pacific Strategic Economic Partnership (TPP) and Commonwealth of Independent States FTA (CISFTA).

Finally, the Trans-Pacific Strategic Economic Partnership (TPP) and the Commonwealth of Independent States FTA (CISFTA) have no provision allowing for the free movement of persons.

3. Some consequences of “free movement of the people”

3.1. The Moldova precedent

The UK was bound by a decision of the government of Romania as it would have been by the decision of any other EU member state. Moldova and Romania were once one country. A large number of Moldovans claim Romanian origin. Romania agrees with them. In April 2009, the Romanian parliament passed emergency ordinances to streamline the naturalisation process for thousands of Moldovans.[11]

The context (from BBC correspondent, Oana Lugescu) “Moldova is Europe’s most impoverished country... But Romania has offered passports to up to one million Moldovans…”[12]

Visa facilitation and a wider “Mobility Partnership” programme were agreed between Moldova and the EU in June 2008. Although the Mobility Partnership stated that its purpose was to “reduce the risks of illegal migration and the danger of trafficking in human beings…” Moldova remains a centre for human trafficking. Moldovans can now enter into any country in the EU via the Romanian “back door.”

As we have seen with the EU immigration policies for Bulgaria and Romania, unskilled Moldovan workers will have the right to work in any EU country, including the UK.

This is another example of the paradox stated earlier. An unskilled Romanian, and now also Moldovan, has the absolute right to live, work and settle in the UK. A qualified engineer or doctor from Asia has no such right.

It is arguable – but beyond the scope of this book – that the UK was handicapped by having its policy on immigration determined by the EU. We could no longer select the best and the brightest whatever their fields or potential. We were obliged to take in people without skills.

4. The sale of residence and passports by other EU countries, which the UK has to accept

Many countries 'sell' resident visas and sometimes even passports. They do not call it that – but that is the effect – and the UK is no exception.

As a fact, the UK has an "investor visa programme" that confers residency for £2 million. After five years visa holders are eligible for the UK's "indefinite leave to remain" status. In the world outside the EU, Australia has a "premium investor visa." This requires an investment of (AUD) $5 million. However, EU membership has the consequence that a resident and visa passport in or from one country confers residency, which includes right of abode as well as the ability to travel to all 28 member states. The UK is bound by the selling – over and under the counter – of passports/residency in other member states, an indirect cost of Single Market membership.

4.1 Case Study: Latvia

Latvia offers one of the cheapest of these routes.[13]

Latvia will grant a residence permit for five years in return for a bank deposit of €300,000 and investment in a property, that can be bought for as little as €72,000 (or €100,000 in Riga).[14] A Latvian residence permit confers visa- free travel in all 25 Schengen countries.

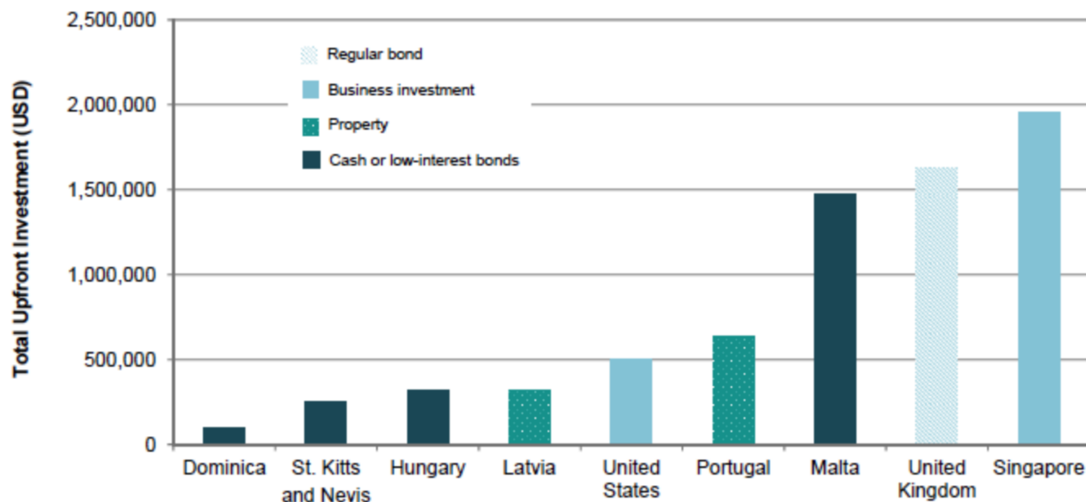
4.2 Case Study: Portugal, Spain, Cyprus, and Greece

In both Portugal and Spain investors can obtain residence subject only to spending €500,000 on a property. In Cyprus it is €300,000, in Greece it is €250,000. All these are a fraction of the UK's £2 million investor visa, but confer (most of) the same rights.

In 2013, then Commissioner Viviane Reding from Luxembourg (at that time the European Commission's Vice-President for justice, fundamental rights and citizenship, now an undistinguished MEP) said in a speech that "citizenship must not be up for sale."[15] Too obvious, too late. The EU, the European Commission and Ms Reding in particular should have thought of this one before.

Table 51

How much do immigrant investors pay? Upfront investment sums in selected programs



Source: Migration Policy Institute

5. Regularisations and amnesties

Britain has been forced to recognise residence permits issued by any EU member state.

On 18 December 2014 the Court of Justice of the European Union ruled "Where third-country nationals hold a 'residence card of a family member of a Union citizen', the United Kingdom cannot make their right of entry subject to the requirement that they must first obtain a visa."[16] This ruling extends the so-called 'right to free movement' to millions of people from anywhere in the world who do not have citizenship of any country of the EU.

The ruling binds the UK to regularisations and amnesties granted by other member states. Below are charts illustrating the number of regularisations granted by Italy and Spain in the recent past:

Table 52

Number of amnesties granted in Italy	
Years	**Number**
1986	118,700
1990	235,000
1995	238,000
1998	193,200
2002	650,000
2006	350,000
2012	134,000

Sources: ICMPD and LSE Migration Studies Unit

Table 53

Number of amnesties granted in Spain	
Year	**Number**
1985	23,000
1986	23,000
1991	130,135
1996	21,382
2000	153,463
2001	221,083
2005	578,385
2011	73,307
2012	71,871
2013	50,803

Sources: ICMPD and LSE Migration Studies Unit

6. Addendum on immigration

Article 3.2 of the Treaty Establishing the European Community provides for "free movement of persons." This sounds vaguely touristic. In fact, for the EU, "free movement..." confers a right of permanent settlement. In consequence, currently, up to 446 million people in the 27 other member states of the EU have an absolute right to live, work and settle in the UK.

The table below is clear. Uncontrolled immigration is often justified on the grounds that it results in higher economic growth. It is, of course, true that if the population of the UK doubled, from 66 million to 132 million, the UK's GDP would increase, but it would not double. In these circumstances, the UK's GDP would not increase commensurately. Indeed, GDP per person would decrease.

However, gross domestic product is a poor, indeed actively misleading measure; it makes Bangladesh a richer country than Norway, Kuwait, even Switzerland.

Let us explore this in more detail. Below is a table that lists the GDP of Bangladesh and 10 countries that have a smaller GDP than that of Bangladesh

Table 54

Countries with a GDP smaller than Bangladesh	
Country	**GDP**
Bangladesh	$628 billion
Sweden	$498 billion
Switzerland	$494 billion
Austria	$415 billion
Norway	$364 billion
Qatar	$335 billion
Kuwait	$301 billion
Denmark	$265 billion
Finland	$230 billion
New Zealand	$175 billion

Source: CIA World Factbook 2016

The average Bangladeshi is less well off than the average Norwegian, Kuwaiti or Swiss by a degree of magnitude.

Because Bangladesh is a densely populated country of around 164 million people, its GDP is spread quite thinly. Indeed, Bangladesh is one of the world's poorest nations, with a per capita income around $1,100, and an economy dominated by low cost garment and textiles manufacture.

Until about ten years ago the wealth of the residents of a country was measured

accurately and primarily in terms of GDP per person. It is only since immigration began to be debated by the BBC (which persists in misleadingly describing the phenomenon as "migration") and others that that established measurement of GDP per person has been ignored. It has been in part replaced by "growth" i.e. a kind of proxy GDP. This is misleading: doubtless it is intended to be.

The table below lists the 20 top wealthiest countries measured by GDP per capita; as many as 20 countries are shown, so as to be able to include the UK.

Table 55

Nominal GDP per capita by country*	
Country	**GDP per capita**
Luxembourg	$120,061
Switzerland	$86,835
Iceland	$84,675
Norway	$82,711
Ireland	$80,641
Qatar	$66,202
Denmark	$63,830
United States	$62,152
Singapore	$61,767
Australia	$59,655
Sweden	$58,345
Netherlands	$55,185
Austria	$53,764
Finland	$52,422
Germany	$50,842
Belgium	$49,272
Canada	$48,466
France	$44,934
New Zealand	$44,639
United Kingdom	**$44,177**

Source: International Monetary Fund World Economic Outlook
*IMF outlook April 2018 for year 2018 and 2023

As the economist Roger Bootle wrote in the Daily Telegraph on 10 May 2015, “for many purposes, the size of an economy is not a good index of how rich it is.” So, while the UK’s overall GDP is the fifth-largest in the world in nominal terms, in the GDP per capita rankings, the UK is 21st, well behind its former colony of Singapore. This is why, unusually, the number of countries in the table is 21. It had to be, in order to include the UK at all.

Total GDP, of course, has its uses. Roger Bootle goes on to note that it is a reliable “index of our weight and position in the world. This relates to our negotiating power, our influence, and perhaps also our ability to strike an independent line in world affairs.” The UK’s large GDP, indicative of our global economic clout, is one of the most important levers for establishing a beneficial position for ourselves outside the EU –together with our large international trade volumes and membership of major international organisations.

Yet in considering the correct amount that the UK should allocate to, for example, foreign aid, Roger Bootle continues: “it is the per capita figures that are a much better guide.”

Worryingly, the trend for GDP per person in the UK is downward, or at best, static.

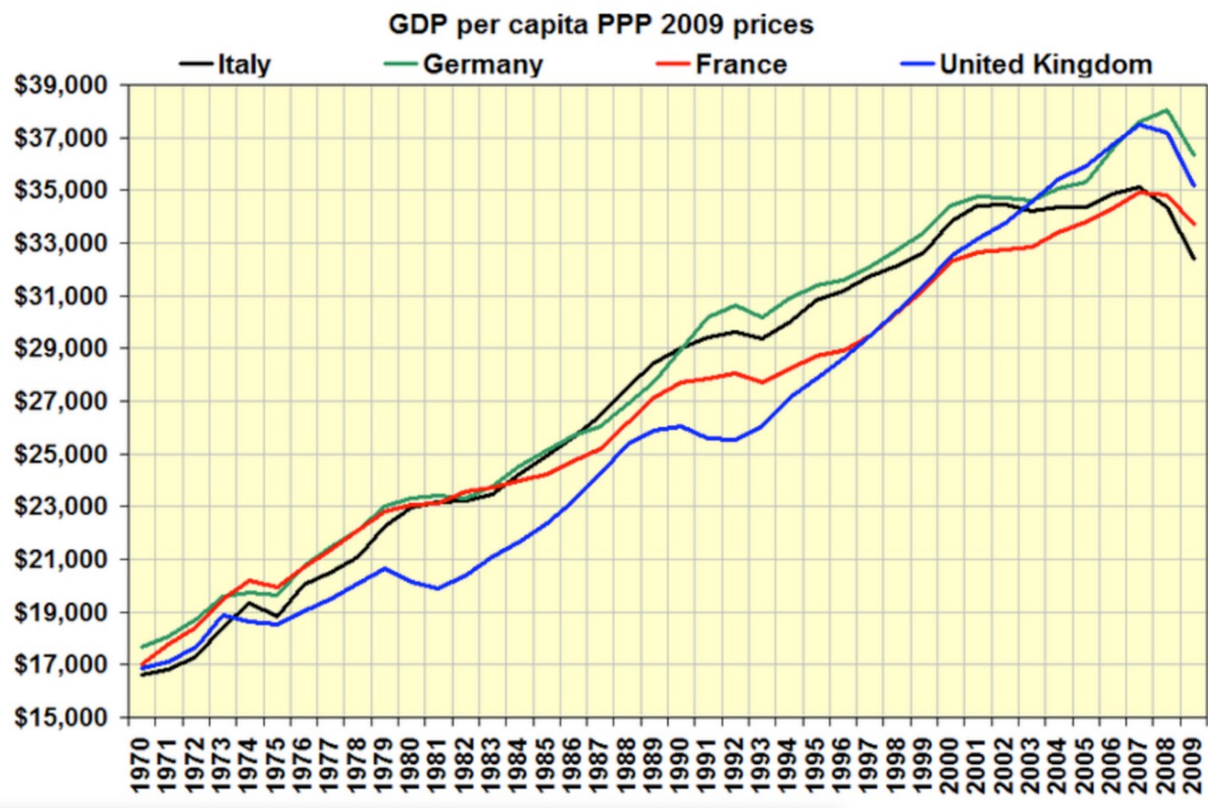
Table 56

UK GDP per capita has been flat	
Year	**GDP per capita**
2008	$40,316.86
2009	$38,281.40
2010	$38,709.91
2011	$41,412.35
2012	$39,226.34
2013	$39,709.22
2014	$40,621.31
2015	$41,183.93
2016	$41,602.98

Source: Trading Economics

Table 57

The downward trend of GDP per capita



Source: Wikimedia Commons

UK productivity is a concern, as this Bank of England study (2014) states:

> "Since the onset of the 2007-08 financial crisis, labour productivity in the United Kingdom has been exceptionally weak. Despite some modest improvements in 2013, whole-economy output per hour remains around 16% below the level implied by its pre-crisis trend. Even taking into account possible measurement issues and secular changes in some sectors, this shortfall is large – and often referred to as the 'productivity puzzle.'"[17]

A 2018 report from Andrew Haldane, a chief economist at the Bank of England, reached the same conclusion: "Since 2008, productivity in the UK has essentially flat-lined. This is almost unprecedented in the modern era, a "lost decade" and counting."[18]

Could there be a connection between mass immigration and the Bank of England's "productivity puzzle"?

This is obviously an assignment for an economist specialising in labour productivity. However, given the abuse that anyone who looks objectively at immigration is subject to, we may not see any rigorous academic work on this for some time and perhaps never.

Nevertheless, a reader (Mr. James Winpenny) writing to the Financial Times on 25 October 2015 put the case eloquently and convincingly: "High levels of immigration have sustained a low-wage economy in the UK. Employers in many sectors have become used to taking on an effectively unlimited supply of labour at unchanging real wage rates. This, combined with our "flexible labour market" should cause no surprise that productivity levels remain low, compared

to those of our trading rivals. Why should employers invest in labour-saving equipment, or reorder their production methods, in these circumstances?”

Regrettably, the distinction between size of GDP and GDP per capita is seldom recognised as is the fact that GDP per capita is the superior measure. This, is lost on the UK Treasury.

In the 12 months to June 2016, net migration to the UK hit a record high of 336,000, exceeding the predictions of the ONS – with net migration of EU citizens increasing by 42,000 to 182,000 in that period. Since the Brexit referendum, net migration has decreased fairly significantly, though in 2017 some 274,000 more people immigrated than emigrated.[19]

In examining these claims, former Home Office adviser Nick Timothy has written: “… There is a new reason why the Treasury is keener than ever on mass immigration. It might not bring any significant economic benefits for existing British citizens, but it does mean a bigger population, and a bigger population means a bigger economy overall, which means that the effect of spending cuts increases when the deficit is measured as a percentage of GDP.”

The UK Government has stopped trying to curtail mass immigration to the UK to the “tens of thousands” because it holds the flawed and mistaken belief that size of GDP is an accurate economic indicator that produces economic benefit. It is not. The tables suggest that uncontrolled immigration has impacted on GDP per capita.

There is also a further consequence. A member state’s contribution(s) to the EU is calculated on several bases. The most important of which is (a version of) size of GDP. The Treasury’s agenda - to increase gross UK GDP via mass immigration has had the effect of bringing about a materially larger UK contribution to the EU.

An increased UK GDP - even though GDP per head may reduce - also has the effect of increased expenditure on Foreign Aid. This is because, in accordance with a law passed in the 2010-15 Westminster parliamentary term, the UK’s Foreign Aid has to be 0.7% of GDP. (This compares with the USA’s 0.2% or less).

6.1. Evidence concerning the impact of unrestricted EU immigration

Treasury receipts totalled £5,073.2 billion (source: H M Treasury) during the period 2001-2011. A UCL study has come up with the figure that immigrants paid £20 billion in taxes from 2000 to 2011.[20] Even to arrive at the €20 billion figure over 11 years, the authors of the UCL report had to make heroic assumptions. It must be pointed out that £20 billion of the total UK tax take of £5,073.2 billion during the same period was only 0.39%.

To put it another way, according to UCL, the tax take would have been £5,053.2 billion without immigration in comparison to £5,073.2 billion with immigration. Is that the point that the good folks at UCL wanted to make? One wonders again. The cash figure of £20 billion also does not take into account the indirect costs of mass immigration on the UK infrastructure, for example schools, roads, hospitals.

There are consequences to mass immigration. One of them is compression of wages at the lower end of the market. This is now confirmed by a Bank of England report.[21]

In addition, the most recent LSE study found that immigrants are more likely to demand social housing than native UK citizens.[22]

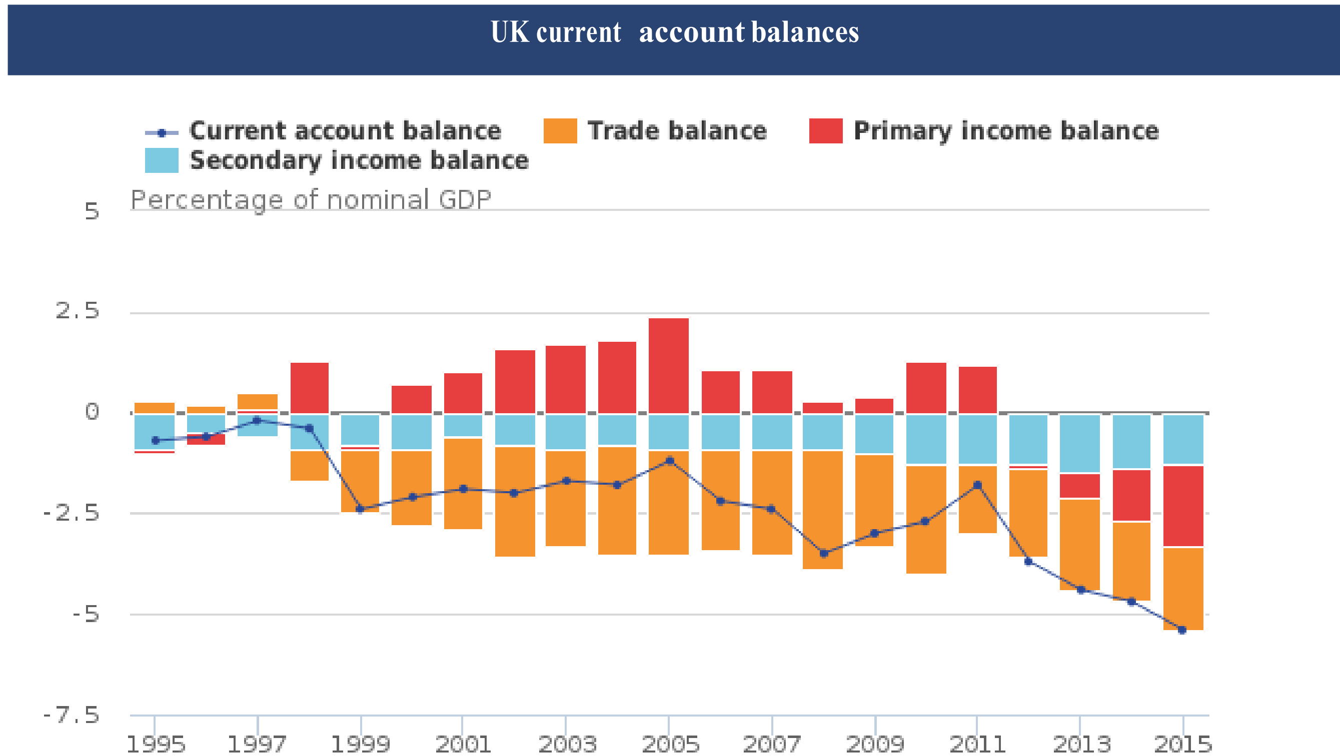
These studies of the benefits of immigration tend to omit the consequence of remittances. Remittances are monetary transfers between residents of different countries – often involving immigrants in one country sending money to families or communities in their country of origin. The point is simple. Many recent immigrants understandably remit a substantial part of their earnings to their country of origin. One effect on the domestic economy of the new country is that it no longer benefits – or benefits less than it should – from "the multiplier effect" (see Glossary). Instead, it is the economy of the country of origin – where the money gets spent – that benefits.

6.2. Remittances and the UK's balance of payments

The UK is running a substantial balance of payments deficit.

Table 58

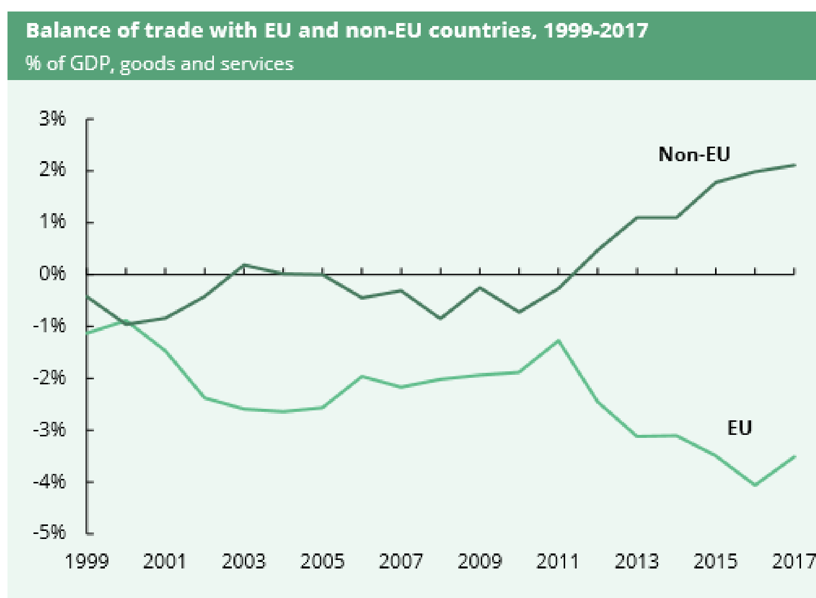
UK current account balances



Source: ONS

Table 59

The UK's balance of trade with the EU and the rest of the world



Source: ONS Pink Book

From the point of view of the balance of payments, the two graphs above may be said to be alarming.

According to World Bank data, in 2016 UK residents sent roughly $25 billion in remittances to foreign countries, in comparison to only $5 billion received in remittances. Since no official methodology for recording remittances exists, the value of remittances shown in the data is likely to be lower than the actual value of outflows.[23]

To use the term "benefits" with an entirely different meaning, that is to say state support for the unwaged or, particularly, those on low wages. The discussion on immigration in the UK almost always presents a division between people working and people receiving benefits. This division is false.

Working people receive benefits too. Herewith a partial list is likely of the UK's In-work Benefits – benefits that people in work are eligible to receive.

1. Working tax credit
2. Low income
3. Housing benefit
4. Council tax support
5. Free school meals, milk or uniforms and healthcare
6. Support for mortgage interest
7. Budgeting loans and advances
8. Job grant
9. Reduced earning allowance

Shortages in skills and labour are another, different argument put forward in favour of immigration.

Perhaps the author can respond to this with a personal reminiscence. I qualified as a Chartered Accountant in the last century. Around the time I qualified there was a shortage of accountants in the United Arab Emirates (UAE). In consequence, I was able to work in the UAE to respond to this shortage, and was offered a job.

My employer issued me with a two- year contract, which included health insurance and housing. Following expiry of the two-year contract, unless it was renewed, I had to leave. The key point is that labour and skills shortages can be filled on a temporary basis without conferring a right of permanent settlement.

A discussion on immigration should not be totally based on the various manifestations of economics. England is a densely populated country. In fact, there is just one English county – Cornwall – which has the same density of population as France. In Germany, the density of population is approximately half of what it is in England. To put it another way, Germany could increase its population by 40 million and still have a lower population density than the UK.

The European Commission does not seem to understand this.

6.3. Do the pluses of the EU Single Market outweigh open borders and imposed regulation?

The Single Market is a misnomer. As former EU Trade Commissioner and former Director-General of the World Trade Organisation Pascal Lamy said (at an in camera meeting of the International Trade Committee): “The Single Market is still incomplete. It is only 80% complete in goods and 40% in services.” This is after over 40 years of Single Market legislation.

The 26 November 2014 report from the UK Representation to the EU, entitled “UK non-paper: A single market in services” and subtitled “Growth and jobs: the unrealized potential of services” spelt out the key gap in services in the EU Single Market:

“In 1986, member states signed the Single European Act, launching a radical transformation of the single market which delivered growth across Europe. But nearly 30 years later, we are still faced with 28 national markets in services: [my emphasis] the European Commission’s 2014 Single Market Integration Report shows that trade integration stands at only 5% for services, compared to (sic) 22% for goods.”[24]

The UK Representative Report proceeded to state:

> “The EU Services Directive, which is nearly a decade old, contains numerous exemptions. In many cases the Directive has not been transposed and implemented effectively, and member states have collectively interpreted its provisions very widely, often maintaining domestic legislation which puts disproportionate restrictions on cross-border trade.”
>
> In addition: “Further, because of lack of integration there exists (sic) numerous and varied trade barriers across the EU. These member states refuse to remove these barriers because they seek to protect certain industries at the expense of the entire economic community. In addition, as stated earlier, it is difficult to get 28 member states to agree on standards that service providers must meet.”

7. How does the Single Market's material omission of services impact the UK?

Unlike other member states whose economies are based primarily on manufacturing, services – especially the export of services – are vital to the UK economy; they are the fastest growing part of it.

Services, however, make up 70% of Europe's economies and generate over 90% of new jobs, but account for only 20% of intra-EU trade.[25] That the Single Market is deficient and defective regarding services – as stated above – has an important consequence. The EU Single Market offers less to the UK, which has a proportionately larger and more prosperous service sector, than any other member state.

A McKinsey Global Institute´s report entitled "Beyond austerity: A path to economic growth and renewal in Europe" has even identified that a lack of dynamism in the EU's services sectors, which make up around 70% of EU GDP (1995-2005), is the main cause of the productivity gap with the USA.[26]

The UK underwent a major transformation in the period 1992-2008. This may have been in part due to the internet boom and the growth of global service industries. The share of business, financial and professional services in the UK's GDP rose from 15% in 1992 to 22% in 2008, while its manufacturing share fell from 21% to 12%.[27] See the following table which shows the steady increase in the value of services as UK exports.[28]

Table 60

The UK's exports – goods and services		
Year	**Exports in goods**	**Exports in services**
2004	£114.7 billion	£191.6 billion
2005	£129.3 billion	£212.1 billion
2006	£145.8 billion	£244.0 billion
2007	£157.7 billion	£223.0 billion
2008	£166.2 billion	£254.6 billion
2009	£169.5 billion	£229.1 billion
2010	£174.2 billion	£270.2 billion
2011	£188.9 billion	£308.2 billion
2012	£197.4 billion	£304.3 billion
2013	£214.8 billion	£306.2 billion
2014	£219.8 billion	£295.4 billion

Source: ONS Pink Book 2015

The UK is a world leader in services exports; see table below.[29]

Table 61

UK exports of goods and services in thousands of US $				
Country	**Goods**	**Services**	**Total exports**	**Services as a percentage of total exports**
United Kingdom	442,065,707	350,687,320	792,753,027	44%
United States	1,546,272,961	780,874,951	2,327,147,912	33%
France	523,385,133	249,433,755	772,818,888	32%
Spain	319,621,896	139,071,769	458,693,665	30%
Netherlands	505,941,305	218,310,047	724,251,352	30%
Japan	698,132,787	184,770,756	882,903,543	20%
Italy	503,053,928	110,787,996	613,841,924	18%
Germany	1,450,214,838	304,058,253	1,754,273,091	17%
China	2,263,370,504	228,090,293	2,491,460,797	9%

Source: ITC Trade Map 2017

To restate, the UK is a world leader – perhaps the world leader – in services. But, the EU's Single Market does not properly encompass services, although it may well be a net benefit to other member states whose exports are predominantly goods. In its present form, despite its inception as long ago as 1986, the EU Single Market does very little for the UK's important, vibrant trade in services.

8. How does NAFTA/USMCA approach regulations?

You can have a free trade area that does not rely on an imposed system of harmonised regulations. NAFTA/USMCA, unlike the EU, is based on adhering to the regulations of each of its members; this is known as "Mutual Recognition." Since the formation of the WTO in 1995, countries have worked to reduce technical barriers to trade without imposing a forced system of harmonisation.

8.1. What is harmonisation and mutual recognition?

Harmonisation brings about regulatory uniformity by taking two or more differing standards and converting them into one. This has been the approach of the EU and has been an important – but not wholly successful – component of the Single Market. All member states have to agree on the method to create the final product.

Contrastingly, a Mutual Recognition Agreement (MRA) is an agreement in which the parties recognise one another's conformity assessments. Conformity assessments are the mechanisms by which the product meets the relevant technical standards and requirements. In laymen's terms, a Mutual Recognition Agreement simply ignores the means as long as they achieve a similar end.

The EU does not reject MRAs in principle; Mutual Recognition Agreements have been negotiated between the EU and the US in telecommunications, electromagnetic compatibility, electrical safety, pharmaceutical goods, manufacturing practices and medical devices.[30]

8.2. NAFTA's model of mutual recognition

When it comes to mutual recognition of technical measures (e.g. sanitary and disease protection measures, technical barriers to trade), NAFTA follows the WTO mode. NAFTA specifically sets standards in accordance with the Technical Barriers to Trade Agreement (TBT) administered by the WTO. This sets out international standards with which the NAFTA countries comply. As long as the final product adheres to these standards, it is not necessary for the means of producing the final product to be harmonised. Note that the procedure used to determine whether a product conforms to the relevant standards must be fair and equitable.

In addition, legally, NAFTA states are not obliged to harmonise standards. According to a US negotiator, "NAFTA will help facilitate and encourage harmonisation of standards but not guarantee it."[31]

In terms of the Agreement on Technical Barriers to Trade, NAFTA states:

> "The Parties affirm with respect to each other their existing rights and obligations relating to standards-related measures under the GATT Agreement on Technical Barriers to Trade and all other international agreements, including environmental and conservation agreements, to which those Parties are party…"[32]

Just one example illustrating NAFTA's Mutual Recognition process is the 2002 Mutual Recognition Agreement for Engineers.[33] This provides for the common understanding of the qualifications of an engineer, allowing his or her application to be assessed consistently throughout authorities in Canada, the US and Mexico.

There are many similar MRAs relating to other professions.

In comparison, the EU has attempted to establish the free movement of services vis-à-vis member state recognition of diplomas and other, equivalent formal qualifications. Harmonisation of professional standards was attempted for 20 professions in the mid-1970s. However, this only led to very few approved directives (for doctors, general care nurses, dentists, veterinary surgeons, midwives, pharmacists and architects). The lack of success of that harmonisation process pushed the EU to consider a mutual recognition approach.

Language and other cultural differences between member states, ignorance of the principle of Mutual Recognition (and of its operational benefits for users, be they member states or economic operators), as well as limitations on the transfer of pension rights and differences between tax systems, have all proved obstructive. They make the movement of professionals within the EU very difficult.[34]

Compare that with NAFTA's operation of a scheme acceptable to its member states, but which leaves each free to set their own individual standards and the assumption is that those are most compatible with their own society and the individual professions within them.

The legislatures of the three sovereign independent states are still completely free to legislate as they wish provided that there is no discrimination or disguised technical barriers.

Again, the key point of mutual recognition in NAFTA is comparability, not conformity. Comparability is based on assessment procedures that help facilitate the smooth flow of services and capital across borders. Standards and regulations do not have to be the same; they must simply fulfill the country's "legitimate objectives."[35]

9. What do other free trade areas do in relation to regulation?

The key fact about the following trade areas is that they maintain a flow of services through mutual recognition without being part of an EU- like political union. Single Market access, and the regulatory process, that comes with it are not necessary for reciprocal benefits in trade.

9.1. MERCOSUR: Southern Common Market

MERCOSUR is a trading bloc that comprises, as full members, Argentina, Brazil, Paraguay and Uruguay (Venezuela's membership has been suspended since December 2016). Its associate countries are Chile, Guyana, Bolivia, Colombia, Ecuador, Peru and Suriname. Its observer countries are New Zealand and Mexico.

MERCOSUR has a services agreement based upon progressive liberalisation. Article XI of the Protocol addresses recognition by encouraging member States to develop norms and mutually acceptable criteria to enable professional services to be undertaken by each other's suitably qualified citizens, this is through the granting of licences and registrations to service providers.

MERCOSUR has also achieved a system of mutual recognition of academic degrees to facilitate the movement of services. This system of mutual recognition of academic degrees is made by harmonisation and accreditation of curricula. While government authorities are responsible for this process of recognition, private sector representatives play a crucial role in the development of common criteria in education.[36]

Again, and importantly, this mutual recognition exists outside the confines of an EU-like 'Single Market' and political union.

9.2. TTMRA: Agreement between Australia and New Zealand

This is an MRA that implements mutual recognition principles relating to the sale of goods and the registration of occupations. It provides that a person registered to practise an occupation in Australia is entitled to practise an equivalent occupation in New Zealand, but without the need for further testing or examination.[37]

This agreement has liberalised trade in services between Australia and New Zealand. Again, this benefit is provided outside of an EU Single Market construct or similar political union.

9.3. ASEAN: The Association of Southeast Asian Nations

The Association of Southeast Asian Nations, or ASEAN, was established on 8 August 1967 in Bangkok, Thailand, with the signing of the ASEAN Declaration – also known as the Bangkok Declaration – by Indonesia, Malaysia, Philippines, Singapore and Thailand. Brunei, Cambodia, Laos, Myanmar, and Vietnam have joined since. Amongst its aims and purposes is the acceleration of economic growth and social progress. It states:

> "Recognising that MRAs for conformity assessment [of] activities could be an important means of eliminating Technical Barriers to Trade and enhancing market access, and that such mutual recognition could be of particular interest to small and medium-sized businesses in ASEAN;
>
> Recognising further that MRAs could contribute positively in encouraging greater international harmonisation of standards and regulations and that any such MRAs would require confidence in the other member states' capacity and competence to test or assess conformity to a member state's own requirements."[38]

This mutual recognition eases trade in services across borders without membership of a supposed 'Single Market.'

9.4. Central American Integration System

The aim of this agreement is mutual recognition of various products. There are mutual recognition sanitary measures for foods and beverages processes in Guatemala, El Salvador, Honduras and Nicaragua.

The standardisation measures are meant to facilitate trade; they do not create an unnecessary barrier to it.

In addition, the agreement provides that two or more party States may enter into mutual recognition agreements concerning the results of their respective conformity assessment procedures, with a view to facilitating inter-regional trade.[39]

To summarise, the EU Single Market is incomplete. Moreover, it is far (40% to 80%) less complete in the services sector. A UK rep reports 5%. The effect is that intrinsically the UK benefits less from the Single Market than other EU member states whose economies have materially smaller service sectors. Nevertheless, the costs to the UK of burdening 100% of its economy with Single Market regulations is in the tens of £billions annually.

The EU also requires "free movement of people." The consequence has been mass, uncontrolled immigration into the UK. Short of an economic collapse in the UK, this immigration will go on and on. The strongest "pull factor" is the multiple that is available in the UK of what can be earned in (for example) Bulgaria - see especially minimum wage table in Chapter 1.

Other free trade areas (and similar) in the world for example NAFTA have no free movement of people. Further, they do not have an imposed system of harmonised regulation. They still prosper. Indeed, most of them surpass the EU Single Market in economic performance. Economically, there is no reason to suppose that UK would not do well on Brexit, indeed better than we are now. Some of the strengths that we have as a country are the subject of the next chapter.

IV. IS THE UK A TIN POT ECONOMY?

1. Some strengths of the UK

- Sixth-largest economy in world
- Second-largest economy in Europe (after Germany).
- Second-largest exporter of services in world.
- World's No. 1 international financial centre.

The UK has one of the most globalised economies and already benefits from globalisation. These facts are familiar – or should be. Less well known is the UK's leading position in the world of higher education.

Table 62

The success of the UK in higher education	
World University Ranking	**Number of UK universities**
1-10	3
11-20	1
21-30	2
31-40	1
41-50	0
51-100	4
101-150	9
151-200	9
Total	**29**

Source: The World University Rankings 2019

2. World success of the UK in higher education

UK universities stand out for their excellence, according to world rankings.

The conclusion from the data is clear and straightforward. The UK's universities, generally, are the best in Europe. As and when the Commission extends its control to Higher Education, the UK's universities are then likely to be dragged down to the levels of the rest of the EU – following the same framework in which Eurostat, under the pretext of revising its methodology for determining the size of the UK economy, was looking for a way to extract more revenue from an economy doing better than most others in the EU.

3. The UK's influence in the world via international organisations

A country's influence and interests in the world can be protected, even enhanced, by direct membership of international organisations. These have become more influential in recent decades.
Traditionally, the UK has been a member of most of the key international organisations including the UN Security Council, G7 (formerly G8), NATO, WHO and FAO.

Membership of the European Union puts this at risk. EU membership has already caused significant losses in the UK's position and influence. Unlike countries as disparate as the United States, Norway, Switzerland, Rwanda and Nepal, the UK's seat at the WTO is inactive. We are dependent on the EU to negotiate and reach trade agreements for us at the WTO.

Further, the EU has threatened the Special Relationship between the US and UK by refusing to enforce US sanctions on Iran. And, they've gone even further, having approved a 50 million aid package in direct contravention of US sanctions.

Nobody can blame EU negotiators if they regard UK interests as simply one set of interests amongst 27; that is their job.

To emphasise the point, Norway has its own voice, not merely on the WTO, but also on the UN's Food and Agriculture Organisation (FAO) with its critical role in determining global fishing policy. By contrast, the UK is trapped in the Common Fisheries Policy and voiceless on the WTO.

Please see Appendix 22 for a long list of the international organisations of which the UK is a member.

Another example: the UK is a full member of the G7 (formerly G8, before Russia's

expulsion) and the G20. At the G8 summit held at Lough Erne, Northern Ireland in June 2013, the UK was the host. Nonetheless, the President of the EU Commission, Manuel Barroso, and the President of the EU Council, Herman van Rompuy, represented the EU, including the UK.

Many advocates of a United States of Europe assert that EU member states should be represented by the EU – and only by the EU – at international conferences and organisations. “The EU can be an effective and vital vehicle for amplifying our power such as on Iran, where the combined voice and action of 27 European States working together can achieve more than Britain could achieve alone...” This is from Labour’s former Shadow Foreign Secretary, Douglas Alexander (from his “Europe in the World”). Objectively, if someone has this mindset, the argument has a credible albeit sinister internal logic.

Further, the EU constantly proposes that it have its own seat on the UN Security Council. The corollary is that both the UK and France would lose their permanent seats. From paragraph 20 of a report drafted by the Spanish socialist MEP María Muñiz De Urquiza suggests:

> “The introduction of new members of the UNSC [UN Security Council] and reform of the UNSC’s decision making towards the possible use of a super-qualified majority…”

“Super-qualified majority” in the UN Security Council, on the face of it, is meaningless jargon. But it would have a real consequence... the end of the UK veto.

Also, the draft:

> “Encourages the VP/HR, the EEAS and the EU member states to play a more

> active role in establishing cooperation mechanisms aimed at ensuring that EU member states that sit on the UNSC defend common EU positions therein...”

In 2015, the European Parliament tabled a resolution entitled “The role of the EU within the UN – how to better achieve EU foreign policy goals”10. One particular paragraph sailed through:

> “Recalls, considering the contribution of the EU to peace and security architecture in the world and the Lisbon Treaty’s objective of enhancing the European foreign policy, the long-term goal of the EU having a seat on an enlarged Security Council, and reiterates its call for a Europe-wide debate on its reform” (Paragraph 14, Section 1).

The votes were: 504 in favour, 164 against, 28 abstaining.

This one will never go away. As more and more integration takes place and the EU becomes more and more a superstate, the UK’s permanent seat on the UN Security Council and – as important – our veto would have come increasingly under threat from our “partners” in the European Union.

A direct consequence of the implementation of the above would be a material diminution in the independent, global influence of the UK and France. The UK’s 8.2% of votes in the EU’s Council of Ministers scarcely compensates. The EU already has Observer status at the UN.

3.1 The EU's External Action Service and the UK's Foreign Office

The European External Action Service (EEAS) sounds vaguely like some special-forces offshoot. The EEAS is, in fact, the European Union's own Foreign Service, introduced in late 2009 by the Treaty of Lisbon.[1] Since then, it has expanded to 139 embassies (in the jargon "delegations") covering 163 countries ranging from Afghanistan to Zimbabwe, including Barbados, Fiji, Jamaica and Mauritius. By 2015, the EEAS had 4,955 employees, some of whom were delegated from the European Commission, and a lavish annual budget of almost €1 billion in 2015.

Compare this with Britain's Foreign Office ("FCO"). The FCO has been a major victim of UK government cuts. During the (coalition) government's five-year term, the FCO lost more than a quarter of its budget in real terms. Since 2010, three embassies have suspended operations and 13 consulates or consular offices have been closed. Today, there are 268 posts in 168 countries and 4,500 staff (excluding local hires). Costly expatriate British diplomatic posts are being replaced with cheaper local staff: the next generation to run the Foreign Office will have less overseas experience. In March 2011, the FCO employed 5,045 civil servants from the UK and a further 8,500 local hires. Three years on, the UK-employed workforce had shrunk to 4,609, while the number of local employees had risen to 9,200. Prime UK Embassies, for example in Portugal and Thailand, have been sold off.

The decline is showing no signs of stopping. The FCO's budget is planned to decrease by £100 million, more than 8% of its total budget, in 2019 and 2020.

The UK is losing its role as a key geopolitical power. The UK has been obliged to cut back to trade and limit its interest in politics, so key issues like the rise of radical Islam have not received the attention which they clearly deserve. Cuts have been so drastic that diplomats have had to pay out of their own pockets to take contacts out for meals.

A Foreign Office memo (leaked to Total Politics) spells this out. "The memo explains that band A and B staff members posted abroad will be reduced to "50 essential positions", resulting in about 450 fewer staff members overseas over the next four years. According to the memo, these cuts will reduce "to a minimum the numbers of A and B Band staff [the FCO] posted overseas." This will effectively mean that very few junior staff members at the Foreign Office will now have the opportunity to work abroad – affecting both the volume of experience in the service, and the attraction of the job for high-caliber new candidates.

The memo continues: “In effect we are accelerating the existing trend and setting a clearer objective for where we plan to end up in our workforce planning.”

When confronted with the leaked memo, a Foreign Office spokesman said:

> “The FCO has to find £100m savings over four years and needs to ensure it focuses on core frontline activity: diplomacy and foreign policy.
>
> “We will be making these savings in a number of areas, including the workforce. We are therefore proposing abolishing or localising nearly 400 more junior UK-based jobs overseas, most of which are back-office roles. Savings from this (about £30m pa) will help the FCO make its contribution to the Government’s overall priority of reducing the deficit, while also allowing it to direct its resources to top priority diplomatic work.
>
> “Those in jobs now are being allowed to serve out their tours. We are not looking at compulsory redundancies.”

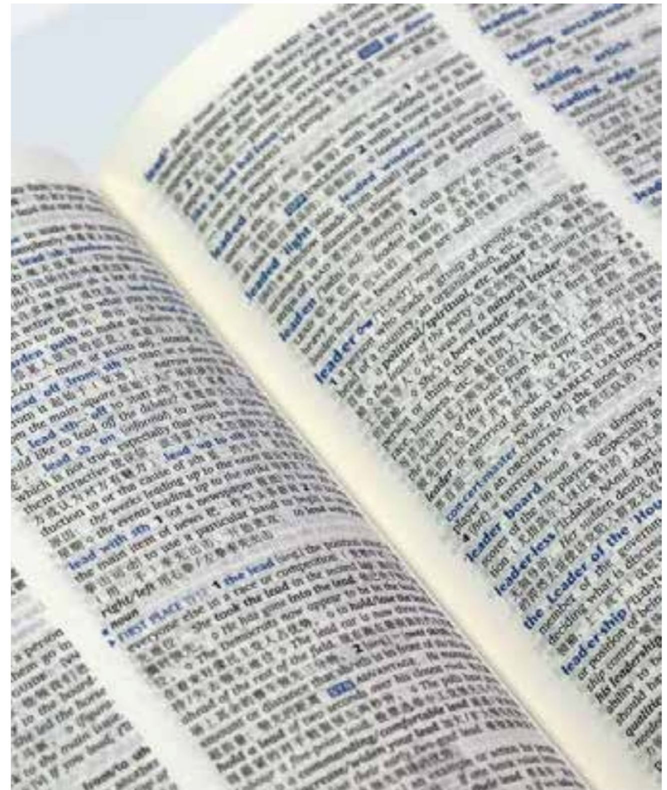
None of this bodes well for the future of UK diplomacy.

The comparison between the continually expanding European Union’s diplomatic service – the EEAS – and the cuts in the British Foreign Office is stark. The UK, by paying and paying through the nose for the lavish costs of another Foreign Policy, determined by unelected bureaucrats, has reduced its ability to conduct its own foreign policy. It should be pointed out that in the UK’s 2011 intervention in Libya (a disaster for everyone), the initial coalition had just five EU member states in addition to the UK. In Iraq, in the initial phase, only two member states, Poland and the United Kingdom took part. The evidence is very clear. There is in fact NO meaningful common EU foreign policy, but we are paying as if there were, and to the detriment of the UK’s national interest.

An argument to stay in the EU is that membership is a “Multiplier for the UK’s position in the world” (Douglas Alexander, then Labour Shadow Foreign Secretary). The evidence is clear: it is exactly the other way around. The UK’s role and position in international organisations is muted as being one of 28, our permanent seat on the UN Security Council and our veto are under threat, and we have been paying for someone else’s foreign policy while cutting to the bone and beyond the infrastructure which enables us to conduct our own affairs.

4. English - The world's second language

A very large number of people worldwide speak English as their preferred second language. The use of English as a second language is increasing all the time. For more examples of this trend, see The Economist article of 15 February 2014 entitled "The English Empire: a growing number of firms worldwide are adopting English as their official language."



English is the standard language of communication in aviation, the computer industry, on the internet and in most international commerce - ironically, a true *lingua franca*. This is a competitive advantage for the UK. The primacy of English is one key reason why international companies choose to operate in the UK.

The estimated figures shown below bear this out:

Table 63

Estimated number of second language speakers	
Language	**Number of People**
English	753,359,540
French	202,644,720
Russian	104,426,230
Spanish	74,242,700
German	56,086,000
Portuguese	13,406,000

Source: Ethnologue: Languages of the World 2017

5. Multinational companies and international investment in the UK

There are many international companies located in the UK. There are multiple reasons for this choice. The English language is the principal language of business. Further, the UK's location midway between the world's time zones, good communications infrastructure, and a sound – and untainted – legal system based on Common Law. There are others. Somewhere lurking in this partial list of factors is Britain's membership of the EU. But the UK's EU membership is just one of many factors. In assessing its importance, it is important to point out that the EU's tariff wall has diminished to an average of around 3%, down from 20-30% when the UK originally joined the Common Market in 1973.

However, the UK's EU membership has within it a possible pitfall. Here is an extract from Article 207 in the Lisbon Treaty:

> "The common commercial policy shall be based on uniform principles, particularly with regard to... foreign direct investment, the achievement of uniformity in measures of liberalisation, export policy and measures to protect trade... The common commercial policy shall be conducted in the context of the principles and objectives of the Union's external action."

The effect of this clause is that the EU has the right to involve itself, to interfere in foreign direct investment in the UK. Ten years after the Lisbon Treaty came into force, we still do not know how this clause will work in practice. However, it is, potentially, a gigantic negative.

6. English Common Law

In addition to England and Wales there are 80 other countries whose legal systems are founded on English Common Law. Apart from England and Wales, the 10 largest economies using English Common Law (to a greater or lesser extent) appear in the table below.

In addition, many international contracts specify that, if there is a dispute, it is to be governed by the laws of England and Wales. This is in large part why UK legal services contribute materially to the UK economy and tax base.

Table 64

Leading countries of the world using English Common Law by GDP	
Country	GDP in billions of US $
United States	$18,560
UK	$2,788
India	$8,721
Canada	$1,674
Australia	$1,189
Pakistan	$988
Malaysia	$863
South Africa	$736
Singapore	$486
Hong Kong	$427
Ireland	$324

Source: CIA World Factbook 2016

6.1. The threat to UK legal services from the EU

However, there is a major threat overhanging the UK's success story in legal services.

The EU wants to create EU commercial laws and an EU Commercial Court in the cause of "harmonisation." It is intended that EU laws and the EU Commercial Court will be established, not in competition with national jurisdictions, but as "compulsory" replacements. It is becoming clear that the EU threatens the UK's position in international legal services as much as it threatens the UK's equivalent position in financial services.

In 2010, the author tabled the following amendment at the International Trade Committee of the European Parliament: "Calls on the Commission to confirm that contracting parties to commercial and all other agreements, including specifically international trade agreements, will continue to have the absolute right to write into an agreement the legal jurisdiction competent to settle any dispute, including after the Stockholm Programme has come fully into force in all its aspects."

His amendment was easily defeated 27-1, with three British Conservative MEPs and one Labour MEP voting with the 27.

The Law Society and the Bar Council, as well as leading London firms of solicitors, seem to see no threat from the EU to their position. It is high time they admitted their failures.

Conclusion

There is an obvious conclusion to the evidence set out above. The 1960s and 1970s were full of bad choices: the Decca record label turned down the Beatles, the Football Association sacked Sir Alf Ramsey, and the USA decided to give "military assistance" to Vietnam. Arguably as bad a choice as any of these, was that then Prime Minister Edward Heath took the UK into the "Common Market," the predecessor to the European Union.

7. Is the BBC a propaganda voice for the EU?

BBC bias against Brexit and those who support it is evident from 1999, (when detailed monitoring began) up to today.

From 1999 media monitoring reports by News-watch have covered over 8,000 programme transcripts, 300 hundred hours plus of EU content and over 40 individual surveys and reports.

Before the referendum in the years 2005-2015, there were 4,275 guests talking about the EU on BBC Radio 4's Today programme; of these only 132 (3.2 %) were supporters of leaving the EU.

During the referendum campaign, the BBC were legally obliged to be neutral. They did not seem to be.

In the South West region, during the referendum campaign BBC West broadcast an hour-long debate on Brexit with two panellists/speakers on either side. An obvious person to speak for the Brexit side was the author - as an MEP for the area, elected on a pro-Brexit platform, who had moreover topped the poll in the European elections just a year before.

Instead, BBC West chose to invite and put on Christine Hamilton, the wife of an ex-Conservative MP for Cheshire Neil Hamilton. (The same is now a Member of the Welsh Assembly.) Christine Hamilton as a writer has published "the Book of British Battleaxes" and has been a pantomime dame. Were these the qualifications?

It is all too clear, BBC West were manipulating the invitations for this key programme before the referendum. This was to stack the odds so that the Remain side would win the debate

After the referendum, the result of the referendum changed nothing for the BBC. It was as if nothing had happened.

In the week the UK's Article 50 letter was filed (March 29 – April 4 2017), BBC Radio 4's Today programme broadcast six editions which contained almost five hours of material about the Article 50 letter and its aftermath - almost half of the available feature airtime.

- Coverage was strongly biased against Brexit and made special efforts to illustrate the extent to which leaving the EU could have catastrophic consequences for the UK.
- There was, by contrast, only minimal effort to examine the potential benefits.
- One key measure of this overwhelming negativity was that only eight (6.5%) of the 124 speakers who appeared over the six editions were given the space to make a substantive argument that the future for the UK outside the EU would yield significant benefits.

But it is not just the lopsided number of speakers. Another favourite ploy of the BBC is that their pro-Brexit guests - the ones who get invited - are either not credible or ill-informed or both.

Ex Borough Councillor Ms Suzanne Evans has been a consistent pro Brexit invitee on BBC programmes. Ms. Evans was the pro Brexit voice in a Newsnight discussion with the ex-Foreign Secretary of Poland, who is also an Oxford Graduate. The BBC were so keen to have Ms Evans, the lady was beamed in from Edinburgh. More telling, after the Court of Appeal ruling the BBC fielded QC and former Attorney-General Dominic Grieve MP on one side – and yes Ms Evans on the other.

The BBC consistently invite pro-Brexit speakers who can be relied to be very weak.

When there was opinion in favour of leaving the EU featured, editorial leaned heavily towards characterising opposition to the EU as xenophobic.

There has been a tendency to present pro-withdrawal views almost entirely through the prism of 'Tory splits.' The important stand of left-wing euro scepticism, of which the late Tony Benn, the mentor of Jeremy Corbyn, was an example, is mostly ignored. In 274 hours of monitored BBC coverage of EU issues between 2002 and 2017, only 14 speakers (0.2 per cent of the total) were left-wing advocates of leaving the EU. These 14 contributors delivered 1,680 words, adding up to a derisory 12 minutes. This was out of 274 hours or 16,440 minutes of airtime.

Despite frequent requests to the BBC's Director General and Chairman from a cross-party group of MPs worried about BBC bias on Brexit, the BBC has not broadcast a single programme examining the opportunities of Brexit. Not one.

V. OUT OF THE EU, INTO THE WORLD

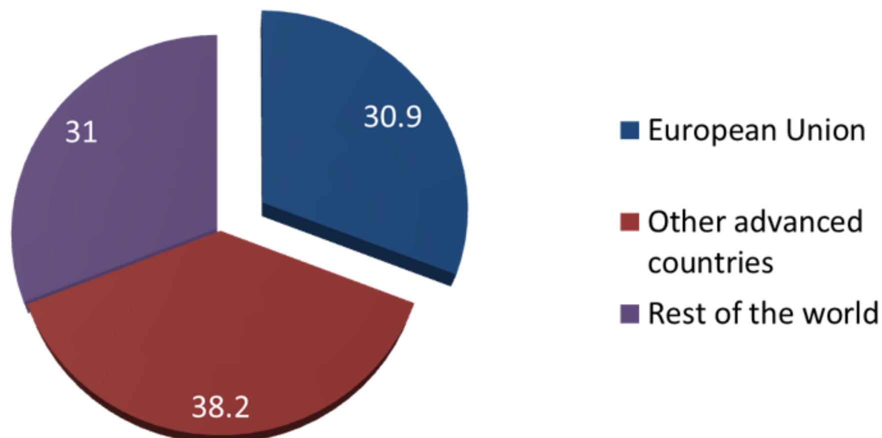
1. Out of the EU, into the world

1. The EU’s decreasing share of world GDP: Is the European half-millennium over?

The EU’s share of global wealth is in long-term decline: more than 30% in 1980, it is now less than 25%, and in 2050 is projected to be just 15%. Adjusted for purchasing power parity, the EU’s share of world GDP has already declined to just 16% in 2019.[1] This is despite the accession to the EU of Spain, Portugal and eleven central and eastern European countries,[2] some of which have sizeable economies. The following charts demonstrate the decline in the EU’s share of world GDP.

Table 65

The World Economy in 1980 – percent of world output



The EU is not only declining in its share of world GDP; it is also declining in its share of world trade. The EU’s own statistics show its share of world trade to have shrunk since its formation – with both imports and exports in decline.[3]

Table 66

The World Economy in 2014 – percent of world output

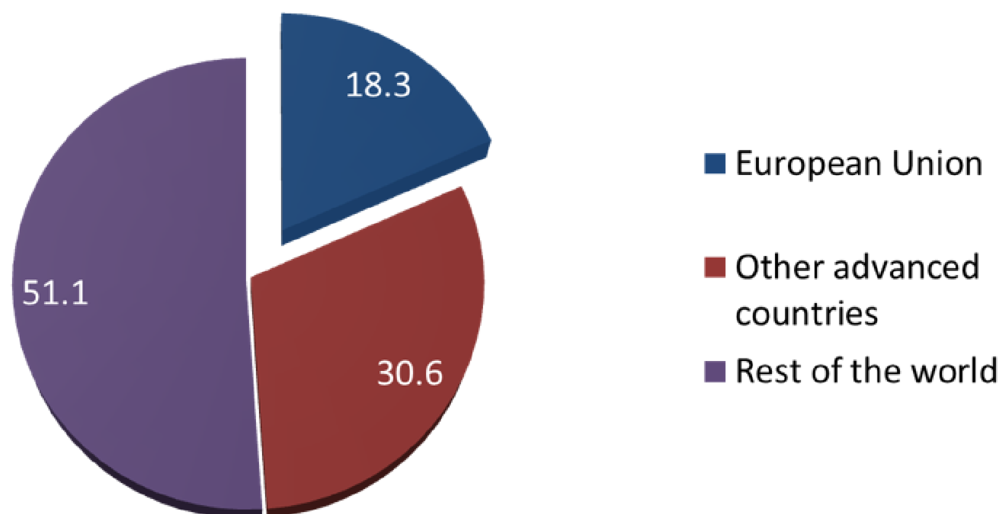


Table 67

The World Economy in 2039 – percent of world output

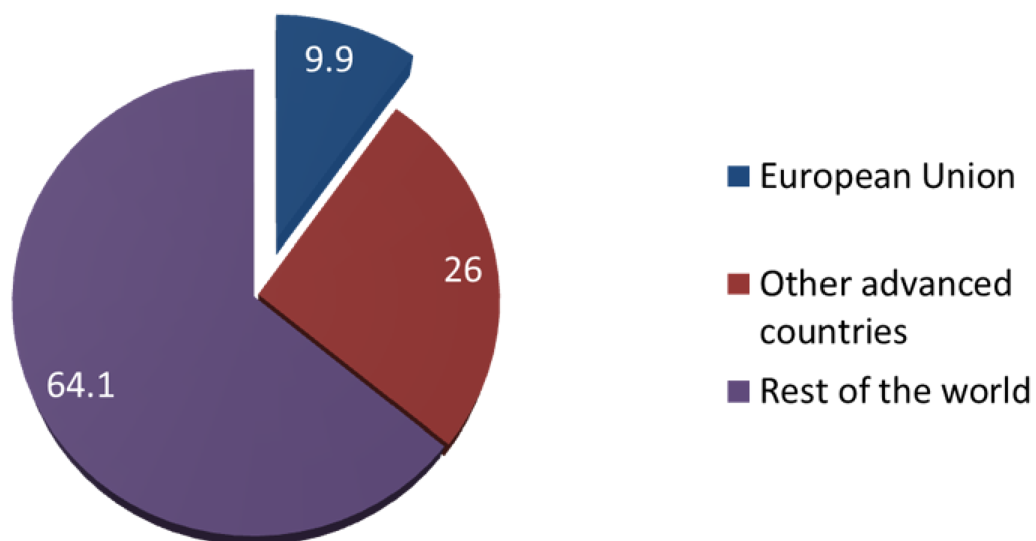
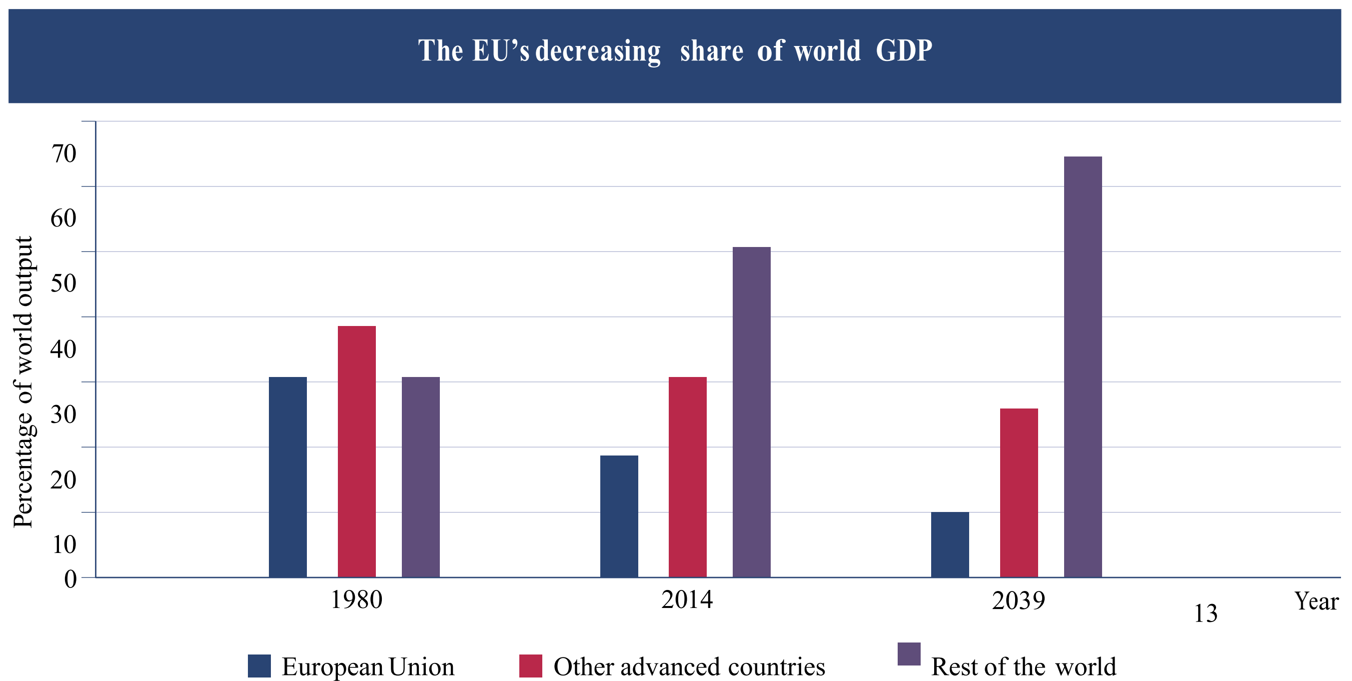


Table 68



What further prediction can be made on the EU's proportion of world GDP? It is true that there are five countries that are "candidate countries". These countries are Albania, The Republic of North Macedonia, Montenegro, Serbia, and Turkey. What they have in common is that they are all – at least compared with the UK – poor countries.

The table below shows their ratio of GDP per capita compared with that of the UK. Accession of the five candidate countries is no solution to the EU's declining share of world GDP.

Table 69

GDP per capita of EU candidate countries

Country	GDP per capita in 2017
Albania	$12,500
Macedonia	$14,900
Montenegro	$17,700
Serbia	$15,000
Turkey	$26,900

Source: CIA World Factbook

There is also the case of Iceland, which, having always resisted EU membership, actually applied for EU membership on 16 July 2009. The reasons for the application derived from the circumstances of Iceland's financial institutions in 2008- 2009. To quote no less an authority than the European Movement:

> "In September and October 2008 Iceland's three main banks all faced collapse and had to be rescued by the state. The Icelandic króna had declined by 35 percent from January to September 2008 and inflation was running at 14 per cent. When the banks collapsed their debts exceeded Iceland's GDP many times over..."
>
> "If Iceland joined the EU... this would offer the country a "safe haven" to cope with its economic problems..."[4]

To cut a long story short, Iceland then made a marked economic recovery during 2009-2015. Iceland became a rich country all over again. In consequence, the government of Iceland took the view that the EU "safe haven" was no longer required – certainly not enough compensation for Iceland being subject to the EU's Common Fisheries Policy and its fish stocks being devastated. Iceland formally withdrew its application for EU membership on 12 March 2015 (in 2017, Iceland's GDP grew by 3.6%, whereas the average GDP growth in the EU was 2.4 %).

There is a simple conclusion. It is only poor countries that now want to join the EU. These comparatively poor countries will inevitably make further demands on the EU budget, and, in consequence, disproportionately drain UK and western European taxpayers.

New proposals, like the European Pillar of Social Rights, would further intensify the demands on the UK, a net contributor to the EU even after Brexit. The proposed European Pillar of Social Rights would provide minimum income, pensions, childcare, and social housing to all member states in the EU. Such a proposal would largely be redundant in the UK and western Europe, but would still require the west to shoulder the massive expense of providing these benefits to the east of Europe.

Rich countries - Norway and Switzerland, and now Iceland - want to stay out of the EU. The 1960s Leftist anti-EU refrain was that the EU was "a rich man's club." From the UK's viewpoint now, would that the epithet "rich man's club" were still true. As Conservative MEP Andrew Lewer has pointed out, it is a club which Albania and Serbia want to join, but which Norway, Switzerland and Iceland do not.

1.1 The Rotterdam Effect

In the context of trade, and more specifically the UK's trade with the EU, the EU's situation (predicament may be the better word) is probably even worse than the series of tables and charts above suggest. This is due to the "Rotterdam Effect."

Almost all trade figures have some distortions. This is because the primary purpose for which they are collected tends to be tax. Also, they do not take into account part-finished goods which may pass through several countries before reaching the end consumer. For example, high value parts for Airbus are "exported" from the UK to France for assembly. The finished planes may then be sold to China, but that end-market will not feature in the UK statistics.

Among other key distortions is the "Rotterdam-Antwerp effect," which is now recognised by the UK's ONS etc, and for which some crude allowance can be made:

- The Rotterdam-Antwerp effect applies largely to trade in goods. World statistical bodies like the ONS record only the first port of discharge of a consignment.

- British exports are often handled and processed through Rotterdam in the Netherlands and through Antwerp in Belgium. While some exports are indeed destined for the Netherlands or elsewhere in the EU, much is trans-shipped outside the EU.

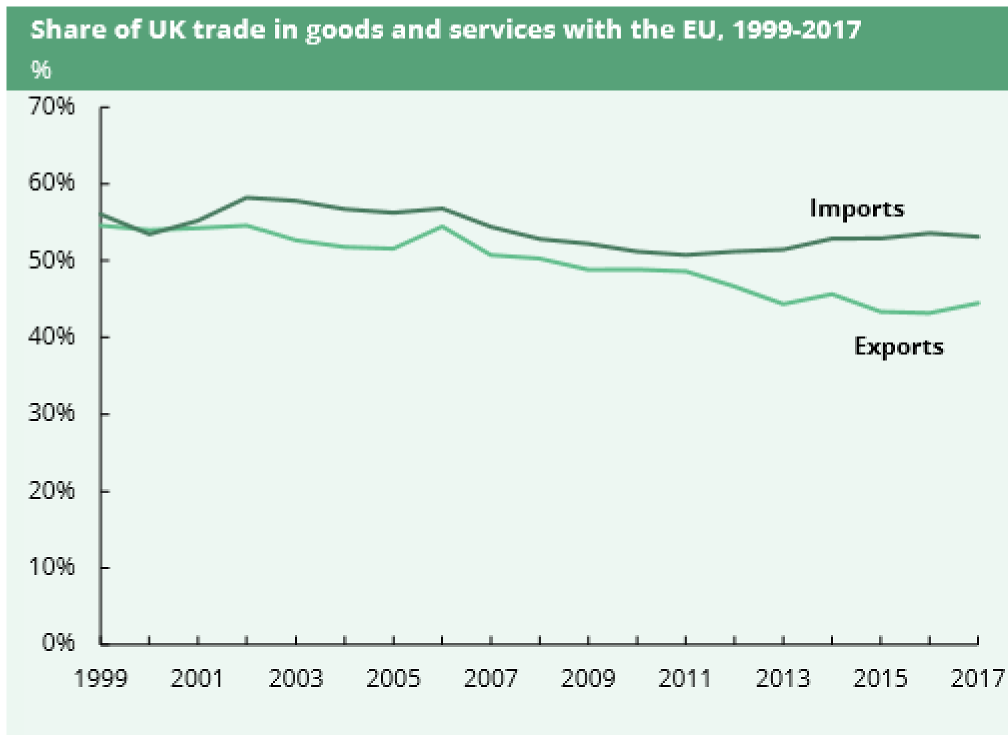
How big are the distortions? Global Britain has made careful estimates. The magnitude of the distortions is considerable and reduces UK exports to the EU by at least 5% and may even be close to 10%. This same distortion also underestimates UK exports to the rest of the world by at least 5%.

Even Eurostat, the EU institution responsible for providing statistical information on the EU, acknowledges the impact of the Rotterdam effect distortion:

"Dutch imports, and therefore the trade deficit, are overestimated because of the "Rotterdam effect," where goods destined for the rest of the EU arrive and are recorded in harmonised EU external trade statistics in Dutch ports. This then has a positive effect on the external trade balances with China of those member states to which the goods are re-exported, as these shipments would be recorded as intra-EU trade with the Netherlands, rather than extra-EU trade with China. To a lesser extent, Belgian trade figures are similarly over-estimated." Rotterdam is the most important port in continental Europe. Second is its near neighbour - Antwerp.

Table 70

Share of UK trade in goods and services with the EU



Source: ONS Pink Book

2018 was characterised by a strong US dollar and a weak euro. 2019 continued this trend, which has an effect on the value of British exports.[5] Just in currency and hence value terms alone, the value of UK exports to the rest of the world will increase and the value to the EU will decrease. This is before one even considers likely levels of demand in the US and the rest of the world compared with static or declining demand in Continental Europe, in particular in the Eurozone. UK exports to the EU could go down to 30% within the decade (as shown in Chapter 3). Percentages of exports as an argument for the UK to remain in the EU political union or the EU s regulatory regime is not a good one - but even within the terms of that argument, less than a third and the argument falls away.

1.2. The state of the Eurozone

The Eurozone has been hampered by inefficiency, poor economic growth, and fragility - trends which continue to the present day.

Table 71

Loans and bailouts			
Country	**Period**	**Total amount committed**	**Sources**
Republic of Ireland	2010-2013	€ 85.0 billion	EFSM, EFSF, IMF, bilateral
Portugal	2011-2014	€ 78.0 billion	EFSM, EFSF, IMF
Spain	2012-2013	€100.0 billion	ESM
Greece	2010-2016	€ 282.7 billion	EA MSs, IMF, EFSF, IMF

Source: Eurostat

Recessions and spending cuts have hit Greece, Spain, Portugal, Ireland, Italy and France. The EU's policies towards Portugal in its 2012 economic crisis were particularly ineffective. Austerity measures implemented at the behest of the EU in 2012 helped contribute to a 17.5% unemployment rate and 41% increase in corporate bankruptcies.[6] Only in 2015, after the democratically elected national government shrugged off the harsh measures, did the economy begin to recover.

Greece, which was unable to prevent such austerity measures, was not so lucky. The austerity demands imposed on Greece during the crisis led to a massive downturn in GDP, without actually resolving the debt crisis. The combination of decreased GDP alongside rising debt, then, has naturally increased Greece's GDP to debt ratio. In 2009, in the immediate aftermath of the financial crisis, Greece's GDP to debt ratio stood at 127%. As of 2017, the debt to GDP ratio stood at 178%.[7]

The author was asked on CNBC to discuss the Greek crisis on 6 July 2015. The following exchange is relevant.

CNBC Interviewer:
"Do you think this is a watershed moment, this vote?"

William Dartmouth:
"Yes, it is a watershed moment. When you went into the Eurozone, it's actually a fixed currency. You're not meant to be able to leave. The fact of the matter is that Greece cannot pay its debts. Whether it had a yes or a no, it still could not pay its debts. What has to happen is two things: One is the lenders, this is the financial news channel, so as you know, when lenders lend money to somebody who can't pay it back, what happens? The lenders lose some or all of their loan, and they show no signs of admitting that. And the second thing is that the logic for Greece is that they leave the Eurozone..."

The former Greek Finance Minister Yanis Varoufakis takes a minority, mostly Marxist view of how a 21st century economy should be organised. However, as far as the loans to Greece were concerned, he was definitely right to resist “extend and pretend.” As Mr Varoufakis pointed out, of the €61 billion provided in the restructuring, not one euro cent went to the Greek state. It all went to the lenders – in one form or another.

There are, of course, other crises for which the EU Commission - a crypto government - has been similarly unprepared. To cite a few: refugees, terrorism, Russia’s occupation of Ukraine, Eurozone sovereign debt, Britain’s future in the EU, Greece’s future in the Eurozone, Catalonian independence, more Spain, Italian banks, Volkswagen and now Poland (this the Commission imposed on itself).

Further, there are issues which the EU has not only failed to manage, but has created entirely.

In November of 2018, German Chancellor Merkel floated the idea of a ‘real, true European army,’[8] which (the acting) NATO Secretary Jens Stoltenberg has since described as ‘unwise.’ French President Macron has also voiced support for the idea. This comes at a time when neither France nor Germany is anywhere near meeting its NATO obligation to allocate at least 2% of its GDP towards a domestic army.

Also in 2018, the EU has not only openly refused to enforce US sanctions against Iran, but has gone a step further by providing Iran with an aid package and liberalizing trade between the two.

2. The Commonwealth

2.1. A brief description of GDP

There are 53 countries in the Commonwealth, with a total population of some 2.2 billion.

When the UK surrendered its power to negotiate trade deals to the EU Trade Commissioner in 1975, it also had to renounce long-standing trade agreements with Commonwealth countries – the Ottawa Agreements. Known as Imperial Preference when signed in 1932, these agreements provided mutual tariff and other concessions between the UK and, initially, the self-governing Dominions (Canada, South Africa, Australia and New Zealand) and, later, colonies such as India: in short, the Commonwealth.

The Ottawa Agreements were, in effect, comprehensive trade deals to reduce tariffs on agricultural products imported by the UK, while lowering tariffs on UK-manufactured goods.

This trade with the Commonwealth played a major role in the UK's recovery from depression in the 1930s.[9]

These agreements allowed the UK to enjoy low food prices. Their surrender had profound economic effects at the time both on us and on our Commonwealth friends, in particular New Zealand.

EU membership drastically raised UK food prices, as the UK had to apply the Common External Tariff to agricultural products from countries with which we then had trade agreements. The table below illustrates how this increase in food prices affected disproportionately the less well off in the UK.

Table 72

Average price of flour, sugar and butter in the UK in pence			
Average Price of Butter (per 250 g)			
1975	1985	1995	2005
17	52	80	75
Average Price of Sugar (per kg)			
1975	1985	1995	2005
25	48	61	74
Average Price of Flour (per 250 g)			
1975	1985	1995	2005
23	43	57	63

Source: ONS

If we fast-forward to 2010, the Coalition UK Government paid lip service to the Commonwealth, but actually neglected it. As Lord Howell, the former Minister for the Commonwealth in Cameron's Government, wrote on receiving the FCO's annual report of 2012-2013:

> "(The FCO report confirms) everything that is feared, however unjustifiably, by the FCO – its obsession with kowtowing to America, its cringing and defensive position in the European Union vis-à-vis Paris and Berlin, its general assumption that the Atlantic West is at the centre of the world and its values, about which we apparently should lecture everybody else... you will see the top priority given to relations with, and a big genuflection to, the USA; the equally high priority to the European Union; the continuing prominence given to NATO – with the rest of the world, the emerging markets, the great booming economies and gigantic new cities of Asia, rising Africa, the Commonwealth network, the new techniques of soft power promotion, and much more – all trailing along behind..."[10]

Has anything changed?

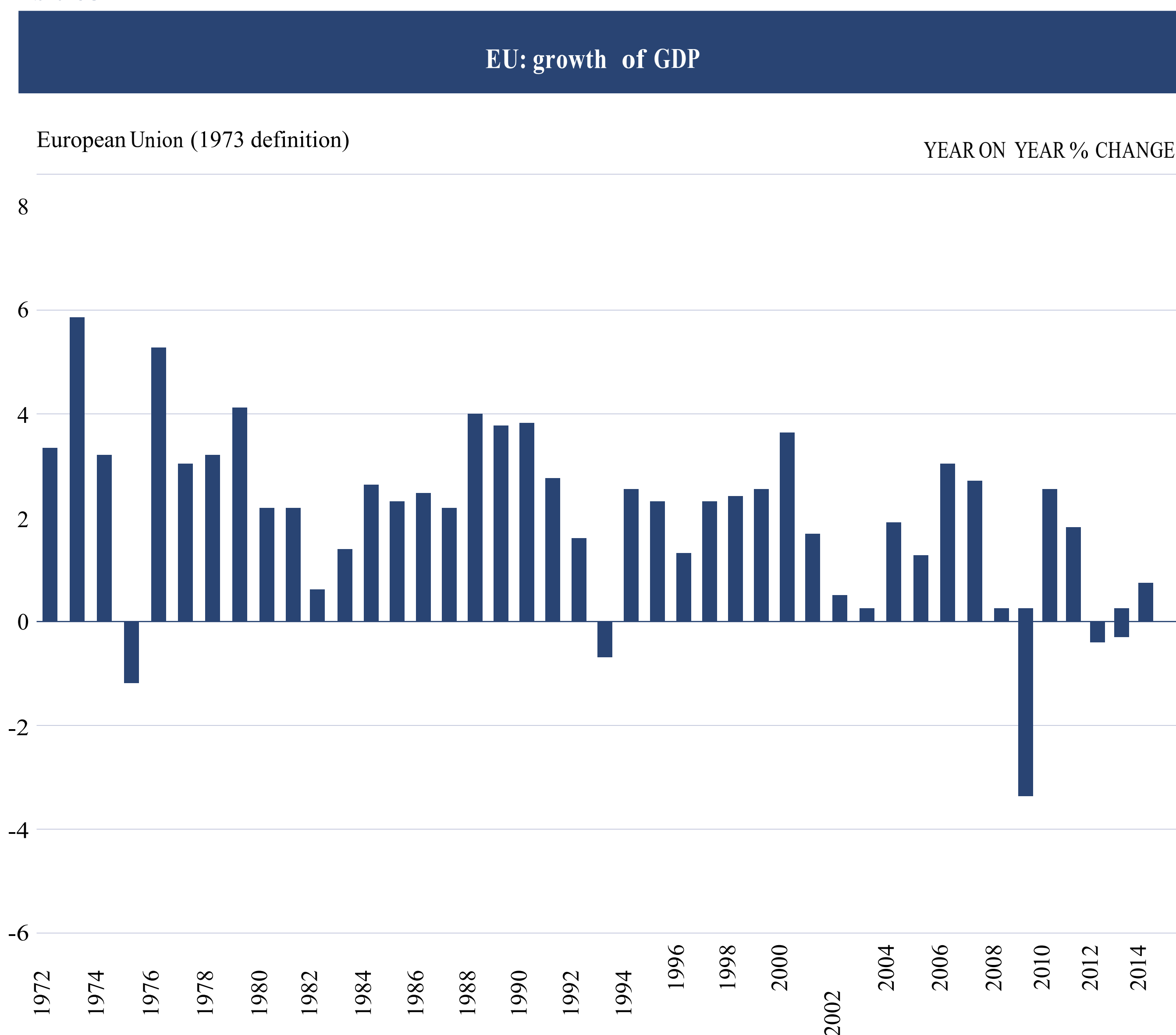
Lord Howell is a former cabinet minister; also, incidentally, George Osborne's father-in-law. The current Minister of State is Lord Tariq Ahmad. The UK's relations with the Commonwealth are only part of Mr Ahmad's responsibilities.[11] In addition to the Commonwealth, Mr Ahmad covers the Far East and South East Asia, India, Nepal, Sri Lanka and The Maldives, Latin America (including the Dominican Republic, Haiti and Cuba), the Falklands, Australasia and Pacific,

public diplomacy and the GREAT campaign, and Prosperity work (including the FCO's relations with British Business). It seems that the current government does not give much priority to the Commonwealth. This is a poor, indeed terrible, judgment. If nurtured, the Commonwealth could give the UK a significant competitive advantage.

Those Commonwealth countries from which we were forced by the EEC to sever our preferential trade agreements have been projected to grow at 7.3% per annum between 2016 and 2021.[12] India, for example, has seen near double-digit growth for much of the past decade. In contrast, the EU is expected to grow hardly at all. The total GDP of Commonwealth countries is expected to surpass that of the EU's in the near future.[13] The charts below show the divergence in economic performance of the EU and the Commonwealth since the UK joined the EU in 1973.

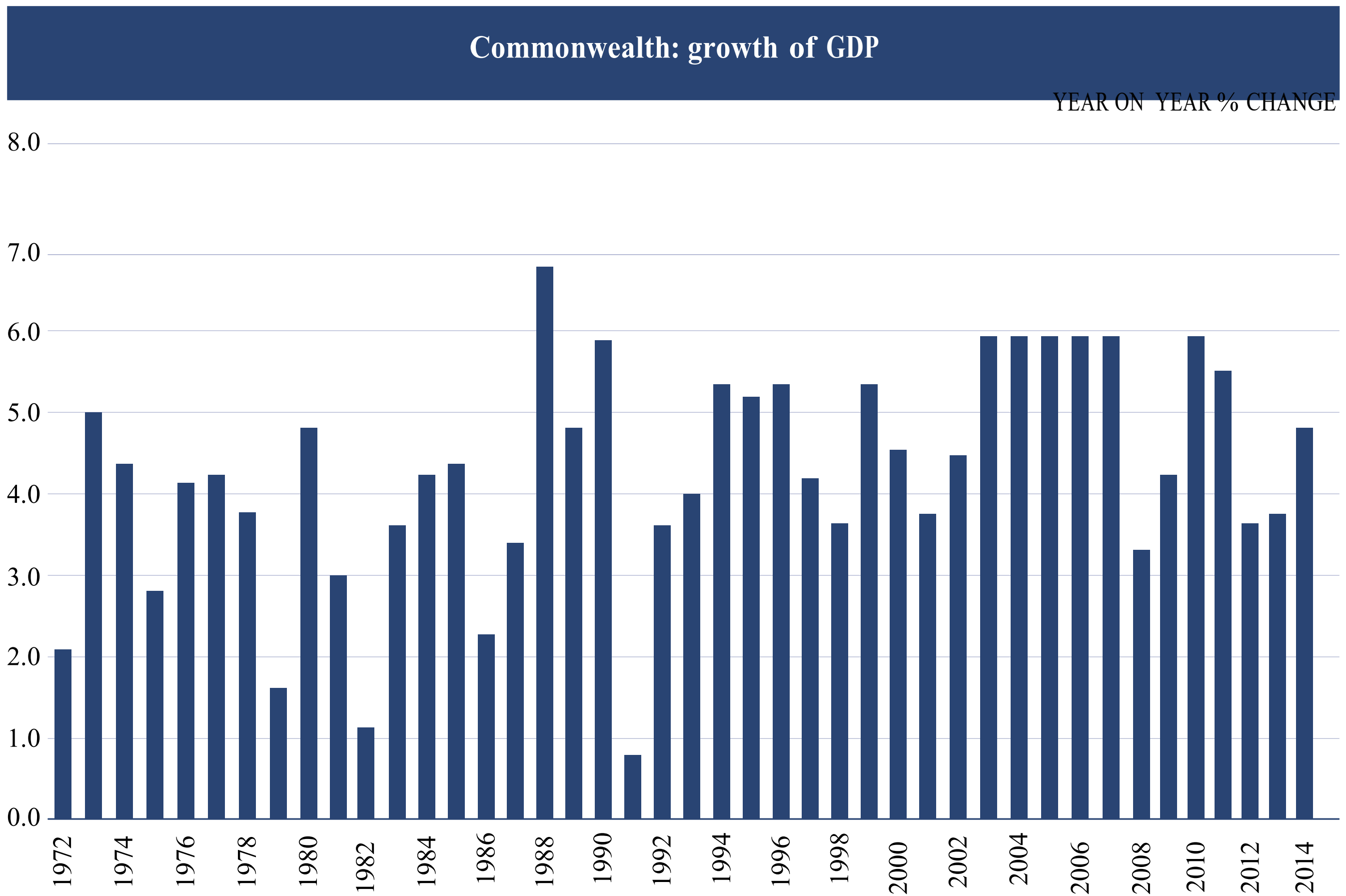
In the past five years even the United States, which is also perceived as a mature economy, has experienced much better growth than the European Union.

Table 73



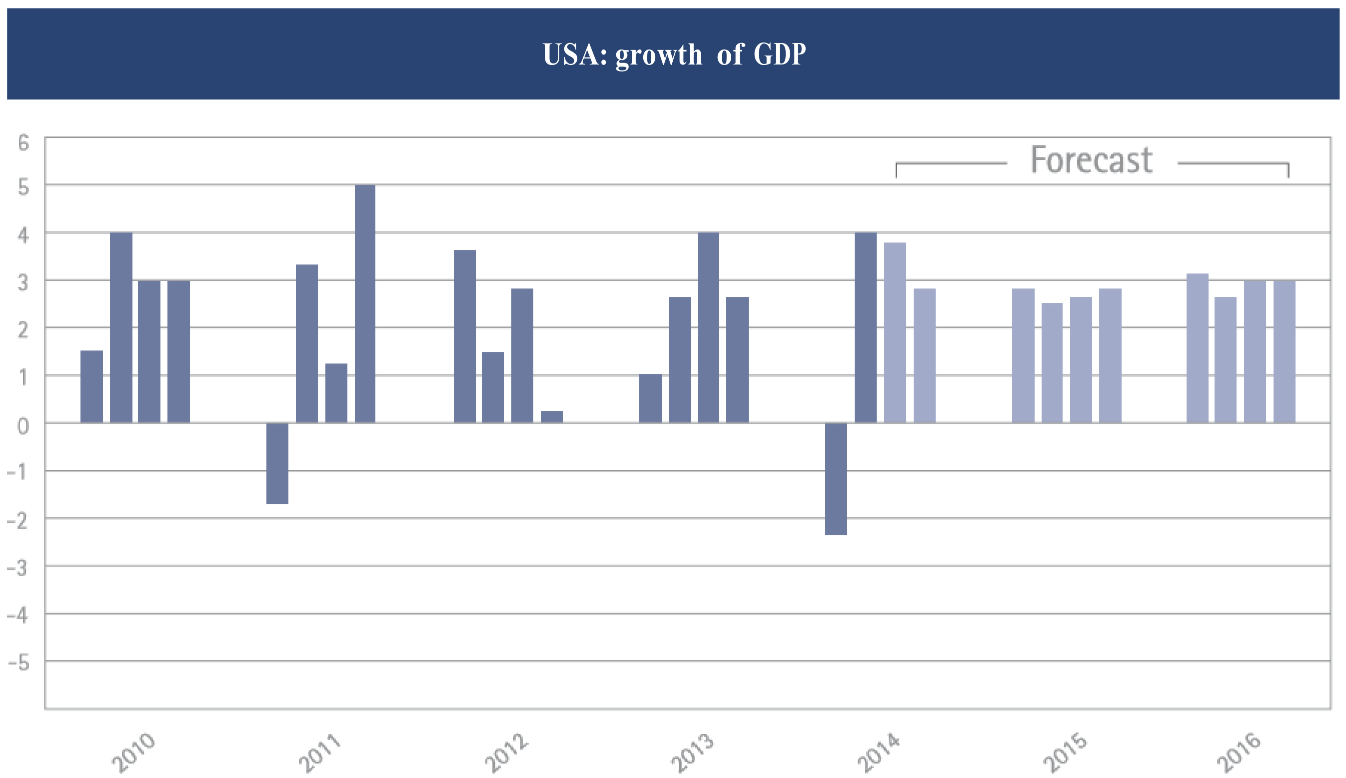
Source: Trading Economics, World Bank and IMF

Table 74



Source: Trading Economics

Table 75

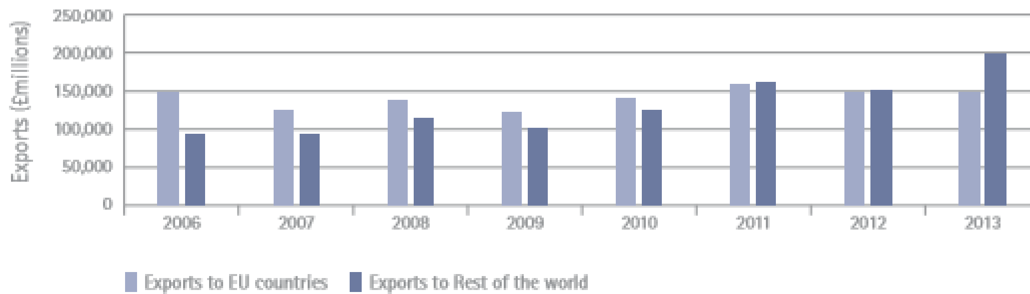


Source: The Independent

Further, the percentage of UK exports to non-EU countries is rising, while that of UK exports to EU countries is declining

Table 76

UK export of goods to EU countries compared to the rest of the world



Source: HMRC Exports of Goods Data

Table 77

Eurozone: quarterly rate of GDP growth											
-1	-.4	.6	.2	-.4	-.2	-.6	-.4	-1	-.4	.6	.2
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2013				**2014**				**2015**			
.5	1.8	1.8	2	2.1	2.1	2.5	2.8	2.7	2.4	1.6	1.2
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2016				**2017**				**2018**			

Source: Trading Economics

The figures tell us that British politicians of the 1960s and 1970s made the wrong choice. An intelligent policy would be for the UK to focus on trading with growing economies rather than those in decline. Indeed, this is straightforward - no degree in rocket science required.

It is clear that the Eurozone has experienced two periods of recession – not one – and that for the past five years the Eurozone has been flatlining at best. Many economists predict that this is likely to continue. Even when including more prosperous years, from 1995 to 2018 the EU GDP has grown at an annual rate of 0.39% - which is sluggish at best.[14]

Even after the Brexit vote, why does the UK establishment still want to link the UK ever more closely to the low-growth, high unemployment economies of the EU and its Eurozone? The establishment continues to fail to explain why. They should tell us.

3. Global tariffs since 1968 and EU tariffs

3.1 The 1960s

The then EEC introduced the Common External Tariff in 1968. All member states put the same tariffs on all goods imported from countries not in the EEC. At the same time, the EEC entered into negotiations on tariff reductions in industrial goods. These negotiations – under the successive Kennedy, Tokyo and Uruguay Rounds – made progress largely because they took place in a multilateral forum. It was the US, not the EU, which took the leading role. To be very specific, during the Kennedy Round of 1964-1967, it was the US that prevented the EEC from becoming more protectionist.

In the Tokyo Round (1973-1979) the USA, Japan and the then EEC all agreed to significant reductions in tariff rates for industrial goods. The EEC reduced its tariff from 6.5% to 4.6%. Overall, the tariff reductions from the Tokyo Round covered about $126 billion, some 90% of industrial trade in 1976.[15]

Under the Ottawa Agreements of 1932, Commonwealth countries exported most agricultural produce to the UK free of any tariffs. In marked contrast, the EU's tariff rates on agricultural imports have remained high over the years. In agriculture, the EU has maintained a system of tariffs and subsidies – executed via the Common Agricultural Policy – that protects EU farm products. The average EU tariff on agricultural goods is now 13.8%, whereas for non- agricultural goods it is just 3.9%.[16]

Since 1973, when the UK joined the then Common Market, there has been a material reduction on tariff rates on manufactured goods. It follows that it is much less valuable and important for the UK to be part of the EU Customs Union than it was in 1973.

The graph in the table below shows the dramatic fall in tariffs since the 1980s:

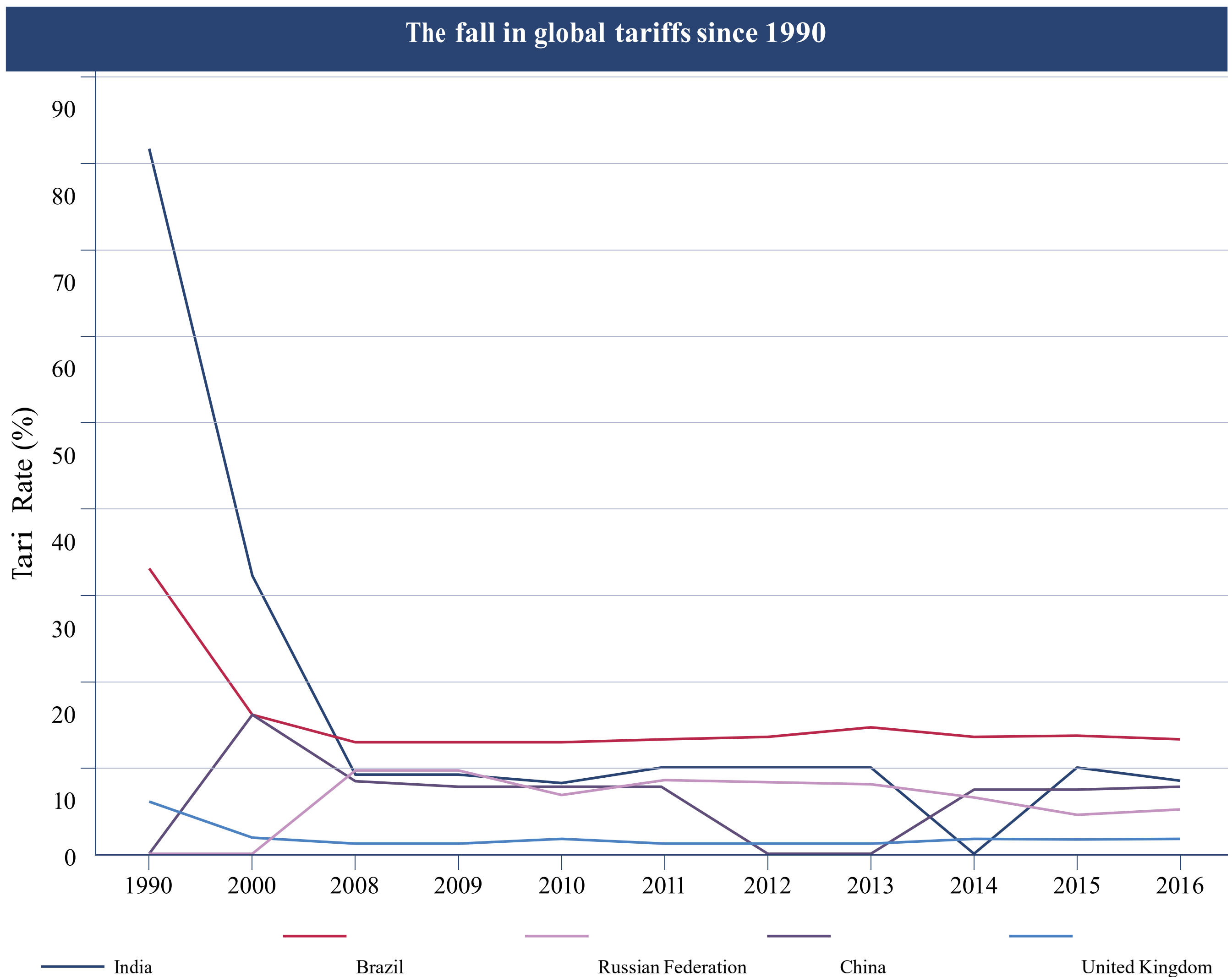
Table 78

Tariff reductions – Tokyo Round				
Trader	Pre-Tokyo Round	Post-Tokyo Round	Reduction in percent	MFN imports in US $
United States	6.3%	4.3%	-32%	$78.0 billion
Japan	5.4%	2.7%	-50%	$32.0 billion
EEC (nine member states)	6.5%	4.6%	-29%	$62.0 billion
Average	6.2%	4.1%	-34%	$57.3 billion

Source: Import-Weighted Bound Tariff Average of Industrial Products and Change

To repeat a graph (table 33) shown earlier:

Table 33



Source: World Bank

Now, just 7% of the UK's imports from countries outside the EU bear any tariffs at all. As a proportion of their value, that represents on average less than one-half of 1%.[17]

Outside the EU, the UK would be competitively placed to export manufactured goods (and services) to the EU and elsewhere, without being obliged to impose high tariffs on agricultural goods, much of which come from the developing world.

Globally, there has been an encouraging drop in the use of tariffs. This indicates that the world is gravitating more and more to the free trade environment in which an independent UK would thrive outside the EU.

Low tariffs are not a consequence of the UK's EU membership, but very much a function of the long-term stance and impact of the WTO.

4. The UK's seat at the WTO

The World Trade Organisation (WTO) began in 1995. It evolved from the General Agreement on Tariffs and Trade (GATT) established at the end of World War II; the UK was a founder member.

In 1973, a condition of the UK's accession was that we surrendered our GATT negotiating rights to the EEC. The European Commissioner for Trade became our negotiator. After a brief transition period, by 1975 (when the 'stay-in' referendum was completed) the UK surrendered these powers. The UK can no longer sign bilateral (country- to-country) trade agreements. The EU Treaties are crystal clear: only the European Commission may conduct trade negotiations for member states.

This is a drastic transfer of sovereignty; but it was cushioned. Officially, all EU member states, including the UK, became members of the WTO (when it evolved from the GATT in 1995). All EU members retain seats at the WTO but only, and this is crucial, as 'observers.' (The World Bank, for example, also has observer status.) It is only the European Commission that can speak on and negotiate trade agreements on behalf of EU member states.[18]

The effect is that the UK's seat on the WTO is purely symbolic, devoid of real power or meaning; perhaps rather like having a hereditary title in the 21st century.

Meanwhile, the tiny country of Liechtenstein and the former British colony of Hong Kong both have full seats at the WTO, which means they have full negotiating competence. At such time as the UK leaves the EU fully on 31st December 2020, the UK's seat at the WTO can be simply reactivated.

In the EU, there is a forum called the Article 133 Committee to discuss EU trade policy. Nonetheless, the real power lies with the EU Trade Commissioner, who has the right to ignore the Article 133 Committee's advice.[19]

EU trade policy makes little sense in a world where trade, not aid, is the best, and only sustainable, path out of poverty for countries. For many former European colonies in Africa and Asia, the EU is still their primary export market. However, "imports most heavily taxed by the EU tend to be from poor countries. For countries with a GDP per person of under £5,000 per year, the average tariff is 6%, compared with just 1.6% for countries with a GDP per person of over £15,000 per year..."

For social justice alone, a fundamental change in EU protectionist trade policy with the wider world would be highly desirable. Current EU trade policies are inimical and against the interests of a large part of the developing world. Perhaps "The Independent Group" will inform themselves of these basic facts.

5. The UK leaving the EU

5.1. The Russian Federation

Russia provides a relevant historic example. When the USSR broke up in 1991, all the trade agreements that had been made with the USSR were transferred quickly and smoothly, within a matter of weeks, to the new Russian Federation. Even the Soviet Union's trade agreement with the United States, signed in 1972 and updated with a further agreement in 1990, was adjusted and transferred to an independent Russian Federation in June 1992. (This agreement provides for reciprocal most favoured nation (MFN) treatment for each country's products.)

Two decades later, in 2012, the Russian Federation joined the WTO. [20]

5.2. Greenland

Greenland became part of the then EEC when Denmark joined in 1973. This was because Greenland was financially dependent on Denmark and governed from Copenhagen. It is relevant that over 70% of Greenland's voters voted against joining the EEC in 1973.

In 1979 Greenland became a self-governing province of Denmark. This enabled Greenland to determine its own status with the EEC.

In 1982 Greenland held a consultative referendum on its membership of the EU. The result was 53% of Greenlanders voted to leave the EU. The vote against EU membership may have been in part due to the EU's attempts to ban the hunting of seals and whales. Greenland now does not have to follow the EU's regulations on endangered species.[21]

The Greenland Treaty, signed in 1984, allowed Greenland to leave; however, this was after considerable negotiations. After these negotiations, Greenland's withdrawal from the EU became effective on 1 February 1985. The EU granted Greenland the status of an Overseas Territory. The EU also signed a tailor-made FTA with Greenland known as 'The Greenland Fisheries Partnership Agreement' (FPA). (Greenland's exports were then largely fish and fish products.)

The FPA had a 10-year duration; Greenland had the ability to renew the FPA automatically for periods of six years. The FPA remains in force to this day.[22]

Many – including the US Geological Survey – consider that Greenland has substantial mineral resources. These are as yet untapped. Greenland is in talks with China on investment. Greenland is able, at some stage, to enter into a FTA with China. This is

precisely because Greenland is a sovereign nation and not part of the EU.[23]

Surprisingly, (or perhaps not surprisingly,) the then prime minister of Greenland, Kuupik Kleist, said he will not favour the EU over China or other investors when granting access to highly prized rare earth minerals. It is also important to note that because Greenland is not within the EU, the Greenland government can freely negotiate with foreign investors – a profound privilege of a sovereign nation. Greenland can tailor its approach in accordance with what is most beneficial to its perceived national interests.[24]

5.3. Algeria

At least one academic considers that Algeria's independence from France created a further precedent. As a colony of France, Algeria was a part of the European Economic Community (EEC) from its origination i.e. with the signing of the Treaty of Rome in 1957. In 1962, Algeria secured political independence from France and effectively left the then EEC.

Algeria remains a trading partner of the EU. Indeed, in 2016, Algeria's exports to the EU were €35.2 billion.[25]

5.4. The Channel Islands

The Channel Islands are Crown Dependencies. They are not part of the UK or the EU, but possessions of the British Crown with independent administrations. Their parliaments/ assemblies pass their own legislation with the assent of the Crown granted in the Privy Council.

For their current status to change, all 27 member states would have to unanimously assent, as happened when Greenland, a Danish territory, changed its status and left the EEC in 1985.

In general, the Channel Islands apply the EU's customs code but do not abide by the EU's free movement of people and services. The relations between the Channel Islands and the EU are laid out in further detail below.

As part of the UK accession to the then EEC, the Channel Islands gained access to the EEC in certain areas, mainly in customs policy and in aspects of the Common Agricultural Policy (CAP). Thus, goods imported into the islands from outside the Union are subject to the same common customs tariff and agricultural levies as goods imported into the UK. The Islands can keep the proceeds from import duties and agricultural levies on imports from third countries, but they do not benefit from EU funds for producers. They are fiscally independent, although the proper functioning of free trade has to be maintained. The European Commission has the power to monitor local aid schemes to industry.

Channel Islanders are not EU citizens, are not represented in the EU institutions and are not entitled to EU funding or benefits. Treaty provisions on the freedom of movement and right of establishment do not apply (Article 2 of Protocol 3 of Act of Accession) but all EU nationals must receive identical treatment within these territories. In a parliamentary reply in 1999, Lord Williams of Mostyn explained the status of British passport holders resident in the Channel Islands and the Isle of Man with regard to free movement within the EU:

> "[They] have full British citizenship and right of abode in the United Kingdom. But they benefit from European Union provisions relating to the free movement of persons or services only if they have close ties with the United Kingdom; that is if they, a parent, or grandparent were born or naturalised in the United Kingdom or they have been ordinarily resident in the United Kingdom for a period of five years." [26]

Some EU regulations are directly applicable in the EU member states insofar as they are binding on the Channel Islands under Protocol 3 and become part of Channel Islands law by virtue of the European Communities (Jersey) Law 1973 and the European Communities, (Bailiwick of Guernsey) Law 1973) as amended, and the other EEC laws.

But with EU directives, insofar as they may be applicable under Protocol 3, they can be implemented by Ordinance under the European Communities implementation laws (as amended, see above). It is for the Channel Islands governments to decide whether or to what extent they want to introduce such measures within their jurisdictions.

The Channel Islands government generally keep themselves informed on EU policy and legislation and the UK Government has undertaken to consult the Crown Dependencies about any EU measure which may affect them. No EU measure is applied to any of the Islands without the consent of the authorities for the Island in question.

In 1998 the European Court of Justice ruled that the Jersey authorities had the right to deport a Portuguese waiter convicted of theft.[27] The reasoning was that, although under the EC Treaty member state nationals must be treated equally, Jersey, because of its special position in relation to the EU, retained the right to deport non-UK nationals.

The Channel Islands, and in particular Jersey and Guernsey, have prospered in financial services.

6. Who signs trade agreements?

There is a potentially important aspect of what might be termed the "choreography" of how EU trade agreements are actually signed, in particular:

"The Presidency designates a person to sign (often the European Commissioner for Trade) on behalf of the EU. Where the agreement covers topics that are the responsibility of the member states (and not shared at EU level), all member states need to sign as well."[28]

This is potentially very important. Anybody who has been in business for just a few minutes will know that it is more straightforward and easier by a degree of magnitude to propose "we should simply continue our existing agreement" rather than "we should enter into an entirely new negotiation."

7. Security after Brexit

Several UK politicians have put forward the proposition that UK "security" depends on the UK being in the EU. They do not explain why it is necessary for the UK to be in the EU political union – for that is what it is – in order to cooperate with other police forces and services. The fact is that the UK has cooperated with other European police and security services for long before the European Union even existed. Indeed, the UK has been a member of Interpol since 1923.

As far as the author is aware, the UK was not in a political union with the USA. Nonetheless, cooperation between the USA and UK security and intelligence services is far greater, deeper and more intense (as well as probably more effective) than that with the similar bodies of EU member states. Tellingly, after the terrorist shootings in November 2015, ex-President Sarkozy of France pointed to a lack of, indeed inadequate, cooperation between the Belgian and France intelligence services. The conclusion is clear: being in a political union is not a guarantee of full and effective cooperation.

While Turkey's planned accession to the EU is currently "stalled," it has not been revoked. Turkey has direct porous borders with Iraq, Iran and Syria. How would this enhance the UK's security? The reality is clear: the UK's continuing membership of the EU does not enhance our security but rather diminishes it.

8. The UK, the EU and the death of distance

It is sometimes argued that, because the other EU member states are adjacent to the UK, geography alone justifies the UK being in a political union with them. There was an (implicit) example of this in the Financial Times by Phillip Stevens, a leading apologist for Tony Blair. The article – on Scottish independence – had the headline "When Britain leaves Europe, Scotland will leave Britain."[29]

The facts and experience of history do not support these views. The following maps show the possessions of four trading empires of the past.

Table 79

Map of Athenian Empire: circa 550 BC

Source: Wikimedia Commons, Atlas of Greece

Table 80

Map of Venetian Empire: circa 1500 AD

Source: Veneto Explorer, History of Venice

Table 81

Map of Omani Empire: circa 1800 AD

Source: Fanack, Oman

This is the Sultanate of Oman (the Omani empire) in the early 19th century. Again it is scattered.

The last map is much more familiar - the British Empire. Note that the possessions are not remotely contiguous.

Table 82

Historical holdings of the British Empire

Source: Wikimedia Commons

The characteristic all have in common is that their territories are not contiguous, not adjacent, not next door, but rather linked by trade and the communication of the era, the seas and sea-going ships.

In the 21st century we benefit from a communications revolution. One consequence of that revolution is what an author has called “the Death of Distance.”[30]

There is no reason in the 21st century – if there ever was – for the UK to be in a political union simply because the other members of that union are geographic neighbours.

Physical proximity is not destiny. To trade, and trade successfully and profitably, there is no requirement for the UK to be part of an artificial, political construct.

9. Renegotiation

9.1. EU member states' exports to the UK

The UK runs a substantial trade deficit with EU member states. It has been shown by the Bruges Group that up to four million jobs in the EU would be at risk if the EU initiated a trade war with the UK.[31] The EU would emerge from any such confrontation economically worse for the experience and so, logically, will not even try. The UK is a huge market for EU exporters. In 2017 alone, the UK trade deficit with the EU was roughly £67 billion, and the trade deficit is more than £250 billion over the last five years.

Table 83

The UK's balance of trade with the four largest EU economies in 2018 in millions £			
Country	**UK's Exports**	**UK's Imports**	**UK Net Deficit**
Germany	£35,245	£68,545	-£33,300
France	£24,084	£27,638	-£3,554
Spain	£10,518	£15,849	-£5,331
Italy	£10,549	£19,450	-£8,901

Source: HMRC, Overseas Trade Statistics

Table 84

The UK's balance of trade with the EU in billions £							
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**Total**
Exports	£150	£151	£226	£230	£223	£274	£1254
Imports	£206	£216	£288	£291	£291	£341	£1,633
Balance	-£56	-£65	-£62	-£61	-£68	-£67	-£379

Source: House of Commons Library "Statistics on EU-UK Trade 2019"

If index-linked, the figures would be even higher.

Many of us underrated the fanaticism of the Federalists in the Commission and the European Parliament. These people take the view that the UK had the temerity to vote for Brexit. In consequence, a “punishment beating” must be administered. This is to include an old-fashioned IRA knee-capping (the Irish Backstop).

In reality, the Irish Backstop is and was a negotiating trap that the UK government fell straight into. The Irish border was never raised at all during the referendum - and for good reason. See: “Avoiding a hard border on the island of Ireland for Customs control and the free movement of persons.”[32]

9.2. EU penal sanctions are impossible

The World Trade Organisation (WTO) is potentially our ‘get-out-of-jail free’ card to protect our trading interests when we leave the EU.

Our WTO membership gives us protection against vexatious members who might try to penalise or block our exports. When the UK leaves the EU, it will still have all the Most Favoured Nation (MFN) privileges arising from its long-standing membership of the World Trade Organisation. MFN status is key, as it means the UK will be treated equally. Under WTO agreements, countries cannot normally discriminate between their trading partners. Grant one a special favour (such as a lower customs duty rate for one of their products) and you must apply the same to all other WTO members. The only exceptions are under strict conditions; for example, anti-dumping duties imposed upon goods exported at an unfair price. Since joining the EEC, we have maintained our WTO (previously GATT) membership, but allowed the European Commission to speak on behalf of the UK (and other member states) on almost all trade matters. On Brexit, the UK can be on the same footing as the other WTO nations who are not EU members. More than that, we can then regain our voice and independent influence.

Scare stories that UK exports would suffer punitive tariffs at the hands of the EU are simply that – scare stories. They are wrong. This is yet more of “the Politics of Fear.”

Some facts:

- Developed countries’ tariffs on industrial products have averaged 3.8% since 2000.
- The proportion of imported industrial products that receive duty-free (i.e. 0% duty) treatment in developed countries is currently 44%.
- For important sectors such as information technology products, 40 countries (including the EU), accounting for more than 92% of world trade, eliminated import duties and other charges completely some 20 years ago. Under Most Favoured Nation rules, all must benefit.

- The proportion of imports by developed countries facing tariff rates of more than 15% is only 4%.
- In 2017, the average trade-weighted EU tariff was 2.5%, with agricultural goods having a higher tariff of 7.8%.[33]

What trade advantages did joining the EEC (now the EU) actually give us? Trade barriers, particularly in terms of tariffs, were still significant when the UK joined the EEC in 1973. The EEC (later the EC and now the EU) was a free trade area with zero tariffs between members. Since then, in the world outside the EEC/EC/EU, world trade negotiations have lowered tariffs and other barriers to trade significantly, so that the former 'free trade advantages' of the EU are now hardly relevant.

As the so-called Single Market developed, zealots for the European Union effectively expanded the definition of trade to include ALL elements of the goods traded i.e. labour and capital as well as raw materials. In that way they could claim jurisdiction (supported by the inaptly named European Court of Justice) over more and more elements of everyday national life. Consequently, the EU's regulatory authority has expanded to areas like hours worked by doctors and even how long-established institutions such as the Post Office are run; all were encompassed. In consequence, in the 21st century, at least 75% of UK laws originate from the European Commission.

Hence the cost to the UK of belonging to the EU far outweighs the 'advantages' of membership. As per my introduction, it is estimated that the cost of EU regulation – with its concomitant corruption, waste and fraud – is roughly 11% of UK output. The advantages of EEC 'free trade' are merely historic. In many spheres elsewhere, the EU – from the viewpoint of trade and commerce – has had its time. It is therefore entirely valid to regard the EU as an outdated institution, an anachronism.

10. The EU is a barrier to peace

The EU claims peace in Europe since 1945 as its own achievement.

In reality, the current achievement belongs entirely to NATO. Professor David Abulafia and colleagues have made this point with clarity (in a letter published in the Sunday Telegraph 17 January 2016):

> "Sir, the claim that the EU is the source of peace within Europe, repeated yet again on last Thursday's Question Time, cannot go unchallenged.
>
> "NATO includes non-EU states, such as the United States and Turkey. It was founded in 1949, well before the Treaty of Rome, and continues to guarantee the peace of Europe even after the disintegration of the Warsaw Pact. Meanwhile, Germany has transformed itself from a warmongering state into a model democracy determined to atone for the horrors of the Third Reich. These are welcome developments, but only myth-makers can claim that they were generated by the EU."

In the same way, it was the GATT and its successor, the WTO, which truly progressed Europe towards open trade (and its consequential benefits). Open Trade is especially important to the UK. Our exports to the EU are less than 50% of our total exports… and declining. UK exports to the rest of the world are increasing.

The EU is not a champion of free trade. The EU position in the WTO is often heavily influenced by France. Determined to protect its small farmers, France has forced up the price of food within the EU, driven an EU Common Agricultural Policy which has penalised developing world farmers and fishermen. The UK, as a net importer of agricultural goods, has paid the price for the EU's steep agricultural tariffs and regulation.

The economic and trading balance sheet does not support continued UK membership of the EU. However, some larger UK companies and UK subsidiaries of foreign companies – the core of the Confederation of British Industry (CBI) – favour continuing EU membership. As a wide generalisation, regulation is 'big business friendly' and 'small business unfriendly.' Perhaps many CBI members believe they can lobby decision-makers in Brussels to slant the myriad of regulations to favour themselves. The Institute of Directors (IoD), which holds a broader and more representative UK membership, has historically been more circumspect. When the IoD organised a vote on the EU Constitution, 49% voted against, 29% for, and 20% were 'don't knows.' The same IoD report, published in February 2007, stated:

> "More than a decade on from the project's (Single Market) formal launch in 1993, the services sector, which accounts for around 70 per cent of European GDP, is still chock-full of barriers to genuinely free trade. Businesses complain that the rules and regulations required to establish the Internal Market have generated their own costs and extra bureaucracy..."

IoD members singled out the inconsistent application of EU directives across different member states as a major obstacle to trade across borders. The problem is particularly acute for SMEs.

However, in future rounds of trade negotiations, to establish an EU negotiating position that reflects UK trade interests would be almost impossible. The UK has only 8.28% of the votes in the EU Council of Ministers. The agricultural and other protectionist interests championed by France have natural supporters amongst the former Soviet Bloc members, and are likely to be in the ascendant.

After Brexit, Britain can best promote and protect the interests of our exporters and investors as a fully independent member of the WTO, making (informal) alliances on particular topics with both new and historic allies.

VI. WHAT HAPPENS NEXT?

From all this emerges, at the very least, four key facts and truths on the UK's trading relationships and position in the global economy.

1. Truths

1.1. The first truth: The EU needs us much more as a trading partner than we need it.

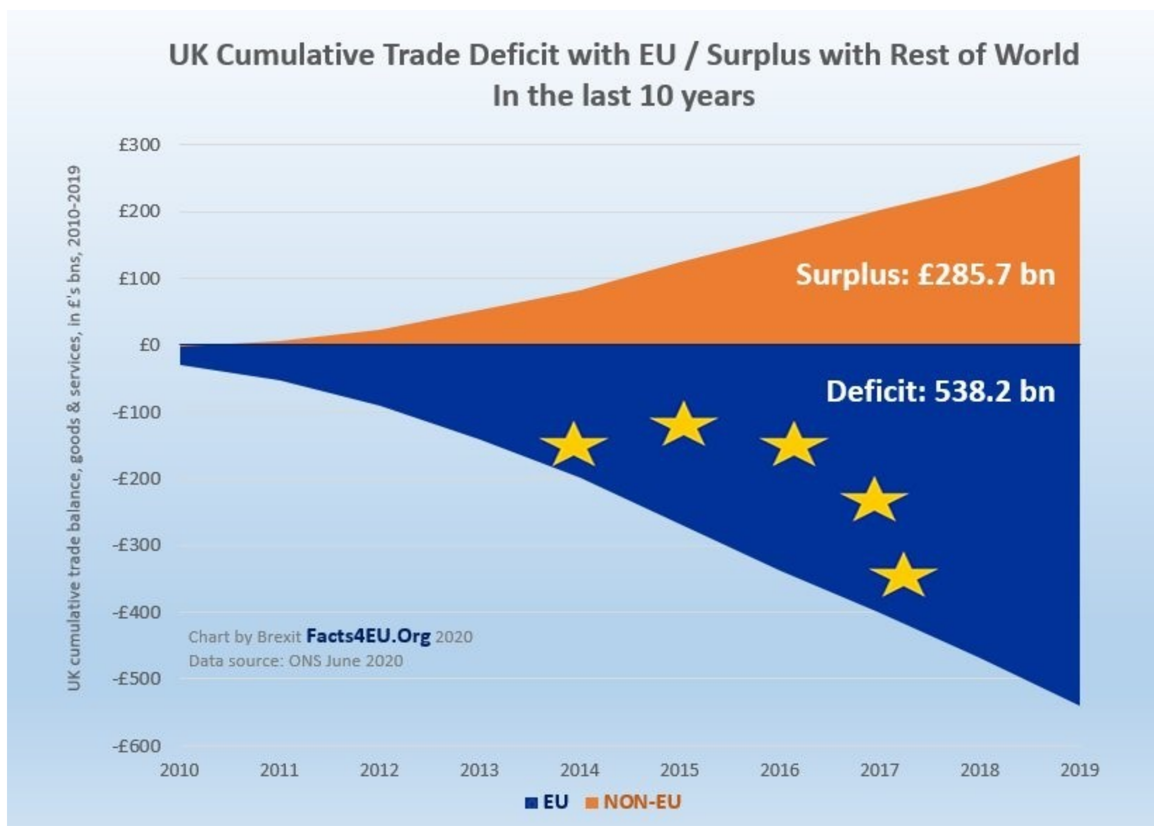
From 1973 to 2012, our cumulative trade deficit with the Common Market/European Union reached an astonishing £565.7 billion. If this figure is indexed, it comes to over £1,000 billion. This UK trade deficit with the EU continues to grow.

To bring matters even more up to date, in the past ten years in isolation (from 2010-2019), the UK ran a £539 billion cumulative trade deficit with the EU. By comparison with the rest of the world the UK ran a £286 billion trade surplus.[1]

From the point of view of the UK's balance of payments, this is a strong negative, and a matter of concern. However, on Brexit our large (and cumulative) trade deficit with the EU countries should, if used intelligently enhance our position in a negotiation. No one on the Brexit side of the argument is advocating a trade war. The scarcely veiled threat of a trade war is the monopoly of the europhiles.

Table 85

Cumulative UK trade deficit with the EU and surplus with the rest of the world 1999-2014



Source: "ONS June 2020"

1.2. The second truth: A country does not need to be part of a large trading bloc to have trade agreements.

It is not a supportable argument. Chapter two sets out the facts: it is simply not true.

1.3. The third truth: Following Brexit, we as a country would regain our ability to represent ourselves at the World Trade Organisation and other international bodies.

The UK can then negotiate its own trade agreements that protect and progress our own national interests. Since we agreed to join the then Common Market in 1973, the UK has been unable to do so.

The UK does itself no favours by submitting to the EU's trade agenda, which is both politicised and protectionist. We are tying ourselves to economic failure. That is not the way forward to a prosperous future for our country. Tragically for the UK, far too many of our establishment politicians are in denial that the wrong choice was made in 1973.

Of course, we want to have friendly relations, and trade profitably and in abundance, with our geographic neighbours.

But one consequence of the UK's membership of the EU is that ALL of the UK economy is subject to EU regulation. This has shackled us in a morass of rules and red tape that stifles our global economic competitiveness. 'Gold plating' by the UK's civil service and bureaucracy has made this worse.

The full context is that less than 15% of the UK's gross domestic product is accounted for by exports to the EU. By definition, GDP includes the entire domestic economy, as well as exports. This helps explain the 15% figure above.

To take full advantage of the stronger economic growth in the world outside the EU and, especially, the Eurozone, the UK must repatriate trade policy – as well as all the other elements of our national sovereignty – from the unelected EU Commission and the other EU institutions. This can only be achieved by leaving the EU, and in a "clean break."

So long as the UK remains in the EU, the UK cannot negotiate trade agreements on its own behalf with the growing economies of Asia - or any other area in the World.

At the WTO's Bali Ministerial Conference (concluded on 7 December 2013), there was agreement on a package of issues designed to streamline trade. But the UK needs to negotiate such agreements in its own right. We should be able to add our weight to those in the WTO opposing protectionism from wherever it comes. Currently, the UK's voice as just one of 28 has been muted, indeed ignored.

The UK cannot sign bilateral – country to country – trade agreements, nor have a full voice at the WTO, whilst it remains a member of the EU. The UK lost those abilities when we joined the then EEC.

1.4. The fourth truth: A UK-EU trade agreement is not essential in order to trade with people and businesses in the EU member states.

The United States, China and Russia – none of which have a trade agreement with the EU – are the EU's top three trading partners.

The UK does not require a trade agreement with the EU in order to have "access" to the EU "Single Market." Nevertheless, in practice, a UK-EU trade agreement is desirable.

We are the Eurozone's largest export market; and, "the inevitable UK-EU trade agreement should be tailor-made."

What we may take from these truths are three logical conclusions.

2. Conclusions

2.1. The first conclusion: The advocates of UK exit from the EU are the true progressive internationalists.

Those advocating exit have often been accused of being negative. Leaving the EU is the only way we can repatriate to the UK the power to negotiate our own trade agreements. That is a positive.

The EU has many different kinds of arrangements on trade. These include FTAs, GSP, GSP+, EBA, EFTA, EEA, the Customs Union, Switzerland (although a member of EFTA, it has its own specific, bespoke arrangement) and, indeed, no agreement at all. It is noteworthy that China, the largest exporting country of goods to the EU member states, has no trade agreement with the EU; nor is this very likely at the present time. Nor does the USA.

This book is (in large part) about trade. Brexit should enable the UK:

- to speak up for and progress the UK national interest at the WTO; and
- to negotiate new trade agreements with other countries and Trade Blocs. This includes the EU itself.

But, Brexit must be complete. These are “the politics of positive.” This is how to achieve long-lasting economic growth.

The inconvenient truth for the UK’s europhile establishment is that no country needs to be in a political union in order to trade with the EU.

2.2 The second conclusion: What the UK must do is trade-in our present, subservient relationship with the EU for a new arrangement based on equality, free trade and, preferably, amity.

Notwithstanding all of the above, what is important for the UK economy is trade, not trade agreements.

Our new relationship with the EU must be fair, wealth-generating, and must have our full consent.

2.3. The third conclusion: The UK should have a "tailored" UK-EU trade agreement.

In 2020 we are negotiating a UK-EU trade agreement, but that is not essential. As shown in the opening chapter, the EU has agreements that relate to trade with well over 100 countries. A UK-EU trade agreement would be "tailor-made," as are the other trade agreements that the EU negotiates. It needs to specifically exclude the "free movement of people" provided under Article 45 of the Charter of Fundamental Rights of the European Union.

As we have seen, the EU has multiple models for trade. So which model is best for us?

Is it EFTA? Or Switzerland? Or South Korea? Is it even, as with Turkey, in the EU Customs Union, but not an EU member?

In fact, we are putting forward none of these. What we propose is that the UK negotiates its own trade agreement with the European Union. A trade agreement that is tailor-made and – forgive the pun – that suits our economy.

Moreover, the UK has a fall-back position that is unassailable. We can always simply resume trading with EU member states and the rest of the world, as the USA, China and Japan do now under the rules of the World Trade Organisation as well as existing international agreements. That position is perfectly acceptable and would meet the UK's needs in the 21st century.

To quote former Chancellor of the Exchequer Nigel Lawson, "And we would continue to trade with the EU, as the rest of the world does today, almost certainly assisted by a bilateral free trade agreement, which they need far more than we do."[2]

VII. “WHAT HAS HAPPENED SINCE THE JUNE 2016 UK REFERENDUM?”

The Remain campaign or its supporters predicted immediately after the Brexit vote, inter alia, a massive economic slump, the outbreak of World War III, and (worryingly for many) the end of the Premier League. None of this has taken place.

What has actually happened? Relevantly, the EU has made significant moves towards a European superstate, in which the countries of Europe would be mere provinces. This chapter spells this out.

1. The advance towards an EU superstate

The European Union (EU) leaders, or for lack of a better word the "Nomenklatura," have always been very clear, that they are trying to create a European superstate.

The EU's priority is not about trade, or even the Single Market. It is not about cooperation. It is certainly not about friendship. What the EU is about primarily, is political union.

That is why 25 years ago the name was changed from European Economic Community (EEC) - which is what the then member states had joined - to the European Union (EU).

That is why we all have European Union passports. At the date of the June 2016 referendum, there was already an EU flag, an EU anthem (Beethoven's "Ode to Joy"), EU courts, even an EU diplomatic service. There was also an EU Common Agriculture Policy (CAP), an EU Common Fisheries Policy (CFP), and an EU Common Commercial Policy (CCP). The centrepiece of the CCP

was and is trade. All these were in being at the time of the Brexit Referendum on 23 June 2016. But, and it is a big "but," it did not stop there.

The EU Nomenklatura want there to be, *inter alia*, an EU wide system of law, common EU rules on immigration that affect each and every member state, an EU harmonised tax system, even an EU army. If there ever were to be an EU army that would seriously threaten the North Atlantic Treaty Organization (NATO). NATO is why Europe has been free, and is free today.

The clattering train of the EU Nomenklatura is travelling swiftly and relentlessly towards a federal Europe, in short, a European superstate. In a federal Europe, diversity, and in particular the nation state, would be swept away as a matter of policy. The rackety train of European integration may slow down for a time, but it never actually stops.

The question in the UK referendum was:

> **"Should the United Kingdom remain a member of the European Union or leave the European Union?"**

The vote took place on 23 June 2016. 16.1 million people voted to remain. 17.4 million people voted to leave. This is familiar.

Many people in the UK did not accept - and still do not accept - the result of the referendum. They want - as they see it - to remain in the EU as it was in June 2016. Indeed, there is probably a majority in the House of Commons for this (and certainly a big majority in the House of Lords).

There was a vintage example of this point of view in former Prime Minister John Major's article in the Sunday Times on 13 January 2019: the key passage was,

> "There is a third deal on the table, which is the one we currently have...."

Sir John goes on:

> "Why would any country - at least of all our own great country - accept a 'least bad' option, when a far better one is already in play?"

The author immediately responded (and the Sunday Times printed on 20 January 2019):

> "Since the 2016 referendum the clattering train of EU integration has continued to roll on. The destination is a European superstate in which the UK would be a mere province. There have also been credible proposals for a European army to supersede NATO from France's president, Emmanuel Macron. More worrying, the EU is already taking a pro-Iran position against America. Sir John Major argued last week for remaining in the EU. Not for the first time he has got it entirely wrong."

A lot has happened in the EU since the Brexit referendum. There are two examples cited above - but there are many more, and important ones. The remainder of this chapter spells them out.

2. Immigration agenda

In September 2017, French President Emmanuel Macron said: “making a place in Europe for refugees who have risked their life is our duty.”[1] He pushed for a closer common asylum policy and suggested a pan-European asylum agency and standard EU identity documents. Last year, German Chancellor Angela Merkel echoed these sentiments, saying that “[t]his is a European challenge that also needs a European solution...”[2]

In June 2018, both President Macron and Chancellor Merkel publicly committed to a partnership aimed at reinvigorating the EU project with the Meseberg Declaration. This included the swift relaunch of a comprehensive Migration Agenda. The Declaration states: “unilateral, uncoordinated action will split Europe, divide its peoples and put Schengen at risk. Tackling the migration challenges effectively requires combined efforts of all member states as well as the EU institutions.”[3] During this time, Chancellor Merkel’s coalition government was suffering from internal divisions on refugee policy after she had unilaterally opened Germany’s doors to migrants from Hungary in 2015.

On the legislative front, the EU has increased funding for the Asylum, Migration and Integration Fund (AMIF) and the Internal Security Fund (ISF) by 70%. These funds have supported the integration of 1,915,000 third-country nationals into the EU so far.

Furthermore, the EU Commission intends to enact a fully harmonized common procedure for migrants. It has proposed a mandatory and automatically-triggered relocation system among member states. The first step was establishing the Entry/Exit System (EES) on 30 November 2017. This piece of legislation requires member states to supply any information requested by supervisory authorities from the EU and creates a Central EU System ensuring the interoperability of information systems.[4]

Most recently, on 19 December 2018, the EU Commission planned to transform the European Asylum Support Office into a fully-fledged EU Agency for Asylum with an “enhanced mandate and considerable expanded tasks.”

The EU Commission, EU Council and a number of member states are still fighting about this, five years after the migrant crisis really started in 2014/2015

3. Energy Union

Since the 2016 UK referendum to leave the EU, material progress has been made towards a standard energy policy for member states. Following the Brexit vote, President Macron said in September 2017 that the EU needs a "profound transformation" with deeper political integration with regards to the environment with the introduction of a European carbon tax, among other things.[5]

A year later, building on a 2014 commitment on climate action, Miguel Arias Canete - the EU's energy chief - proposed that EU countries "agree" to lower greenhouse gas emissions by 45% of 1990 levels by 2030. Currently, the EU is implementing its 2020 climate and energy package which aims to reduce greenhouse gas emissions by 20% and increase the share of renewable energies in overall EU energy consumption to 20%.[6]

The EU Emissions Trading System (ETS) is the primary policy for reducing emissions from large-scale facilities in the power, industry and aviation sectors across member states. It limits emissions from more than 11,000 heavy energy-using installations.[7] Under the 'Effort Sharing' framework in previous years, all member states were required to have a national target but there is now a single, EU-wide cap on emissions.[8]

Most recently, on 11 December 2018, in addition to two directives on renewable energy and energy efficiency, the European Parliament and the Council published a Regulation on the Governance of the Energy Union and Climate Action.[9] This aims to ensure the achievement of the 2030 long-term objectives and targets of the Energy Union in line with the 2015 Paris Agreement on climate change, through "complementary, coherent and ambitious efforts by the Union and its member states."

Countries will be required to develop and report on integrated national energy and climate plans (NECPs) that cover the five dimensions of the energy union: energy security; the internal energy market; energy efficiency; decarbonisation; and research, innovation and competitiveness - for the period from 2021 to 2030 (and every subsequent ten year period).

You will note, amongst other things, how little say any of this gives to member states or their people.

4. Economic Integration

4.1. Deeper Economic and Monetary Union (EMU)

While the UK is not a part of the Economic and Monetary Union, some of the legislation that is bundled in the "Deeper EMU" legislative package would extend to the UK. Further, were the UK to successfully leave the EU, and ultimately rejoin, it would have to adopt the euro as its currency and become a member of EMU. In any case, as long as the UK remains affiliated with the EU, it will inevitably be affected by the "Deeper EMU" regulations.

On 22 June 2015, the presidents of the European Parliament, Commission, Council, Central Bank, and the Euro Group jointly published the "Five President's Report" which outlined a plan to federalise the EU economy in two stages. In the first stage, from 1 July 2015 to 30 June 2017, the EU would work to complete the Financial Union and federalise and standardize economic policy. The second stage would legally codify and intensify economic integration. Both stages are to be completed by 2025.[10]

On 25 March 2017, following the Brexit vote, the EU member states issued the "Rome Declaration" which asserted their commitment to deepening EMU in Britain's absence.[11] On 31 May 2017, the EU Commission published the "Reflection Paper on the Deepening of the EMU." In the Reflection Paper, the "Deeper EMU" is an extremely nebulous phrase, which reflects an aspiration to federalise and unify the EU political and economic systems rather than a concrete set of policies or clear goals.[12]

Concrete steps that the EU had taken to "deepen the EMU" before the Brexit vote include to establish the Capital Markets Union, the Banking Union, the Digital Single Market, and the European Fiscal Board. The latter was established on 12 February 2016 as an independent body to provide fiscal directives and advice.[13 & 14]

Further steps which the EU Commission intends to take as part of "Deeper EMU"

include the European Deposit Insurance Scheme and a “single European capital markets supervisor.”[15] Another proposal for “Deeper EMU” includes a “European Pillar of Social Rights,” which would guarantee to each EU member state the right to childcare, minimum income, pensions, healthcare, and housing. Were this pillar to be implemented, it would likely impose massive new costs on net contributors like the UK.

The drive for a deeper EMU has been spearheaded largely by President Macron and Chancellor Merkel. On 19 June 2018, as above, France and Germany jointly produced the Meseberg Declaration, which affirmed the two power’s commitments to a federalised Europe which “promotes an open society” and “promote[s] peace, security and sustainable development.”[16] On 22 January 2019, in the midst of “Gilet Jaune” (Yellow Jacket) riots in France, President Macron and Chancellor Merkel signed the “Treaty of Aachen” which reaffirmed their commitment to a deeper EMU.[17]

EMU now is already considerably deeper than it was when the UK voted to leave. Concrete steps to deepen the EMU have included completing the Banking Union, the CMU, the DMS, and the EU Fiscal Board. Additionally, the EU Commission hopes to deepen the EU even further over the coming years with proposals like the European Pillar of Social Rights, a common asylum policy, and a common army.

4.2. Financial Single Market (FSM)

The Financial Single Market (FSM) is an EU common market that requires the movement of goods, capital, services and people. Collectively, these constitute the “four freedoms” within the EU. The FSM encompasses the EU’s 27 member states and intends to create a shared market economy across them.

For background, in October 2015, the EU Commission published the “Single Market Strategy,” which aimed to “upgrade the single market.” The Single Market Strategy pursues a three pronged approach of creating new financial opportunities, encouraging modernisation and innovation, and ensuring practical benefits.

The EU’s aspiration to “deepen” the FSM has resulted in a litany of new declarations, regulations, and legislation. The EU adopted the Joint Initiative on Standardisation, which “sets out a shared vision for European standardisation,” on 1 June 2017. Work on the “Unitary Patent System,” first established by EU regulations on 20 January 2013, began in 2019. On 22 November 2018, the EU agreed a new set of regulations for the mutual recognition of goods and services. The EU intends for these FSM initiatives to work alongside other initiatives like the CMU and DSM (discussed above).

4.3. Digital Single Market (DSM)

The Digital Single Marketplace, or ‘DSM,’ was announced by the EU Commission on 6 May 2015. It consists of 16 specific initiatives which collectively constitute the three “pillars” of the DSM. For the record, Pillar One aims to improve access to the digital market, Pillar Two aims to improve the digital environment, while Pillar Three aims to boost the digital economy.[18]

Since the UK voted to leave the EU in 2016, the EU has federalised the online market significantly. On 23 March 2017, EU ministers signed a declaration to support financially the next generation of computing and data infrastructures.[19] On 15 June 2017, the Commission abolished mobile roaming charges across EU countries.[20] On 5 December 2017, the Council accepted a package of regulations which aimed to standardize VAT across the digital marketplace.[21] In May 2018, as part of the DSM, the EU passed a single set of EU rules on data protection and privacy.[22]

In October 2016, the EU established a “code of conduct” with harsh limitations on “harmful content.” Under the new Code of Conduct, nearly 72% of conduct deemed by the EU as “hate speech” was removed.[23] Chancellor Merkel has passed an even more stringent law regarding online hate speech. Tech companies can be fined up to €60 million if they refuse to remove hate speech in a timely manner.[24] The DSM could thus potentially infringe upon the speech rights of British citizens.

4.4. Banking Union and Harmonisation of Banking Regulation

The Banking Union is an EU initiative which essentially aims to federalise the European banking system, offering a common system of standards, crisis resolution, and objectives. The Banking Union originated with the 2012 "Roadmap towards a Banking Union" produced by the EU Commission.[25] The Banking Union consists of three pillars: a Single Supervisory Mechanism (SSM), a Single Resolution Mechanism (SRM), and a European Deposit Insurance Scheme. Of these three pillars, the SSM has been established, the SRM has been partially established, and the EDIS has yet to be established.

Both Chancellor Merkel and President Macron have expressed the goal of finishing the EU Banking Union. At the 19 June 2018 Meseberg Declaration, the two affirmed their commitment to completing the Banking Union. In particular, they advocated completing the EDIS and the banking "Backstop," a mechanism to insure banks in the event that the SRF is insufficient.[26] The agreement plans for the Backstop to be finished by 2024.[27]

On 17 March 2015, the head of the Single Supervisory Mechanism (SSM), a body which supervises EU banking and banking institutions, called for greater harmonisation of banking regulations, saying "[t]o deliver consistent supervision and a level playing field, we need fully harmonised regulation."

On 26 September 2017, the European Banking Authority (EBA) published its revised guidelines on internal governance. The guidelines further harmonise EU banking by bringing together internal government arrangements, processes and mechanisms across the EU. In April 2018, the SRB stressed that "the divergence of national insolvency laws is a major obstacle towards a fully-fledged Banking Union."

4.5. Capital Markets Union (CMU)

In September of 2015, the EU Commission published its “Action Plan for Capital Markets Union,” which established what would later become the CMU. The original plan called for a €315 billion investment plan that would, put simply, “strengthen the link between savings and growth.”

On 30 May 2017, the EU passed a regulation allowing support for venture capital and social enterprises. On 10 April 2018, the EU Commission and European Investment Fund (EIF) launched a Pan-European Venture Capital Funds programme called “VentureEU” with €2.1 billion in capital, as part of the CMU.

On 20 June 2017, The European Parliament and Council passed the “Prospectus Regulation.” The regulation makes it easier for businesses to receive funding across EU borders.[28] The new Prospectus Regulation will replace the existing Prospectus law on 21 July 2019.[29]

On 12 December 2017, the European Parliament and Council passed the “Regulation on Simple, Transparent and Standardised (STS) securitisations,” which repealed and replaced the existing regulations.[30] Importantly, the law imposes strict sanctions on companies which fail to comply with the new regulations, creating a potential “minefield of compliance that could discourage cross-border securitisation” for UK companies.[31]

On October 2017, the European Parliament and Council passed Regulations on European Venture Capital and social entrepreneurship funds, which replaced or updated the existing laws governing venture capital.[32]

Below are the comments of Daniel Hodson, Chairman of City for Britain and a widely-respected figure in the financial world, about the above.

The specific issues illuminated by the author in this chapter are:

- *"Inside the EU UK financial services could continue to be damaged by current and future EU regulatory culture based on an increasingly federalist and overprescriptive approach with the prospect of a single rulebook and the ever increasing demands of the eurozone."*

  I would merely add that this approach is also of course an example of the British "you can do it unless we say you can't" approach, as opposed to the French Code Napoleon based "you can only do it if we say you can" and the basic overstructuring and multiplicity of EU institutions.

- *The measures and issues involved have led to costly, disproportionate, protectionist and anti innovation regulation which include MIFiD II, AIFMD, Solvency II, Financial Transaction Tax (FTT), short selling, bonus caps, unnecessarily complicated consumer protection, and have impacted SME financing.*

  Yes, and I would particularly emphasise the "one size fits all" attitude which creates the sort of cost and administrative problems faced by smaller firms driving them out of many markets to the benefit – and protection – of the big multinational players.

- *The EU will continue to depend on the City post Brexit and any attempt to move euro dominated transactions or bar EU27 based participants will create systemic risk, reduced liquidity, additional costs for firms and users, and greatly increased capital requirements. A favourable financial services chapter to an FTA with the EU should therefore in theory and subject to external political influence be attainable.*

The key issue here is the liquidity and diversity of City markets, which is simply not replicable elsewhere, liquidity being the mercurial quality that it is. Another, unmentioned asset is the City clearing activity, based round the London Clearing House, a somewhat technical but fairly central issue. The cost of margining would be substantially increased without the offsets available through multicurrency, multiproduct clearing in London, rendering it far less attractive to the clearing organisation.

The only additional point I would make now is that the City seems now to be pretty well prepared for almost any Brexit negotiation outcome, including of course a WTO based exit. To that extent it is far less of a piece of negotiating leverage available to the EU.

- Daniel Hodson

Vice Chairman of the Foundation for Independence, Chairman of The City for Britain, and a director of Vote Leave. Previously CEO of LIFFE, Gresham Professor of Commerce, and Deputy Chief Executive of Nationwide Building Society.

5. Pro-Iran Position vs. the USA

Since Britain voted to leave the EU on June 23rd, 2016, the EU has adopted a pro-Iran stance.

Just before the referendum, on 16 January 2016, the European Council lifted all nuclear-related economic and financial EU sanctions against Iran as part of the “Joint Plan of Action” between Iran and the EU. The Joint Plan of Action also enabled the transport of Iranian crude oil and petrochemical products.[33]

In early May of 2018, President Trump pulled out of a 2015 agreement with Iran which aimed to stifle Iran’s burgeoning nuclear program.[34] Around the same time, the Trump administration proposed sanctions on Iran so severe that more than 100 large international companies withdrew from Iran.[35]

On 8 May 2018, President Macron, Chancellor Merkel and then Prime Minister Theresa May responded to President’s Trump decision to restore nuclear sanctions by expressing “regret and concern” and the following day the three EU leaders announced their intention to uphold the Iran agreement despite the USA’s withdrawal.[36] On 17 May 2018, the EU Commission announced its intention to reactivate a blocking statute which would essentially render null and void the US sanctions against Iran in Europe.[37] The EU ultimately passed this blocking statute on 7 August 2018.[38]

On 23 August 2018, the EU went a step further. The EU adopted a €18 million support package for Iran. This was part of a broader support package of €50 million.[39] The USA and Israel have considered the EU aid package to Iran an attempt to undermine US foreign policy in the region. Israel’s Prime Minister Benjamin Netanyahu referred to the aid package as a “poison pill,” while the senior US ambassador to Iran has stated that the aid package sent “the wrong message at the wrong time.”[40]

It is very clear that were the UK to remain in or rejoin the EU, it could see itself drawn into tensions with the USA, historically the UK’s greatest ally and trading partner. Since the UK voted to leave the EU in 2016, the EU has taken a much more aggressive and combative approach towards the USA in regard to Iran. The EU seems to want a crypto 21st century Cold War with the USA. Where would that leave NATO?

6. Security Union

6.1. The “European Army”

In November 2018, President Macron said in an interview with a French radio station: “We have to protect ourselves with respect to China, Russia and even the United States.” For the author’s generation (at College in the late 1960s) , if someone made that kind of utterance , that person would have had to have been “smoking something”. But President Macron was born only in 1977. The depressing truth is that he meant and means it.

Indeed, President Macron went on to say:

> “We will not protect Europeans unless we decide to have a true European army.”[41] Previously, he had pushed for a Europe-wide “rapid-reaction force” to work with national armies and “a common strategic culture” of a joint European defence budget and policy.[42] He also suggested the creation of a European intelligence academy to better fight against terrorism and a joint civil protection force.”

Chancellor Merkel joined President Macron in endorsing the creation of an EU army, saying: "We have to create a European intervention unit with which Europe can act on the ground where necessary… I also have to say, seeing the developments of the recent years that we have to work on a vision to establish a real European army one day.”[43&44] Her party successor, Germany’s new Christian Democrat leader, Annegret Kramp-Karrenbauer has joined in to support the proposal. Her speech in Brussels in February 2019 focused on the idea of a “Europe of security” and she insisted an EU army was a “logical step” in pursuit of that goal.[45]

On the legislative front, on June 28, 2018, the European Defence Agency approved the 2018 EU Capability Development Plan (CDP). The CDP serves as a basis for the decision-making process at EU and national levels regarding military capability development, contributing to increased coherence between member states’ defence planning.[46]

In addition, in September 2018, the EU Commission proposed a new standing corps of 10,000 EU guards for a more robust European Border and Coast Guard so the EU could “intervene wherever and whenever needed.” At the external borders, they will be able to “check identity, authorise or refuse entry at border crossing points, stamp travel documents, patrol borders and intercept persons who have crossed the border irregularly.”[47]

On 2 July 2018, the Chief Executive of the European Defence Agency (EDA) highlighted the rapid progress made since then with the European defence project. Initiatives to reinforce defence cooperation include: the Coordinated Annual Review on Defence (CARD), the Permanent Structured Cooperation (PESCO), and the European Defence Fund (EDF).[48]

6.2. The 2019 Treaty of Aachen

The Treaty of Aachen is a bilateral agreement between France and Germany signed on 22 January 2019 to integrate the two countries beyond current EU structures.

It is effectively the next generation of the Élysée Treaty of 1963 which laid the framework for the detailed co-operation of France and Germany - and which also advanced the EU project over more than 50 years. Élysée can be described as a motor of ‘ever closer union.’

Aachen, which tells us the ‘Berlin-Paris axis’ is alive and well, develops further the key Franco-German relationship. Post Brexit France and Germany will represent nearly one third of all EU citizens. “The close friendship between France and Germany remains an essential element of a united, efficient, sovereign and strong European Union,” the treaty stated.

Paris and Berlin commit to “strengthening their cooperation” in foreign policy, defence and internal security, “while strengthening Europe’s capacity to act independently.” In defence, they commit to both “strengthening Europe’s capacity to act” and “to jointly investing to address its capability shortfalls” in industrial projects …”

So Aachen sets up a governing committee for a common European army based on establishing a common culture in the German and French armed forces and engaging in joint operations. There will be common weapons procurement and an integrated supply industry.

France also promises to seek a permanent seat for Germany on the UN Security Council - though, in the face of well publicised fears, there appears to be no intent for Germany to take France’s seat. We suggest that the UK should veto this at least until the EU proves more cooperative with a post-Brexit UK - which might mean for a very long time!

6.3. EU Force Crisis Response Operation Core (EUFOR CROC)

Under the Permanent Structured Cooperation (PESCO), participating member states commit to increasing their national defence budgets, defence investment expenditure, and investment in defence research and technology. In addition, they must increase cooperation on cyber-defence and aim towards common funding of military operations and missions.[49] The European Union Force Crisis Response Operation Core (EUFOR CROC) is a flagship EU defence project under development as part of the PESCO facility.

EUFOR CROC contributes to the creation of a coherent "full spectrum force package," which enhances the preparedness, willingness and commitment of EU member states to act and engage in operations and missions. The project does not generate a standing "European Army" per se, but catalogues individual elements that would speed up the establishment of a deployable force under a single command if the EU decides to act militarily.[50]

Germany's then defence minister was Ms Ursula von der Leyen. She is now the appointed President of the EU Commission. In January 2019 she said an EU army is "already taking shape" as the bloc looks to deepen military cooperation between member states, saying that "reforms over the past months and years have brought our armed forces closer together."[51] But, British Defence Secretary Gavin Williamson warned that any force which rivaled the North Atlantic Treaty Organization (NATO) would undermine international security. He went on to condemn the majority of EU member states - including France and Germany - who had failed to hit the NATO military spending target of two percent of GDP. In 2018, Greece, Estonia, and the UK were the only European countries to meet the spending target.[52]

The United States has regularly expressed frustration with NATO members on their failure to commit to the alliance. Both former presidents George W. Bush and Barack Obama consistently called out NATO member countries for not meeting their defence spending obligations.[53] In 2016, President Obama stated in a news conference: "I want to take this opportunity to commend Greece for being one of the five NATO allies that spends 2 percent of GDP on defense, a goal that we have consistently set but not everybody has met," Obama said. "Greece has done this even during difficult economic times. If Greece can meet this NATO commitment, all our NATO allies should be able to do so."[54]

After the French president proposed the idea of a European army, President Trump tweeted: "President Macron of France has just suggested that Europe build its own military in order to protect itself from the US, China and Russia. Very insulting, but perhaps Europe should first pay its fair share of NATO, which the U.S. subsidizes greatly!"[55] Reportedly, President Trump privately considered withdrawing the USA from the alliance altogether but in January 2019, President Trump reiterated his commitment: "We're gonna be with NATO 100 percent, but as I told the countries, 'You have to step up and you have to pay.'"[56] [57]

6.4. Factsheet on the Permanent Structured Cooperation (PESCO)

From the Notification on Permanent Structured Cooperation (PESCO) to the Council and to the High Representative of the Union for Foreign Affairs and Security Policy, published on 13 November 2017.[58]

Programme:

- an incremental increase in member state defence investment and defence research and technology expenditure;
- increased efforts in cyber defence cooperation;
- making strategically deployable formations available for use in addition to the deployment of an EU battle group;
- developing a database of rapidly deployable capabilities to share with member states;
- standardizing and simplifying European cross-border military transport in the EU;
- developing interoperability with member state forces and NATO;
- and enabling member states to take part in at least one project under PESCO and within the European Defence Agency framework.

Projects:

- standing up a “European Medical Command” to provide collective EU medical capabilities to support military operations;
- establishing a “Deployable Military Disaster Relief Capability Package” to deliver a multinational emergency service dealing with civil emergencies, natural disasters, and pandemics;
- developing a prototype of a “European Armoured Infantry Fighting Vehicle” and other armored vehicles working off of a common platform;
- creating a command and control system for Common Security and Defence Policy missions that will deliver “information systems and decision-making support tools that will assist strategic commanders [to] carry out their missions.

6.5. European Medical Corps (EMC)

The European Medical Corps was officially launched in February 2016 to provide a rapid European response to emergencies with health consequences both inside and outside Europe.[59] It is part of the European Emergency Response Capacity, also known as the Voluntary Pool of assets of the EU Civil Protection Mechanism. Member states contribute specialized medical teams, field hospitals, mobile laboratories, medical evacuation capacities and logistical support teams to the Corps.[60]

The EMC mobilized public health experts and mobile laboratories during the Ebola outbreak in 2015, the Yellow fever outbreak in 2016 and the Marburg virus outbreak in 2017.[61]

To Christos Stylianides, the European commissioner for humanitarian aid and civil protection, the EMC is a "visible manifestation" of the support that the EU can provide. He says, "[i]t's very critical to communicate with people that the EU is not only a bureaucracy, or directives, or something far away from the everyday life of the people." The EU's ability to respond to disasters "is an instrument, a tool, which we can show in real terms... tangible European solidarity, not only inside Europe but also outside Europe," he added.[62]

6.6. European Security Council

In the Meseberg Declaration published in June 2018, Chancellor Merkel and President Macron proposed an "EU Security Council."[63] The aim is to "progress towards a better integrated European defence, incorporating all civil and military aspects and means of crisis management and response of the EU" and "develop the emergence of a shared strategic culture." On 13 November 2018, Chancellor Merkel made a similar pronouncement, stating: "We have to reconsider our ways of deciding and to renounce the principle of unanimity where the European treaties allow and wherever this is necessary. I proposed a European security council, in which important decisions can be prepared faster."

As the EU develops its own army and military capability, this must raise key questions about the future and role of NATO. For decades, it has been NATO rather than the EU which has, in practice, maintained the balance of power and the reality of deterrence. An EU army must put this at risk as North American taxpayers ask questions about what they are now paying for and whether EU taxpayers should pay for themselves – especially if the EU is determined to develop its own foreign and security policy. The EU cannot have it both ways. It cannot be independent and expect others to pay. Thus the EU plans could and probably will not strengthen but – ironically – actually reduce European security.

Nonetheless, this is the route the EU is clearly taking – and this is all part of a bigger picture.

7. “Remain” is no longer an option

It is very clear, the EU has centralised, integrated, federalised substantially and materially since June 2016.

Should there still remain any doubt, the Guardian published an interview with the European Parliament’s Brexit Coordinator, Guy Verhofstadt, on 14th June 2017. The headline of the interview was “Perks will stop if UK ends up staying in the EU, says Guy Verhofstadt.” For once, the Guardian headline writer got it right. In the interview, Verhofstadt made the new reality for the UK very clear.

> “I agree (with President Macron that the door to the EU would remain open to Britain during Brexit negotiations).”[64]

Mr Verhofstadt went on to say:

> “But like Alice in Wonderland, not all the doors are the same. It will be a brand new door, with a new Europe, a Europe without rebates, without complexity, with real powers and with unity.”

“A Europe without rebates” has the consequence of the UK paying a lot more in contributions to the EU.

Mr Verhofstadt is not as important as he thinks he is, but his views, as stated, are the dominant views in the EU.

What was offered to remain voters at the time of the Brexit referendum is simply no longer there. The *status quo ante* no longer applies. To “Remain” would be to remain in a fundamentally different EU from the EU of 23 June 2016, the date of the Brexit referendum.

This book has featured several quotations. It seems only appropriate to quote Shakespeare (a famous couplet from one of his less known plays).

“That England, that was wont to conquer others,
Hath made a shameful conquest of itself...”

- Shakespeare (Richard II)

VIII. SUMMARY

Chapter One examines the UK's relationship with the EU and considers the grounds for the UK leaving the EU. **Part one** of the chapter, 'Who wore the trousers?' explains the UK's decreasing level of influence within European institutions and the limitations of the Commission structure.

The UK's level of "influence" in the EU has declined significantly since the UK became an EU member in 1973. In its final full year of membership (2019) the UK only had 8.2% of the vote in the Council of Ministers, less than 10% of MEPs and just one of 28 Commissioners. The Commissioners are selected not on merit, but primarily on nationality and gender - also often on "reverse popularity" with national colleagues.

Since records began in 1996, the UK has tried to block proposals from the European Commission 72 times. We have failed every time. Success rate zero.

Part Two of Chapter One, 'Why must the UK pay to access the EU Single Market,' examines some of the ongoing economic troubles within the EU, including high unemployment, unfavourable population demographics for the labour force, insufficient skill levels (i.e. education), and large public deficits.

Part three, 'Are there irreconcilable differences?' considers the issues associated with enlargement and examines the problems that cultural and economic differences across countries can play in creating an ever-larger EU.

Part four then examines EU policies that are harmful to the UK, including the working time directive, the common fisheries policy and directives that restrict manufacturing in the UK.

Chapter Two presents and addresses the following falsehoods:

I. The UK has to be in a political union in order to access EU markets.

II. A country outside the European Union must have a free trade agreement with the EU in order to trade with and, in particular, to export into it.

III. There is only one kind or type of trading relationship with the EU.

IV. A member state of the EU will always export more to other EU states than will a non-member state.

V. A country needs to be in a large trading bloc to be able to negotiate trade agreements.

VI. Three million jobs in the UK will disappear when the UK exits the EU.

Using updated data on trade, the first part of the chapter shows that there is significant trade between the EU and non-EU countries and proves that a country does not need to be in a political union to engage in trade with European countries. Further data is used to show that it would be possible for a country such as the UK to trade with the EU whether or not it had signed a free trade agreement with the EU.

Chapter Two continues to dispel the falsehoods on trade with the EU, examining the various trade agreements that the EU currently has with countries outside the EU such as Mexico and South Korea, and countries within Europe such as Norway and Switzerland.

Finally, Chapter Two addresses the biggest falsehoods of all about the UK leaving the EU, namely the supposed potential losses of trade and jobs. The trading power of Switzerland, Iceland and New Zealand dispels the first myth, while the claim about jobs is explained in detail for the political nonsense that it is.

The EU's "free movement of people" gives all citizens of EU countries the right to live, work, and settle in the UK. Free movement is in no way essential to secure trade benefits with EU countries. China had €604.6 billion of trade in goods alone with the EU in 2018. China has no material non-ethnic immigration.

Trade agreements with the EU are not required in order to trade with the EU. The USA, China, and Russia - the EU's top three international trading partners in 2018 - have no trade agreements with the EU.

The EU has agreements that relate to trade with over 100 countries. Following Brexit, a UK-EU trade agreement is not necessary; nevertheless, commercially, it is inevitable.

Exporting successfully to the EU does not require Membership. Switzerland - a country which is not a member of the EU - regularly

exports to the EU 4.5 times more per person than the UK manages. Switzerland, New Zealand, Chile, for example, all have trade agreements with China, which the EU does not. Even tiny Iceland signed a Free Trade Agreement with China back in April 2013. It is not necessary to be part of a large trading bloc in order to enter into trade agreements.

Chapter Three examines the EU Single Market, its cost to the UK economy and the impact of free movement of persons within the EU. It includes an illuminating discourse between Professor Congdon and David Smith, Economics Editor of the Sunday Times.

EU membership is very expensive. In addition to the direct costs, the indirect costs, for example, from regulation, put a burden of roughly 12% of GDP onto the UK economy in 2014.[1]

Chapter Three continues with an examination of free trade agreements in other economic regions of the world, such as North America, and compares the approaches of these regions to economic migration and regulation. It also presents evidence of the negative impact of unrestricted migration on the UK's economy. In particular, the emphasis on GDP and GDP growth is likely to lead to poor decision-making, when, mostly, it is GDP per capita which matters.

Chapter Three also considers the failings of the Single Market in relation to services, and explains how this impacts negatively on the largely service-driven UK economy. The Single Market omits approximately 60% of services - a key fact.

A second key fact is that 100% of the UK's GDP is subject to EU rules and regulations, whereas less than 14%[2] of UK GDP is accounted for by exports to the EU Single Market. Up to 95% of UK firms do not sell to the EU at all[3].

Chapter Three concludes with the view that the UK loses more than it gains from its participation in the EU, noting the costs for the UK of burdening 100% of its economy with Single Market regulations.

In light of the conclusions from previous chapters, **Chapter Four** moves to consider how the UK economy might perform outside of the EU. It looks at the economic, educational and linguistic strengths of the UK and evidences its central place on the world stage. This position, in particular the UK's permanent seat on the UN Security Council, is threatened by the UK's membership of the EU.

Chapter Five opens with some dismal data on the EU's economic performance and

considers the UK's position in the WTO. It then examines the global economic position of the UK beyond its membership of the EU and presents examples of previous exits from the EU by Greenland, Algeria and the Channel Islands.

Europe comparatively and the EU's share of global wealth (or world GDP) are in long-term decline: the EU share of more than 30% in 1980 has now reduced to some 21%[4], and is projected to fall further to 15% in 2025.

The second half of Chapter Five examines the potential consequences of Brexit, in the realms of security and trade. Based on the evidence presented, Chapter Five ends with the conclusion that Britain can best promote and protect the interests of its exporters and investors only as a fully independent member of the WTO.

This is because since the UK joined the EU in 1973, the EU Trade Commissioner has negotiated trade agreements, based on the interests of all EU member states - not based on the interests of the UK. Following Brexit, the UK would regain its ability to represent itself at the WTO and other international bodies as a full member.

A UK-EU trade agreement is not essential in order for British companies to trade with people and businesses in the EU member states. Six of the top 10 largest non-EU exporters to the EU, and 11 of the top 20, do not have a trade agreement with the EU.

Over the past six years alone, the UK ran a £190 billion cumulative trade deficit with the EU - but a £21 billion trade surplus with the rest of the world. Claims that "three million jobs" are dependent on the UK's trade with the EU are false. The claims are based on the false premise that all UK exports to the EU will cease when we leave. This is not credible. This is because, first, the World Trade Organisation rules protect us from discriminatory actions against our exports to the EU. Second, there is the practical and commercial point that the other EU member states export more to the UK than we do to them. Self-harm does not, up to now, feature in international trade.

In **Chapter Six**, four key conclusions are reached on the UK's trading relationships and position in the global economy.

I. The EU needs the UK much more as a trading partner than the UK needs it. The full context is that less than 15% of the UK's gross domestic product is accounted for by exports to the EU.

II. A country does not need to be part of a large trading bloc to have trade agreements.

III. Following Brexit, the UK will regain its ability to represent itself at the WTO and other international bodies and be in a position to (re) negotiate trade agreements that protect and progress national interests.

IV. A UK-EU trade agreement is not essential for British companies to trade with people and businesses in the EU member states.

Chapter Six concludes that the UK's next desirable step is to negotiate its own trade agreement with the European Union, ensuring that it is tailor-made and suits the UK economy - and if that is not possible, it is better not to have one at all.

Chapter Seven answers the question "what has happened since the Brexit referendum?" and chronicles the EU's move towards a political superstate since the UK voted to leave the EU in June 2016. The chapter focuses on the relentless institutional change and the almost endless list of new regulations and policies the EU has created over the last several years - from the potentially disastrous immigration agenda to the merely burdensome energy union.

Chapter Seven concludes that, if in a second referendum, the UK votes to "Remain," it would not remain in the EU as it was in June 2016. The status quo is no longer there. The UK would have voted to become a province in a protectionist European superstate, with the limited - and ever decreasing - ability to run our own affairs or function as a real democracy.

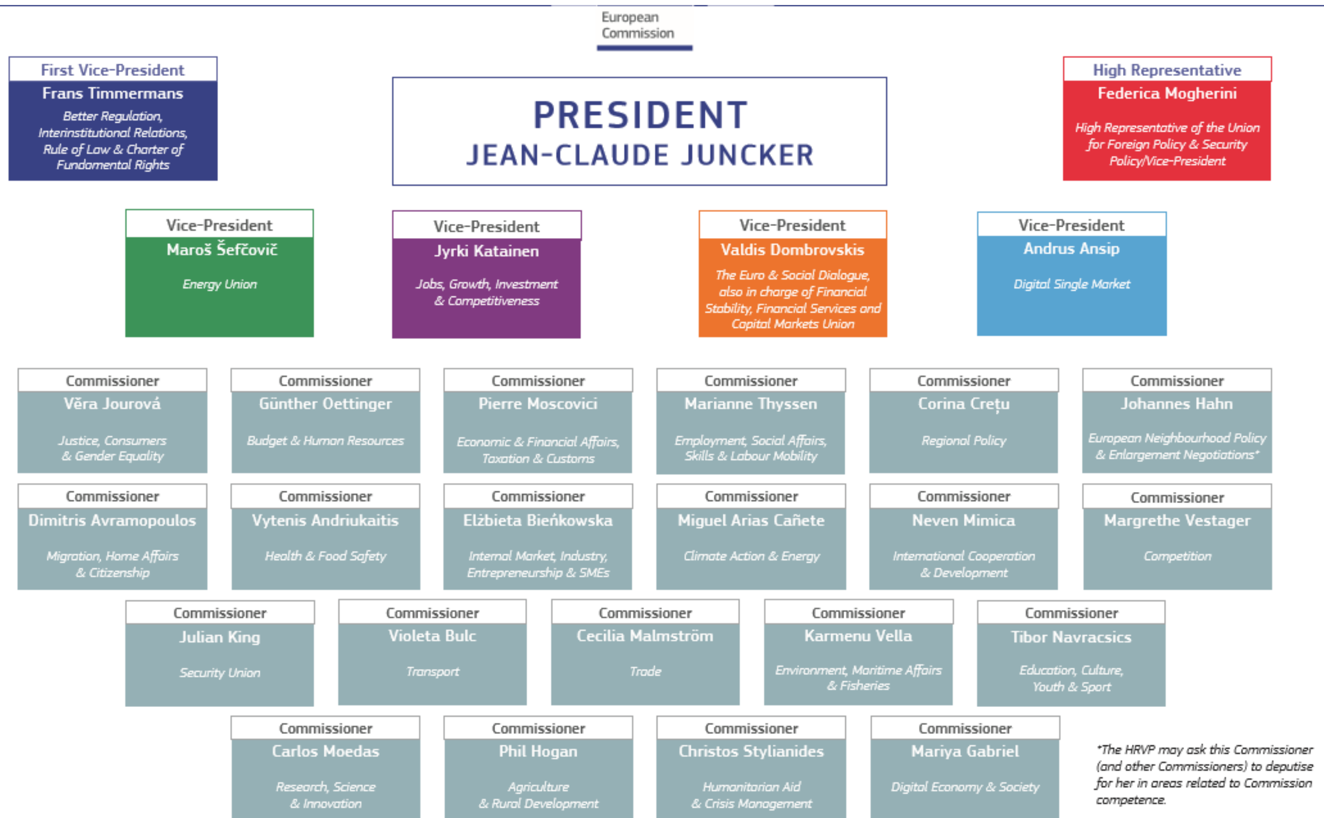
For a decade now, these truths have been denied and obscured by establishment politicians and the established media.

Since the referendum, basic facts relevant to the case for Brexit have not been allowed on the BBC and other broadcast media. By comparison, Remainers/europhiles are permitted to "scaremonger" without question or challenge.

So what is going to happen? To paraphrase the late, great Alistair Cook, 'and what follows, you will know'.

APPENDICES

Appendix 1: European Commission Structure 2014-2019



Source: EU Commission College Structure

Appendix 2: The Vienna Convention

The Vienna Convention: If the UK leaves the EU, British expats would be protected by the Vienna Convention on the Law of Treaties 1969, so those living in an EU country before any exit would have "acquired right" to remain in Spain legally, as when they moved this was sanctioned by law and the "the EU's freedom of movement rights would be honoured for all those citizens who reside in other EEA nations prior to any Treaty changes."

The Treaty contains articles that are based on 'acquired rights', which individuals build up over time and hold despite any changes in future treaties enacted by their nation.

Moreover, "acquired rights" were acknowledged in Greenland's withdrawal from the European Economic Community (EEC). Under the term "vested rights", the European Commission said that Greenland should retain the "substance" of free movement rights for workers from the EEC at the time of withdrawal.

- Angola
- Bosnia and Herzegovina
- Brazil
- Chile
- Côte d'Ivoire
- Croatia
- Cyprus
- Czech Republic
- Democratic Republic of the Congo
- Dominica
- Ecuador
- Egypt
- Estonia
- Ethiopia
- Holy See
- Iraq
- Liberia
- Madagascar
- Montenegro
- Morocco
- Niger
- Pakistan
- Paraguay
- Peru
- Poland
- Republic of Moldova
- Senegal
- Seychelles
- Slovakia
- Slovenia
- St. Vincent and the Grenadines
- Sudan
- The former Yugoslav
- Republic of Macedonia
- Tunisia
- Ukraine
- Uruguay

Appendix 3: Question Tabled To The Commission On San Marino And Andorra (September 2013)

Answer given by Trade Commissioner Karel De Gucht on behalf of the Commission on September 2013:

> "The EU has currently three customs unions with third countries, namely with Andorra, San Marino and Turkey.
>
> As regards the Customs Union between the EU and respectively Andorra and San Marino, the Commission seeks to introduce in its FTAs a joint declaration whereby the products originating in San Marino and in Andorra covered by the Custom Union with the EU are declared to be as originating in the EU.
>
> Concerning the EU-Turkey Custom Union, the Commission refers to the answer to Written Question E-8729/13(1)."

Appendix 4: Top 40 Non-EU Exporters To The EU (in goods)

	2013			2014		
	Rank	2013 Million Euro	Share (%)	Rank	2014 Million Euros	Share %
Extra European Union (28)		1,685,013	100		1,685,003	100.0
China	1	280,092	16.6	1	302,049	17.9
USA	3	196,153	11.6	2	206,127	12.2
Russia	2	206,967	12.3	3	181,269	10.8
Switzerland	4	94,568	5.6	4	96,633	5.7
Norway	5	90,280	5.4	5	86,792	5.2
Japan	6	56,604	3.4	6	55,211	3.3
Turkey	7	50,654	3.0	7	54,374	3.2
South Korea	9	35,837	2.1	9	38,796	2.3
India	8	36,842	2.2	8	37,120	2.2
Brazil	10	33,104	2.0	10	30,996	1.8
Algeria	11	31,970	1.9	11	29,459	1.7
Saudi Arabia	12	30,045	1.8	12	28,709	1.7
Nigeria	13	28,763	1.7	13	28,156	1.7
Canada	14	27,223	1.6	14	27,421	1.6
Kazakhstan	15	23,865	1.4	15	23,858	1.4
Taiwan	17	22,128	1.3	16	23,206	1.4
Vietnam	18	21,253	1.3	17	22,189	1.3
Malaysia	19	18,353	1.1	18	19,635	1.2
Thailand	22	17,029	1.0	19	18,538	1.1
South Africa	23	15,557	.9	20	18,533	1.1
Mexico	21	17,515	1.0	21	17,981	1.1
Singapore	20	17,624	1.0	22	16,927	1.0
Indonesia	24	14,417	.9	23	14,432	.9
Ukraine	26	13,882	.8	24	13,706	.8
Azerbaijan	25	14,370	.9	25	13,207	.8
Israel	27	12,481	.7	26	13,127	.8
Libya	16	23,211	1.4	27	12,463	.7
Bangladesh	28	10,898	.6	28	12,335	.7
Iraq	29	10,630	.6	29	11,559	.7
Morocco	32	10,046	.6	30	11,053	.7
Hong Kong	30	10,214	.6	31	10,901	.6
Angola	34	9,308	.6	32	9,391	.6
Tunisia	33	9,348	.6	33	9,359	.6
Australia	31	10,172	.6	34	9,192	.5
Chile	37	8,946	.5	35	8,694	.5
Egypt	39	7,970	.5	36	8,576	.5
United Arab Emirates	35	9,248	.5	37	8,179	.5
Colombia	40	7,643	.5	38	8,162	.5
Argentina	38	8,140	.5	39	7,696	.5
Qatar	36	9,174	.5	40	7,494	.4

Appendix 5: Top 20 Non-EU Trading Partners Of The EU In 2014

No.	Country	Millions of Euros
1	USA	517,162
2	China	466,826
3	Russia	284,583
4	Switzerland	236,998
5	Norway	136,998
6	Turkey	129,013
7	Japan	108,483
8	South Korea	81,992
9	India	72,587
10	Brazil	67,691
11	Saudi Arabia	63,852
12	Canada	59,093
13	Algeria	52,849
14	United Arab Emirates	50,093
15	Mexico	46,419
16	Hong Kong	45,584
17	Singapore	45,176
18	South Africa	41,872
19	Taiwan	40,174
20	Nigeria	39,706

Appendix 6: “Manning The Pumps” By Dr Lee Rotherham

Existing Forms and Models of EU Association			
Category	**Nature**	**Example**	**Type**
0	Internal political union/merger with nation state	East Germany	EU full membership
1	EU membership with full integration	France	
2	EU membership with opt-outs	UK	
3	Inside Single Market but outside the Customs Union: EEA terms with options on opt-ins e.g. Schengen	Norway	Associate membership
4	Symmetric bilateral free trade agreement with bolt-ons	Switzerland	
5	Inside Customs Union, outside Single Market, though with added fringe benefits	Turkey	Customs Union
6	Deep and Comprehensive Free Trade Agreement (DCFTA)	Ukraine	Advanced trade agreement
7	Basic symmetric free trade agreement (eg CEFTA)	Macedonia	
8	Partnership and cooperation agreement	Tajikistan	
9	Asymmetric free trade agreement	South Aftrica	Basic trade agreement
10	Non-reciprocal trade preference	Macedonia (formerly)	
11	Global System of Preferences Plus status (GSP+)	Honduras	
12	Global System of Preferences status (GSP)	Iraq	
13	Most Favoured Nation status (MFN)	Namibia	
14	Less-than-MFN	North Korea	Restricted trade access
15	Sanctioned or Embargoed state	Burma (past)	

Appendix 7: EU Countries In The Eurozone

1. Austria
2. Belgium
3. Cyprus
4. Estonia
5. Finland
6. France
7. Germany
8. Greece
9. Ireland
10. Italy
11. Latvia
12. Luxembou
13. Malta
14. Portugal
15. Slovakia
16. Slovenia
17. Spain
18. Netherlands
19. Lithuania

Non-EU countries that use the euro include Monaco, Andorra and San Marino, also the UK's sovereign bases in Cyprus.

The euro is the official currency in Kosovo and Montenegro.

Appendix 8: EU Countries Outside The Eurozone

1. Bulgaria
2. Croatia
3. Czech Republic
4. Denmark
5. Hungary
6. Poland
7. Romania
8. Sweden

Appendix 9: Countries In The Schengen Area

1. Austria
2. Belgium
3. Czech
4. Denmark
5. Estonia
6. Finland
7. France
8. Germany
9. Greece
10 Hungary
11 Iceland
12 Italy
13 Latvia
14. Liechtenstein
15. Lithuania
16. Luxembourg
17. Malta
18. Netherlands
19. Norway
20. Poland
21. Portugal
22. Slovakia
    Slovenia
23. Spain
24. Sweden
25. Switzerland

Appendix 10: Non-EU Countries In The Schengen Area

1. Iceland
2. Liechtenstein
3. Norway
4. Switzerland

Appendix 11: EU Countries Outside The Schengen Area

1. Bulgaria
2. Croatia
3. Ireland
4. Romania
5. Cyprus

Appendix 12: Countries Participating In The EU's Everything But Arms (EBAs) Trade Programmes

International Bank for Reconstruction and Development (IBRD)

In Asia Pacific, these are:

- Afghanistan
- Bangladesh
- Bhutan
- Cambodia
- Kiribati
- Lao
- Maldives
- Nepal
- Solomon Islands
- Samoa
- Timor-Leste
- Tuvalu
- Vanuatu
- Yemen

In Africa, they are:

- Angola
- Chad
- Democratic Republic of Congo
- Comoros Islands,
- Niger
- Djibouti
- Lesotho
- Rwanda
- Benin
- Equatorial Guinea
- Liberia
- Eritrea
- Madagascar
- São Tomé and Príncipe
- Togo
- Burkina Faso
- Ethiopia
- Malawi
- Senegal
- Burundi
- Gambia
- Mali
- Sierra Leone
- Uganda
- Kenya
- Guinea
- Mauritania
- Somalia
- Cape Verde
- Guinea-Bissau
- Mozambique
- Sudan
- Central African Republic
- Haiti
- Tanzania
- Zambia

Appendix 13: How An Appointed Commissioner Could Have Embroiled The UK In A Trade War With China

Frustrated and outflanked; Karel De Gucht
By Joshua Chaffin | Financial Times

The EU commissioner has been outmanoeuvred by China, which has exposed deep weaknesses in the bloc's trade policy by lobbying national capitals in a dispute over solar panels.

Just as Karel De Gucht was poised to deliver a historic blow against China Inc's export juggernaut, something unexpected happened.

It was May and Mr De Gucht, the EU trade commissioner, was preparing to impose punishing duties against Chinese-made solar panels in the bloc's biggest anti-dumping case, when a majority of member states - led by Germany - turned against him.

The commissioner was stung, according to people close to him but still gave a defiant performance when he went before the European parliament that The EU commissioner has been outmanoeuvred by China, which has exposed deep weaknesses in the bloc's trade policy by lobbying national capitals in a dispute over solar panels..

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The commissioner was stung, according to people close to him but still gave a defiant performance when he went before the European parliament that evening. Far from conceding doubts about his case, he lashed out at Beijing for bullying European governments. "They are not going to impress me by putting pressure on individual member states, you know," he said, waving a finger. "I couldn't care less."

But, in fact, the revolt forced Mr De Gucht to seek the settlement that was finally agreed on Saturday - a deal that European solar manufacturers lambasted as "a capitulation" but others described more charitably as a decent outcome for a commissioner in an untenable position.

For Brussels, the solar case has always been about more than just the future of the solar panel industry. It has been the EU's sternest test of whether member states can hold together and maintain a united trade policy in the face of intense pressure from abroad - in this case, from a country that Brussels believes is using the levers of state power to undermine European manufacturers.

National governments have ceded unusual power to Brussels to pursue a common EU trade policy, an arrangement that even ardent eurosceptics have generally acknowledged to be a success. In theory, the EU's combined heft gives it greater clout on the world stage - be it negotiating trade agreements or countering abuses by trading partners.
But, as the solar case demonstrated, Brussels' power is limited to how far national capitals will let it go. Many ultimately look after their own interests - particularly when subjected to the commercial pressure that Beijing can apply either by opening the door to lucrative contracts or slamming it.

“Member state divisions have for a long time undermined trade commissioners and encouraged trading partners to do an end run around Brussels,” says Simon Evenett, a trade professor at St Gallen university in Switzerland, who called the solar case “a brutal lesson in trade realpolitik”.
In Europe, the China showdown has also crystallised a debate about Mr De Gucht, and whether his stubborn determination is a necessary ingredient for a commissioner trying to lead 28 sometimes wobbly national governments in a common trade policy or has worsened the divisions.

The solar dispute, over Chinese exports worth €21bn in 2011, is not the only one in which the commissioner has struggled to corral support. France embarrassed him at the outset of talks for a trade deal with the US by refusing to put its film and music industries into the bargain despite the commission’s entreaties. That move appeared to confirm the worst fears among some in Washington that the Europeans were not serious about a pact they had long been pushing for. “I think it’s a sign of the power that key member states still have over the negotiations even at this level of maturity of the commission,” says Stuart Eizenstat, the former US ambassador to the EU, who called the episode “a bad omen” for the negotiations.

To Mr De Gucht’s defenders, the very fickleness of member states confirms the need for a strong-willed commissioner. “We know that member states don’t have the courage and that in the face of Chinese démarches, they will always bend over backward,” one EU official explains.
In Belgium, Mr De Gucht’s willingness to stick to his guns - to the point of sometimes shooting himself in the foot - is the stuff of polarising legend.

He demonstrated it a decade ago when the country was convulsed by a debate over whether to give noncitizen immigrants the right to vote. The ruling Flemish Liberals, which Mr De Gucht then headed, were uneasy about the idea. After months of debate, the party leadership convened a meeting where they ultimately agreed to drop their resistance in order to preserve a fragile coalition government. But the next day, Mr De Gucht stunned his colleagues by going on television and warning that he might still oppose any legislation. Guy Verhofstadt, then prime minister, was furious and Mr De Gucht was ousted as party president.

“He’s somebody who - once he makes his mind up - sticks to it, and sometimes in politics this is a little bit strange,” says Philippe De Backer, a Flemish MEP and long-time admirer. A former aide called Mr De Gucht “quite fearless” but added: “He sometimes hits the nail a little too hard.” During his time as Belgium’s foreign minister in 2004, he nearly ruptured relations with Congo, its former colony, after speaking out about government corruption. Closer to home, Mr De Gucht courted controversy by likening a former Dutch prime minister to Harry Potter. He also had to defend himself against charges of anti-Semitism for saying that it was hard to have a rational conversation with Jews outside Israel on the Middle East peace process.

But it is his hardened views towards Beijing that have drawn the most notice and concern.

His investigations against Beijing - which have also included cases against steel, ceramics and Beijing’s alleged hoarding of raw material - sometimes look like an obsession. But advisers insist that every investigation launched is the product of heavy deliberation.

“I don’t think he’s embarked on a crusade against China. It’s a crusade for free trade,” says Jonathan Holslag, director of the Brussels Institute for Contemporary China Studies, who has advised the commissioner.

Mr De Gucht, he says, "is not a politician of emotion - he's a very rational decision maker."

Upon taking up the EU trade job four years ago, Mr De Gucht set up a China expert group to deepen his knowledge about the Middle Kingdom.

Early in his term, aides say, the commissioner came to two conclusions. First, he determined that a vast programme of Chinese government subsidies - including cheap electricity, financing and property - was fuelling the country's manufacturing dominance. Second, and equally importantly from a tactical standpoint, he believed Beijing was stifling the usual trade complaints from EU companies by threatening to shut them out of the Chinese market.

The solar case has featured elements of both. It was spearheaded by SolarWorld, a once high-flying German manufacturer that lost €476 million last year.

Beijing responded skilfully. In addition to lobbying national capitals against the case, it opened its own trade investigation into imported European wine that unsettled France and Mediterranean governments that tend to be the commission's most reliable supporters in trade defence cases. Next it unnerved Germany, which sent €67bn in exports to China last year, by threatening to bring a separate case against automobiles. Chinese solar companies also helped to bankroll a vigorous lobbying campaign by the European retailers that benefit from their inexpensive products. Their chief argument was that tariffs would drive up prices, undermining the EU's environmental policy and costing thousands of jobs.

To Hosuk Lee-Makiyama, director of the European Centre for International Political Economy, the stakes are more tangible in trade skirmishes for an elected government - responsible for job losses and factory closures - than they are for a Brussels bureaucracy. With China, in particular, the geopolitical relationship has become almost too important to national capitals to entrust to the commission, he argues.

"There is a genuine uneasiness among European governments about being in the back seat," he says.

When the member states shifted in May, Mr De Gucht had no choice but to seek a deal. Without one, there was the risk that he would lose in December when - under EU rules - member states would have the power to block a commission proposal for so-called "final" duties.

The settlement centres on a commitment by about 90 participating Chinese solar companies to charge a minimum price in the EU of 56 cents for every watt that their equipment can produce. All others will face duties averaging 47 per cent.

Critics stress that the price floor is in line with Chinese prices and is just half the level that the commission had last year deemed necessary to remedy the injury from dumping. They also note that final duties in EU cases typically last five years while the settlement will expire at the end of 2015.

"It's absolutely not rational," says Milan Nitzschke, the president of EU ProSun, the SolarWorld-led coalition of European manufacturers that is now threatening to sue the commission . It had sought a price of 80 cents per watt. EU officials concede the price is low but they emphasise a separate feature that will limit the duty-free Chinese exports to 7 gigawatts per year. With the EU market expected to be 10- 12GWs this year, that means European manufacturers should be able to compete for 3-5GWs.

"The effect will be that the European industry will have the space to regain its previously held market share," Mr De Gucht said.

That remains to be seen. In the meantime, the solar truce does not mean the commissioner's showdown with China is finished. Mr De Gucht's priority, and one that will test his convictions on a larger battlefield, is an even more sensitive anti-subsidy investigation he has been preparing into China's leading telecommunications network equipment companies.

The telecom industry has greater strategic and commercial value than solar panels, which are easily produced, and threatens Huawei Technologies, a Chinese national champions.

The case has an added twist in that it would be among the first the commission has filed on its own - and not at the behest of a company or an industry. Mr De Gucht has advocated such "ex officio" investigations as a way to blunt Chinese threats of retaliation against European companies.

That approach has infuriated Beijing, where some officials are said to refer to Mr De Gucht as a "mad Belgian", and worried the EU's telecom equipment companies, who fear Chinese retaliation. The EU and China have held high-level discussions on government subsidies that have mostly yielded frustration. Mr De Gucht softened his tone this week, expressing hope that the solar case could act as a model to resolve other disputes. Asked to reflect on his relations with member states after the solar case, Mr De Gucht noted that 28 governments would inevitably have different opinions, but said: "If everybody stays within his role . . . then we will have a strong trade policy."
In a not-so-subtle warning to EU governments, he added: "They should not engage in parallel discussions - be it with China, or anybody else."

REACTION IN BEIJING

Chinese panel makers facing bankruptcy

When Brussels and Beijing forged a solar trade deal last weekend, the relief from Chinese officials and state media was immense.

One breathless headline declared: "EU-China solar panel deal averts crisis, benefits world." Wang Yi, the foreign minister, described the deal as "good for the global economic recovery".

However, for the Chinese solar companies whose panels were at the centre of the spat, the deal does little to brighten a gloomy outlook.

Several of China's largest solar- panel makers face bankruptcy or restructuring. The state council, China's cabinet, identified a number of woes plaguing the sector, including "serious overcapacity", "over-dependence on foreign markets", and "weak technological innovation".

The deal is vital for these companies because Europe is the biggest buyer of China's solar panels, purchasing 78 percent of all Chinese-made panels last year, according to IHS Global Insight.

The new trade deal, which decrees a minimum price for Chinese panels and a maximum cap on annual shipments to Europe, is viewed by Chinese companies as preferable to the prospect of duties averaging 47 per cent. Nevertheless, it will still limit their access to this market; the new quota is roughly half the level of China's solar shipments to Europe last year.
Trina Solar, one of China's largest photovoltaic producers, summed up the mood when it said the settlement was "not perfect" but still "in the best interest of both sides".

Jenny Chase, solar analyst at Bloomberg New Energy Finance, said the settlement will accelerate consolidation. “It would not surprise me if a few of the relatively major Chinese manufacturers went bankrupt this year.”

The annual cap on shipments could give the Chinese government more power to pick winners in the sector because regulators can allocate quotas to preferred companies. Gao Hongling, deputy secretary-general of the China Photovoltaic Industry Alliance, said larger companies were more likely to benefit under the new system. “The whole solar industry wants the big companies to make progress.”

Appendix 14: Free Trade Areas In The World

- ASEAN Free Trade Area (AFTA)
- Asia Pacific trade Agreement (APTA
- Central American Integration System (SICA)
- Central European Free Trade Agreement (CEFTA)
- Common Market for Eastern and Southern Africa (COMESA)
- G3 Free Trade Agreement (G3)
- Greater Arab Free Trade Area (GAFTA
- Dominican Republic–Central America Free Trade Agreement (DR- CAFTA) Gulf Cooperation Council (GCC)
- North American Free Trade Agreement (NAFTA)
- Pacific Alliance
- South Asia Free Trade Agreement (SAFTA
- Southern African Development Community (SADC)
- Southern Common Market (MERCOSUR)
- Trans-Pacific Strategic Economic Partnership (TPP)
- Commonwealth of Independent States FTA (CIS)

Appendix 15: William Dartmouth, Letter To EU Trade Commissioner Cecilia Malmstrom On Chinese Steel Dumping

William (The Earl of) Dartmouth UKIP MEP
European Parliament
ASP 3 F 361
60, Rue Wiertz
1047 Brussels

William.dartmouth@europarl.europa.eu

Commissioner Malmstrom
European Commission
200 Rue de la Loi
I 049 Bruxelles

Brussels, October 22nd 2015

Dear Commissioner Malmstrom,

Re Imports of steel from China

Imports of steel from China entering the UK are being sold at a price lower than the cost of production. It is clear that China is dumping.

This has consequences. Already SSI has been forced to cut 2,200 jobs in the UK, and Tata Steel a further 1,200jobs.

Robrecht Himpre, the president of Eurofer - the European Steel Association - wrote in a letter to the Times (22 October 2015) that "anti-dumping actions against China by major economies have increased by 60 per cent since 2010." He wrote further that the EU's process for implementing trade-defence measures against Chinese steel dumping "is far too slow and is resulting in the closures and job losses we have seen in the UK in the past week."

In light of the above, I urge you as Trade Commissioner to effect anti-dumping duties on imports of steel from China entering the EU. These anti-dumping tariffs must be fully proportionate to be able to safeguard the UK steel industry (as well as the steel industry in other EU member states) from further damage occasioned by anticompetitive practices on the part of steel producers in China.

Sincerely,
William Dartmouth

William Dartmouth MEP
EFDD Group Coordinator on International Trade

William Dartmouth
UKIP MEP for the South West of England and Gibraltar

Appendix 16: Cecilia Malmstrom, Letter To William Dartmouth On Chinese Steel Dumping

CECILIA MALMSTRÖM
MEMBER OF THE EUROPEAN COMMISSION

Brussels, 25.11. 2015
NE/cz

Dear Lord Dartmouth,

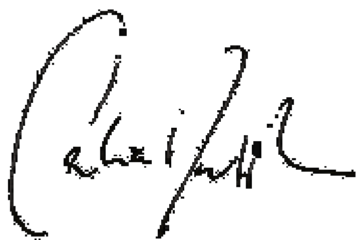
I refer to your letter of 22 October regarding imports of steel from China and particularly dumping.

I fully share your concerns regarding the steel sector in Europe and the impact which cheap imports of the products from China and other countries are having on the European steel producers. It has been indeed proven that the Chinese producers are dumping some of the excess capacities on the European market. As a result, we have currently trade defence measures in place against fourteen steel products from China. At the same time there are also a number of new investigations ongoing concerning steel products from China, which may also result in the imposition of further trade defence measures.

I assure you that the Commission is ready to open anti-dumping cases if the steel industry asks us to do so, as long as they provide us with the necessary prima facie evidence that justifies the initiation of investigations. Our trade defence services are always available to provide any guidance to the industry in relation to the trade defence process. Each and every complaint brought by the industry will be examined thoroughly.

The Commission acts as quickly as possible, however, you must appreciate that this is a process, subject to legal requirements and scrutiny, not only by the Member States, but also the Courts and in some instances the World Trade Organisation. As a result, time is needed to ensure that any action taken is in line with the legislation and our international obligations. Measures cannot be imposed without first establishing that dumping and/or subsidisation is taking place and causing injury to the European industry. That said, I assure you that where it is justified to impose measures it will be done.

Yours sincerely,



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EFDD Group Coordinator on International Trade
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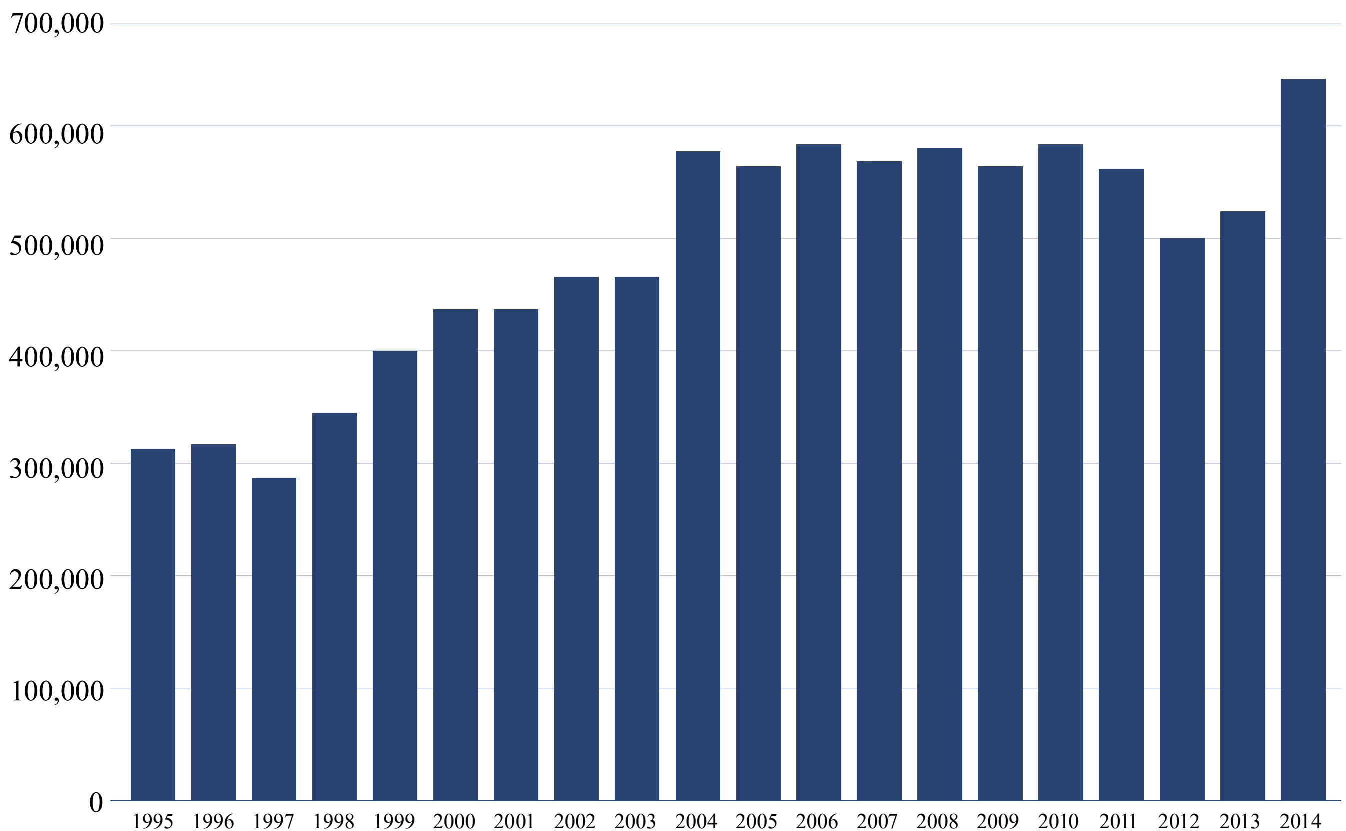
Appendix 17: EU Trade Agreements (FTAs) and Agreements Currently In Negotiation

- Albania
- Algeria
- Andorra
- Armenia
- Bahrain
- Bosnia and Herzegovina
- Brunei
- Burma-Myanmar
- Cambodia
- Cameroon
- CARIFORUM (on behalf of 15 Caribbean countries)
- Chile
- Colombia
- Costa Rica
- Cote d'Ivoire
- Egypt
- El Salvador
- Faroe Islands
- Former Yugoslav Republic of Macedonia
- Georgia
- Guatemala
- Honduras
- Iceland
- Indonesia
- Israel
- Jordan
- Kuwait
- Laos
- Lebanon
- Madagascar
- Mauritius
- Mexico
- Moldova
- Montenegro
- Nicaragua
- Norway
- Oman
- Palestinian Authority
- Panama
- Papua New Guinea
- Peru
- Philippines
- Qatar
- San Marino
- Saudi Arabia
- Serbia
- Singapore
- South Africa
- South Korea
- Switzerland
- The Seychelles
- Tunisia
- Turkey
- Ukraine
- United Arab Emirates
- Zimbabwe

Appendix 18: UK Migration In-Flow (Immigration) 1995-2014



Source: ONS Long-Term International Migration

Appendix 19: US News World Report "World's Best Universities 2012"

World University Ranking	Number of UK Ranked Universities
1-10	2
11-20	1
21-30	1
31-40	1
41-50	0
51-100	3
101-150	5
151-200	7
Total	**20**

Appendix 20: QS World University Rankings

Rankings	Number of UK Ranked Universities
1-10	4
11-20	1
21-30	1
31-40	3
41-50	1
51-100	8
101-150	5
151-200	7
Total	**30**

Appendix 21: The Times Higher Education World University Rankings

World University Ranking	Number of UK Ranked Universities
1-10	3
11-20	1
21-30	3
31-40	0
41-50	0
51-100	9
101-150	9
151-200	9
Total	**34**

Appendix 22: List Of International Organisations of Which the UK is a Member

TRADE & DEVELOPMENT

World Trade Organisation (WTO)
The World Trade Organisation (WTO) has 159 members. The WTO specialises in five areas including: trade negotiations; Implementation and monitoring of member governments trade policies; dispute settlement using WTO procedure for resolving trade quarrels to ensure trade runs smoothly; building trade capacity (particularly in developing countries) and finally; outreach work to NGOs which helps to raise awareness and co-operation surrounding the WTOs activities.

United Nations Commission on International Trade Law (UNCITRAL)
A legal body within the United Nations specializing in worldwide commercial law reform. UNCITRAL's business is the modernization and harmonization of rules on international business. UNCITRAL formulates modern, fair, and harmonized rules on commercial transactions. The General Assembly noted when the Commission was established (in 1966) that national laws can be an obstacle to international trade and the Commission provides the United Nations with a way of removing obstacles.

United Nations Conference on Trade and Development (UNCTAD)
The organisation's aim is to help shape policy debates and thinking on development, promoting the friendly integration of developing countries into the world economy. UNCTAD specialises in ensuring that domestic policies and industrial action are mutually supportive in bringing about sustainable development.

Group of Eight (G8)
The G8 is a collection of countries that form a group on the basis that they have the highest GDP in the world. The G8 is made up of heads of government from Canada, France, Germany, Italy, Japan, the Russian Federation, the United Kingdom and the United States. The European Union is also represented at meetings by both the president of the European Commission and the leader of the country that currently has the European Union presidency. The members meet annually in an attempt to discuss and reconcile issues.

The World Bank
The World Bank is based in Washington, DC and has over 120 offices worldwide providing financial and technical assistance to developing countries. It provides low interest loans, interest-free credits and grants to such countries. The World Bank Group is made up of five institutions: International Bank for Reconstruction and Development; International Development Association; International Financial cooperation; Multilateral Investment Guarantee Agency and the International Centre for Settlement of Investment disputes.

World Customs Organisation (WCO)
The World Customs Organisation has 197 members that collectively generate over 98% of world trade. The organisation holds itself out to be the "voice of the international Customs community". The organisation's mission is to enhance the effectiveness and efficiency of Customs administrations. As well as stimulating the growth of legitimate international trade, the organisation also works to combat fraudulent activities.cv The

UK is committed to working with the WCO, and recently invited its Secretary General to London to meet members of HM Revenue & Customs and the UK Border Force, both organisations pledging their commitment to the WCO.

International Labour Organisation The focus of the International Labour Organization is the importance of cooperation between governments, employers' and workers' organisations in fostering social and economic progress. The organisation is split into three components, the International Labour Conference; the Governing Body and the office comprising governments'; employers' and workers' representatives.

United Nations Industrial Development Organisation (UNIDO)
The organisation works to assist developing nations to trade by providing services designed for developing countries and transition economies. They provide services to assist with building up a country's capacity to trade and by providing services to aid the improvement of industrial energy efficiency and sustainability, practices which work towards achieving a number of the Millennium Development Goals.

United Nations Capital Development Fund (UNCDF)
The UNCDF supports developing countries in the development of their economies, working primarily with the least developed countries by way of grants and loans. The UNCDF's focus is upon both the private and public sectors. In the public sector the fund works to strengthen public investment at the local level. In the private sector it works to ensure financial services reach poor people and small businesses.

World Intellectual Property Organisation (WIPO)
WIPO is a United Nations organisation which promotes innovation and creativity for the economic, social and cultural development of all countries, through a balanced and effective international intellectual property (IP) system. It offers services to make it easier to obtain protection internationally by way of patents, trademarks etc. As society changes it helps to develop the international IP framework accordingly. WIPO develops infrastructure to share knowledge and simplify IP transactions. WIPO works with a view to supporting economic development. There are 186 member states in WIPO. Creativity and innovation are promoted by WIPO, and it is therefore an important organisation for new business ideas and entrepreneurs, making it generally important for business development.

International Bank for Reconstruction and Development (IBRD)
The IBRD works with middle-income countries and creditworthy poorer countries to reduce poverty. It does this through loans, guarantees, risk management products, and analytical and advisory services. The IBRD operates like a co-operative and is owned and operated for the benefit of its 187 members. The IBRD borrows money from the World Bank – having access to capital in favourable terms at larger volumes and works with a number of multilateral development banks.

International Centre for Settlement of Investment Disputes (ICSID)
The ICSID is an autonomous institute which was set up under the Convention on the Settlement of Investment Disputes. It has 158 signatory states, and provides facilities for conciliation and arbitration of international investment disputes.

International Commission on Civil Status (ICCS)
The aim of the ICCS is 'to facilitate international co-operation in civil- status matters and to further the exchange of information between civil registrars (according to Article 1 of the organisation's rules). Any state party to the Convention for the Protection of Human Rights and Fundamental Freedoms, or the International Covenant on Civil and Political Rights, may become a member. The United Kingdom is a member, together with 14 other states; a further eight states have observer status.

International Development Association (IDA)
The IDA, part of the World bank, helps the world's 82 poorest countries by providing loans and grants for programmes.

International Development Law Organisation (IDLO)
IDLO is an independent organisation that aims to promote sustainable and economic development through building confidence in the justice system and facilitating innovative legal approaches, thereby creating a culture of justice. In 2001, IDLO was granted observer status by the UN. It has 27 members; the UK is not currently a member. The IDLO is the only intergovernmental organisation with the exclusive mandate of promoting the rule of law.

International Finance Corporation (IFC)
The IFC is part of the World Bank Group. The IFC has three parts: Investment Services; Advisory Services; and IFC Asset Management, which together work with clients in over 100 developing countries. They work with the UK Department for International Development (DFID) together with donor partners, private companies and foundations and international organisations.

International Fund for Agricultural Development (IFAD)

International Working Group on Export Credits

African Development Bank Asian

Development Bank (ADB) Bank for

International Settlements

Caribbean Development Bank (CDB)

Economic Commission for Europe (ECE)

European Patent Organisation (EPO)

EU Council Working Group on Export Credits Inter-American Development Bank Multilateral Investment Guarantee Agency (MIGA)

Organisation for Economic Co-operation and Development (OECD)

European Investment Bank

European Central Bank

European Commission

European Economic and Social Committee

Commonwealth Business Council (CBC)

UNIDROIT

Wassenaar Arrangement

HUMAN RIGHTS & HUMANITARIAN

United Nations Development Programme
This programme works towards the achievement of the UN Millennium Development Goals, with the overall aim of reducing poverty by half by 2015 and addressing the challenges of: Poverty reduction and the achievement of the Millennium Development Goals; Democratic

Governance; Crisis prevention and Recovery; Environment and Energy for sustainable development. On the ground the programme works with 177 countries and territories.

Council of Europe (CoE)
The Council of Europe is Europe's leading human rights organisation; it has 47 member states all of which have signed the European Convention on Human Rights. The convention is enforced at the European Court of Human Rights once all rights of appeal in the member state' have been exhausted. The Council run campaigns throughout Europe to raise awareness about human rights abuses and monitor member states compliance with the Convention.

World Food Programme (WFP)
Largest humanitarian charity combating world hunger. Its four objectives are to: Save lives and protect livelihoods in emergencies; Support food security and nutrition and (re)build livelihoods in fragile settings and following emergencies; Reduce risk and enable people, communities and countries to meet their own food and nutrition needs; and Reduce undernutrition and break the intergenerational cycle of hunger.

Commonwealth Human Rights Initiative (CHRI)

Office for the Coordination of Humanitarian Affairs (OCHA)

Office of the United Nations High Commissioner for Human Rights (UNHCHR)

European Convention on Human Rights International Federation of Red Cross and Red Crescent Societies

Office of the United Nations High Commissioner for Refugees (UNHCR)

Association of Commonwealth Amnesty International Sections (ACAIS)

Convention on Action against Trafficking in Human Beings

Convention on Human Rights and Biomedicine

Convention on the Protection of Children against Sexual Exploitation and Sexual Abuse

Conventions on Action against Trafficking Human Beings

European Committee for the Prevention of Torture

European Commission against Racism and Intolerance Framework

Convention for the Protection of National Minorities

United Nations Food and Agriculture Organisation

Soroptimist International Commonwealth Group (SICG)

Commonwealth Countries' League (CCL)

INTERNATIONAL RELATIONS AND GOVERNANCE

Security Council
The UN Security Council has primary responsibility for the maintenance of international peace and security. The Council has 15 members and each has one vote. There are five permanent members and ten elected members serving two-year terms. The UK is a permanent member.
The Security Council invites the parties to a dispute that threatens the peace to resolve and use various methods to ensure peace is maintained. To restore peace the council can authorise the use of sanctions or force if necessary.

North Atlantic Treaty Organisation (NATO)
Founded in 1949 to form a military alliance between the North Atlantic countries, NATO now has 28 members. It has the political aim of promoting democratic values, encouraging consultation and co-operation on defence and security issues and to work towards the prevention of conflict. NATO has a military aim in that under the founding charter (the Washington Charter) it has the capacity to pool military resources to undertake crisis management operations.cxxiii NATO is the world's most powerful regional defence alliance.

Economic and Social Council (ECOSOC)
The UN Economic and Social Council is concerned about the world's economic, social and environmental challenges. Such challenges are discussed and debated and policy recommendations are made. The Council meets throughout the year with a substantial month-long meeting every July. Specialists attending the meetings include prominent academics, business sector representatives and more than 3,200 registered non-governmental organisations with the focus being upon policy making to address economic, social and environmental challenges.

Council of the European Union

Council of Europe Cultural Convention

European Council

European Ombudsman

General Assembly United Nations

Human Settlements Programme

World Association of Nuclear Operators

United Nations Institute for Disarmament Research (UNIDIR)

United Nations Non-Governmental Liaison Service (NGLS)

International Refugee Organisation

United Nations Office on Sport for Development and Peace (UNOSDP)

United Nations Population Fund (UNFPA)

United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA)

United Nations Research Institute for Social Development (UNRISD)

Assembly of European Regions (AER)

Conference on Disarmament International Organisation for Migration (IOM)

Missile Technology Control Regime (MTCR)

Organisation for Security and Co-operation in Europe (OSCE)

Organisation for the Prohibition of Chemical Weapons Preparatory

Commission for the Comprehensive Nuclear-Test-Ban Treaty

Western European Union

Commonwealth Association for Public Administration and Management (CAPAM)

Commonwealth Local Government Forum (CLGF)

The Round Table: Commonwealth Journal of International Affairs (CJIA)

Commonwealth Relations Trust

European Social Charter

Commonwealth Parliamentary Association (CPA)

Commonwealth Heads of Government

Commonwealth Foundation Organisation conjointe de coopération en matière d'armement (OCCAR)

British-Irish Council Australia Group (AG)

Arrangement on Officially Supported Export Credits

Committee of the Regions

Victoria League for Commonwealth Friendship (VLCF)

Organisation of Commonwealth United Nations Associations (OCUNA)

European External Action Service

Council of Commonwealth Societies (CCS)

International Hydrographic Organization

JUSTICE CODEXTER

The Committee of Experts on Terrorism was set up by the Council of Europe in 2003. The Council of Europe's activities in the fight against terrorism are based on three cornerstones: strengthening legal action against terrorism; safeguarding fundamental values; and addressing the causes of terrorism.

Convention on the Prevention of Terrorism

International Court of Justice

United Nations Office on Drugs and Crime

Academy of European Law (ERA)

International Criminal Police Organization (Interpol)

International Money Laundering Information Network

International Narcotics Control Board

Commonwealth Lawyers Association (CLA)

Commonwealth Legal Advisory Service (CLAS)

Commonwealth Magistrates' and Judges' Association (CMJA)

Convention on Cybercrime Conventions against Corruption and Organized Crime

The European Commission for the Efficiency of Justice

ENERGY

Nuclear Energy Agency
The Nuclear Energy Agency is a specialist agency within the Organisation for Economic Cooperation and Development. Its mission is:

"To assist its member countries in maintaining and further developing, through international cooperation, the scientific, technological and legal bases required for a safe, environmentally friendly and economical use of nuclear energy for peaceful purposes. To provide authoritative assessments and to forge common understandings on key issues as input to government decisions on nuclear energy policy and to broader OECD policy analyses in areas such as energy and sustainable development." The Strategic Plan of the Nuclear Energy Agency: 2011-2016

ITER International Organisation
ITER is a large-scale scientific experiment that aims to demonstrate that it is possible to produce commercial energy from fusion. The IETR is made up of seven domestic agencies including: Japan, Korea, Russia, United States, India, China and the European Union. As a member state the UK is not an individual agency as Japan is, but is instead represented by the EU.

United Nations Atomic Energy Commission

European Atomic Energy Community

International Atomic Energy Agency

Korean Peninsula Energy Development Organisation

Nuclear Suppliers Group (NSG)

ENVIRONMENTAL ISSUES

United Nations Environment Programme

United Nations Educational, Scientific and Cultural Organisation Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR)

European Molecular Biology Laboratory (EMBL)

Indian Ocean Tuna Commission (UK represented by EU)

International Council for the Exploration of the Sea (ICES)

International Seabed Authority International Union for Conservation of Nature (IUCN)

International Whaling Commission (IWC)

North Atlantic Salmon Conservation Organisation

Northwest Atlantic Fisheries Organisation

Commonwealth Forestry Association (CFA)

Antarctic Treaty Secretariat (ATS)

International Maritime Organisation

HEALTH

World Health Organisation (WHO)
The World Health Organisation is the UN's public health arm. The WHO is responsible for: providing leadership on global health matters; shaping health research agenda; setting norms and standards; explaining evidence based policy options; providing technical to countries and to monitor and assess health trends.

Joint United Nations Programme on HIV/ AIDS

Commonwealth Association for Mental Handicap and Developmental Disabilities (CAMHADD)

Commonwealth Association for Paediatric Gastroenterology and Nutrition (CAPGAN)

Commonwealth Dental Association (CDA)

Commonwealth Medical Association (CMA)

Commonwealth Medical Trust (Commat)

Commonwealth Nurses Federation Sight Savers International (RCSB)

European Directorate for the Quality of Medicines European Pharmacopoeia

Commonwealth Pharmaceutical Association (CPA)

Sound Seekers

YOUTH AND EDUCATION

United Nations Children's Fund (UNICEF)
The world's leading organisation working for children and their rights in 190 countries. In the UK, Unicef raises funds for emergency and development work and works to change government policies that restrict child rights in the UK and abroad.

United Nations Institute for Training and Research (UNITAR)

European University Institute Global Environment Facility (GEF)

International Bureau of Education (IBE)

Association for Commonwealth Literature and Language Studies (ACLALS)

Association of Commonwealth Examination and Accreditation Bodies (ACEAB)

Association of Commonwealth Universities (ACU)

Commonwealth Consortium for Education (CCfE)

Commonwealth Council for Educational Administration and Management (CCEAM)

Commonwealth Countries' League Education Fund

Commonwealth Education Trust

Commonwealth Judicial Education Institute (CJEI)

Commonwealth Legal Education Association (CLEA)

Commonwealth of Learning (COL)

Commonwealth Scholarship and Fellowship Plan (CSFP)

Commonwealth Universities Study Abroad Consortium (CUSAC)

Council for Education in the Commonwealth (CEC)

Institute of Commonwealth Studies (ICS)

European Youth Centre Commonwealth Library Association (COMLA)

Lisbon Recognition Convention League for the Exchange of Commonwealth Teachers (LECT)

TECHNOLOGY and SPACE SCIENCE

United Nations Office for Outer Space Affairs

International Civil Aviation Organisation

European Southern Observatory (ESO)

European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT)

European Organisation for the Safety of Air Navigation (EUROCONTROL)

European Space Agency (ESA)

European Synchrotron Radiation Facility (ESRF)

International Bureau of Weights and Measures (BIPM)

International Commission on Radiological Protection International Telecommunication Union (ITU)

Commonwealth Network of Information Technology for Development (COMNET-IT)

Commonwealth Telecommunications Organisation (CTO)

European Convention on Transfrontier Television

European Data Protection Supervisor

Commonwealth Partnership for Technology Management (CPTM)

Commonwealth Association of Science, Technology and Mathematics Educators (CASTME)

Commonwealth Centre for Electronic Governance (CCEG)

Institut Laue-Langevin (ILL)

Eiroforum CERN World Meteorological Organisation

Conference of Commonwealth Meteorologists (CCM)

European Science Foundation

OTHER ORGANIZATIONS

Venice Commission Publication Office

European Union Court of Auditors

European Personnel Selection Office

European Charter for Regional or Minority Languages

Royal Agricultural Society of the Commonwealth (RASC)

Royal Commonwealth Ex-Services League (RCEL)

Royal Commonwealth Society (RCS)

Royal Over-Seas League (ROSL)

English-Speaking Union (ESU)

Commonwealth Veterinary Association (CVA)

Commonwealth War Graves Commission (CWGC)

Commonwealth Women's Network (CWN)

Commonwealth Youth Exchange Council (CYEC)

Commonwealth Tourism Centre (CTC)

Commonwealth Policy Studies Unit (CPSU)

Commonwealth Press Union (CPU)

Commonwealth Organisation for Social Work (COSW)

Commonwealth Ministers of Women's Affairs

Commonwealth Games Federation (CGF)

Commonwealth Geographical Bureau (CGB)

Commonwealth Group of Family Planning Associations

Commonwealth Hansard Editors Association

Commonwealth Historians Society

Commonwealth Human Ecology Council (CHEC)

Commonwealth Jewish Council and Trust

Commonwealth Journalists Association (CJA)

Commonwealth Engineers Council (CEC)

Commonwealth Association of Architects (CAA)

Commonwealth Association of Indigenous Peoples (CAIP)

Commonwealth Association of Museums

Commonwealth Association of Planners (CAP)

Commonwealth Association of Professional Centres

Commonwealth Association of Public Sector Lawyers

Commonwealth Association of Surveying and Land Economy (CASLE)

Commonwealth Association of Tax Administrators (CATA)

Commonwealth Broadcasting Association (CBA)

British Empire and Commonwealth Museum

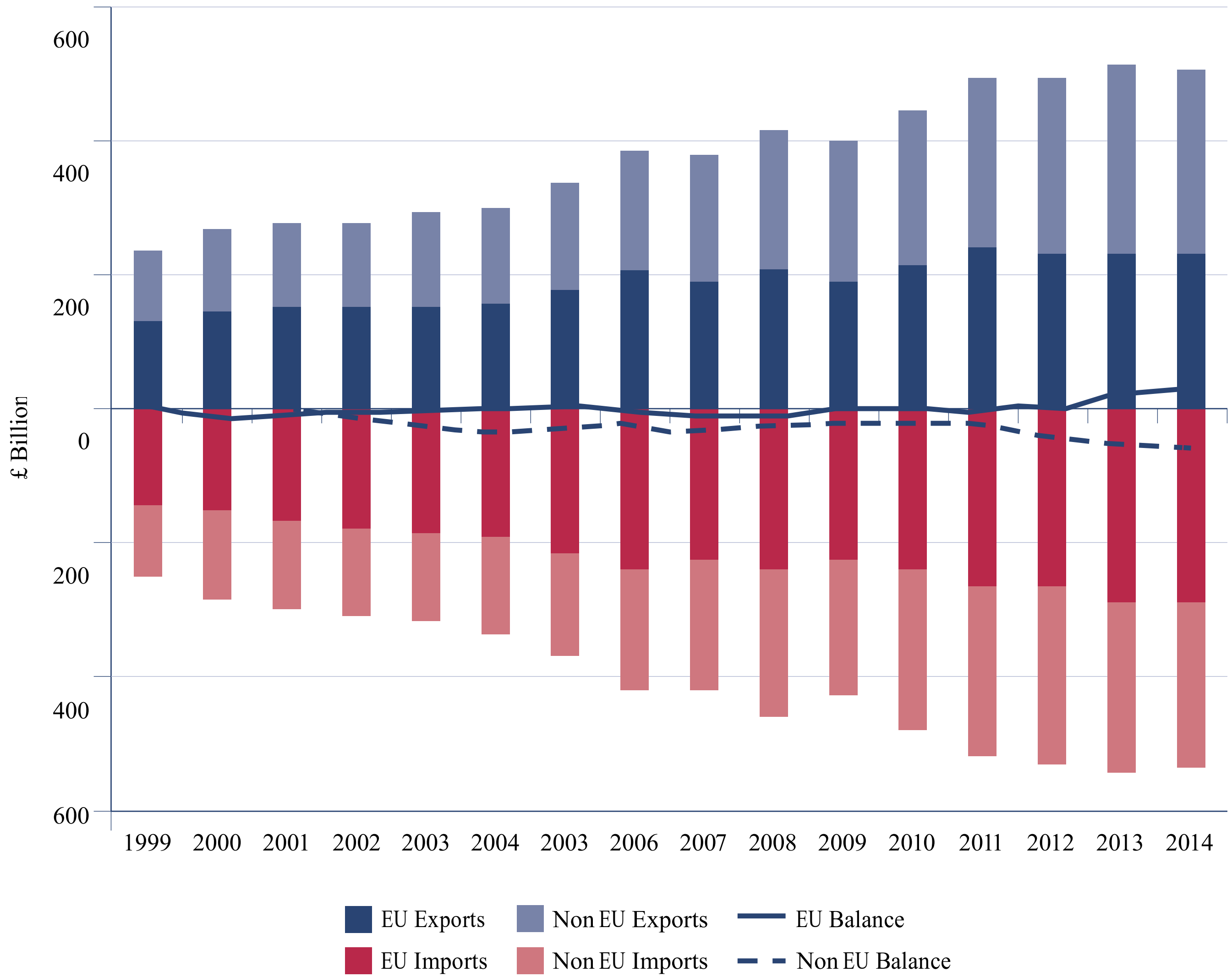
Association of Commonwealth Archivists and Records Managers (ACARM)

Universal Postal Union

Appendix 23: German Car Exports

Year	2010	2011	2012	2013	2014
German car exports to the UK	662,292	710,775	745,449	846,227	914,338
German car exports to the UK (as a multiple of those to the US)	1.25x	1.32x	1.15x	1.18x	1.26x
Value (German car exports to the UK)	11.8 billion	13.2 billion	13.8 billion	15.3 billion	17.9 billion

Appendix 24: Trend of UK Exports to the EU



Source: ONS

DOW JONES

The Telegraph

We should not be swayed by soundbites and slogans about Europe

By Roger Bootle

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Business people and officials warn about the consequences of leaving the single market. But would it be all that bad?

When ideas are encapsulated in a few simple words or catchphrases, they can be easily bandied around without anyone necessarily understanding what they are talking about. In the debate about Britain's membership of the EU, many of our successful business people, hard-nosed officials, and even quite a few grizzled commentators, all agree that we must be in the "single market".

After all, they say, this gives us free access to the largest market in the world. If we are not members, then we would be excluded from this market, or we would not have full entry. Cue: guffaws, mutterings and the nodding of heads in affirmation of a self-evident truth.

But is this self-evident? Or even true? It is as though the single market were envisaged as some sort of enclosed space which you are either allowed, or not allowed, to enter. Of course, if you are outside the single market, unless you have a free trade agreement with the EU, then your goods have to pay an entry fee in the form of the EU's external tariffs. But these are not very high. And there is an offset – namely not having to pay the Union's annual membership fee, i.e. our net contribution to the EU's budget. The tariff issue is really quite minor beside the supposed importance of the single market.

Yet hardly anyone seems to know what the single market is really about. It is more appropriately described as a single regulatory system. You can readily understand why this makes sense – certainly compared to a situation in

which all 28 EU members have their own regulations and standards. In the extreme, a company might need to have 28 versions of the product it is exporting – or at least 28 versions of the packaging, documentation, testing certificates, quality accreditation, etc.

But in the context of whether or not the UK should stay in the EU, the issue is not whether the single market has been a good thing, and accordingly whether it should remain or be disbanded. The issue is whether we should continue to belong to it.

The debate about the single market represents the triumph of illusion over experience. Something similar happened, you may recall, with the issue of the UK joining the euro. Dire consequences would follow, it was said, if we remained outside. Again, notice, the image of exclusion. It was rather as though we British would be like poor street urchins in a Dickensian novel, peering in through frosted glass, at the congenial and prosperous folk making merry within. Yes, I am talking about the euro. Some source of merriment that turned out to be!

What happened with the euro is that people thought in soundbites and slogans without addressing the fundamental issues. They were mesmerised by supposedly large gains from lower transactions costs and exchange rate certainty. And they were bamboozled by the threatened exodus of businesses from Britain – everyone from Japanese carmakers to American investment banks – if we stayed outside. Does this ring a bell?

Is it a coincidence that it is largely the same organisations and individuals that got the euro issue blatantly wrong who now insist that we absolutely must stay in the EU?

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GLOSSARY

AFTA
ASEAN Free Trade Area; a Trade Agreement between the ASEAN countries which includes Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, and Vietnam. The agreement was implemented on 28 January, 1992.

ASEAN
Association of Southeast Asian Countries (8 August, 1967); a political and economic organisation which includes Burma, Brunei, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Vietnam.

ATM
Automated Teller Machine; electronic banking outlet.

BBC
British Broadcasting Corporation; (1922), public-service broadcaster.

BOTA
British Orthopaedic Trainees' Association; (1987), association of orthopaedic surgeons.

CBI
Confederation of British Industry; UK business lobbying organisation.

CEBR
Centre for Economics and Business Research: an organisation based in the UK that provides independent economic forecasts and analysis to private firms and public organisations.

CEFTA
Central European Free Trade Area.

CIA
The United States Central Intelligence Agency; United States, independent intelligence-gathering federal agency.

EAW
European Arrest Warrant; an arrest warrant issued by a national prosecutor or law officer in an EU member state, and which is valid and executable through all EU member states.

EBA
Everything But Arms; An EU programme which allows all exports- apart from armaments- from the least developed countries to enter the EU duty free.

EC
European Commission; The executive body of the European Union that is responsible for proposing legislation, implementing decisions, upholding the Union´s treaty, and the day-to-day running of the EU.

ECA
European Court of Auditors; an EU institution that audits other EU institutions which handle EU funds.

EEA
European Economic Area; unites EU Member States with three EFTA members Norway, Iceland, and Liechtenstein in internal market/ free movement of persons, goods, services, and capital.

EEAS
European External Action Service; the European Union's diplomatic service established by the Treaty of Lisbon, 1 December 2009.

EEC
European Economic Community, also known as "The Common Market"; established in 1957 and was the predecessor to the European Union.

EFDD
Europe of Freedom and Direct Democracy group; one of the eight political groups in the European Parliament.

EFSM
European Financial Stabilisation Mechanism; an emergency fund set up by the EU.

EFSF
European Financial Stability Facility; A special-purpose vehicle to provide financial assistance to Eurozone states in financial difficulties so as to preserve financial stability.

EFTA
European Free Trade Association; a free trade organisation comprised of four nations: Iceland, Liechtenstein, Norway and Switzerland. It was originally created as an alternative for those states that were unable or unwilling to join what was then the EEC, now the EU.

EGOV
Economic Governance Support Unit; provides expertise to support the European Parliament in the coordination and surveillance of EU economic and fiscal policies, and also to ensure financial stability.

EMU
Economic and Monetary Union; formed in 1999, creating a European central bank and a single currency, the Euro. Was set up in three stages beginning in 1990 and eventually included the European Central Bank and a single currency, the euro.

EP
European Parliament; one of the EU's main law-making institutions. It consists of 750 directly elected members from the member states.

ESM
European Stability Mechanism; the European Stability Mechanism is an EU agency to provide financial assistance, in the form of loans, to Eurozone countries or as new capital to banks in difficulty. It is a permanent agency, based in Luxembourg, and replaced the temporary European Financial Stability Facility (EFSF).

EU
European Union; (1993), a political union within which the 28 member states of the EEC are evolving. Based on the Maastricht Treaty, it envisions the establishment of single economic, foreign, security, and justice policies.

European Commission DG Trade
The Directorate General for Trade of the European Commission.

EWTD
European Union Working Time Directive; an EU directive, intended to protect workers' health and safety, working hours must meet minimum standards applicable throughout the EU.

FAO
Food and Agricultural Organisation; a UN agency leading international efforts to defeat hunger.

FCO
Foreign and Commonwealth Office; the UK government department handling foreign affairs.

FDI
Foreign Direct Investment; when a corporation in one country establishes a business operating in another country.

FM
Financial Mechanism; method or source through which funding is made available.

FTA
Free Trade Agreements; agreements designed to reduce barriers to trade between two or more countries.

FPA (Greenland)
Fisheries Partnership Agreement; a bilateral agreement implemented on 1 February, 1985 between the EU and Greenland. With an initial ten-year period with subsequent renewal periods of six years, it is still in effect today.

G2
The G2 FTA is a free trade agreement between Colombia and Mexico after the withdrawal of Venezuela.

G7
Group of Seven - forum of countries representing around half of global economic output- France, Germany, Italy, the U.K., Japan, the U.S., and Canada. Both the president of the European Commission and the permanent Council president represent the EU during G7 meetings.

G20
Group of Twenty; a forum for the governments and central banks of the 20 major economies: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russian Federation, Saudi Arabia, South Africa, Turkey, United Kingdom, United States, and the European Union (EU).

GAFTA
Great Arab Free Trade Area- entered into force in 1998, includes 17 Arab countries.

GATT
General Agreement on Tariffs and Trade [1948-1994]. The precursor of the World Trade Organisation. It was created in 1948 as a multilateral agreement to regulate trade and reduce tariffs and trade barriers.

GDP
Gross Domestic Product; primary indicator used to gauge the size a country's economy.

GDP Per Capita
A measure of a country's economic output that accounts for its number of people. Divides the country's total GDP by its total population.

GPO
General Post Office Created in 1660, it eventually became the UK's state postal system and telecommunications carrier. It was abolished in 1969 and became a statutory corporation called The Post Office.

GREAT Campaign
A British government campaign to show the best of what Britain has to offer; it was established in 2011.

GSP
Generalised Scheme of Preferences; EU system of tariff reductions for developing countries.
GSP+ Generalised Scheme of Preferences Plus; EU trade programme that grants tariff reductions in addition to GSP reductions to countries that ratify and implement 27 international conventions.

HMRC
Her Majesty's Revenue and Customs; the department of the UK government responsible for collecting taxes.

ILO
International Labour Organisation; a United Nations agency based in Geneva, Switzerland that deals with labour issues.

IMF
International Monetary Fund; organisation of 188 countries that aims to foster global monetary cooperation, secure financial stability, and facilitate international trade and sustainable economic growth.

INTA
Committee on International Trade; committee of the European Parliament responsible for amending and approving legislation on the European Union's common commercial policy and external economic relations IoD Institute of Directors [1993]; A UK institution created in 1903 whose members are directors of companies.

IPA
The European Union's Instrument for Pre-Accession Assistance; a financial instrument that disbursed assistance to countries engaged in the accession process to the EU for the period 2007-2013. The EU has launched a new round of pre-accession funding, now known as the Instrument for Pre- Accession Assistance II (IPA II), for the 2014-2020 budgetary period.
IRS The United States Internal Revenue Service; US government agency responsible for tax collection and tax-law enforcement.

LDCs
Least Developed Countries; countries that have been classified by the UN as "least developed" in terms of low gross national income and high degree of economic vulnerability
MEP Member of the European Parliament.

MFN
Most Favoured Nation; principle of the World Trade Organisation that bans trade-preference discrimination among its member states and their trading partners, with the exceptions of bilateral or regional trade deals, privileged market access for developing countries, justified protectionism, and trade in services under strict conditions.

MERCOSUR
Trading bloc comprising Argentina, Brazil, Paraguay, Uruguay and Venezuela -- associate countries are Chile, Bolivia, Colombia, Ecuador and Peru.

Multiplier effect
The principle that "extra income leads to more spending, which in turn creates more income....the increase in final income arising from any new injection of spending" (from economicsonline.co.uk).

NAFTA
North American Free Trade Agreement [1 January, 1994]; the trade agreement between the USA, Mexico and Canada.

NATO
North Atlantic Treaty Organisation; intergovernmental military alliance based on North Atlantic Treaty, signed on April 4, 1949.

NHS
National Health Service; the public health service of the UK. OECD Organisation for Economic Co-operation and Development [34 members].

ONS
Office for National Statistics; the United Kingdom's statistics authority. It reports directly to Parliament.

QMV
Qualified Majority Voting; the number of votes required for a decision to be adopted by the Council of the European Union. Introduced in the Treaty of Rome as the main way of reaching decisions in the Council of Ministers and extended in all successive amending treaties, QMV weights votes by the size and population of each member states.

SAFTA
South Asia Free Trade Area [January 6, 2004]; the free trade area between Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.

SME
Small and Medium-Sized Enterprises; SME's are normally defined as those companies which employ less than 250 personnel.

TPP
Trans-Pacific Strategic Economic Partnership.

TTIP
Transatlantic Trade and Investment Partnership; The proposed free trade agreement between the US and the EU.

TTMRA
A non-treaty agreement between the Australian Government, State and Territory Governments and the Government of New Zealand.

UKIP
United Kingdom Independence Party; libertarian political party in the United Kingdom.

UNSC
United Nations Security Council; chamber of United Nations responsible for maintenance of international peace and security.

USSR
Union of Soviet Socialist Republics [1922-1991]; also known as the Soviet Union.

USTR
Office of the United States Trade Representative; the United States government agency responsible for developing and recommending trade negotiations and co-ordinating trade policy within the government.

VP/HR
Vice President of the Commission, and High Representative of the Union for Foreign Affairs and Security Policy. The Vice President takes over the Commission when the President is absent and also has some influence in appointments.

WHO
World Health Organisation; the UN agency which focuses on international public health World Bank international organisation that provides financial and technical assistance to developing countries; made up of the International Bank for Reconstruction and Development; the International Development Association; the International Financial Cooperation; the Multilateral Investment Guarantee Agency; and the International Centre for Settlement of Investment Disputes.

WTO
World Trade Organisation; global international organisation dealing with rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible.

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