

# DEMOCRATIC, PROSPEROUS AND FREE

WHY SCOTLAND WOULD BE  
BETTER LEAVING THE EU.



**LEAVE.EU**

**Global Britain**

---

# Democratic, Prosperous and Free

Why Scotland would be better leaving the EU

## Contents

Executive Summary	2
1. Introduction and context	4
2. Reclaiming sovereignty	9
3. Business, employment and the economy	12
4. Agriculture and fishing	17
5. Education and health	20
6. Immigration	21
7. A nationalist perspective	23
8. A unionist perspective	26
9. Conclusion: an opportunity to broaden Scotland's horizons	27

---

## Executive Summary

'BREXIT' OFFERS the people of Scotland and the United Kingdom the opportunity to take control of their own destiny by returning democratic decisions and accountability to their own institutions. They will then be able to take reasoned and enlightened decisions that suits their best interests and particular circumstances so that greater prosperity for the people can be shared.

This paper looks at the background and experience of EU membership for Scotland and the UK and reveals the opportunities that would be open to both following Brexit – with separate chapters to explain why both nationalists and unionists can support the positive case for such a momentous change. Key points include:

- **Scotland is a net contributor to the EU and its receipts from the EU are likely to fall further in the future.**

By proportion of the population, Scotland's share of the UK's £18.8 billion contribution, in 2014, was £1.215 million. We received £709 million in agricultural subsidies and structural funds during the 2014/15 financial year, leaving a net shortfall of approximately £506 million. This gap will widen as the UK's contribution increases and EU transfers reduce.

- **In the event of the UK leaving the EU, important powers will accrue to the Scottish parliament, including the responsibility for fishing and farming, education and industry.**

These competencies would bring home to the Scottish Parliament the power to address significant issues, such as the management of the nation's fisheries that could revive local communities, support for our farmers that suits their particular needs and industrial and procurement policies – all of which would at last be accountable to the Scottish people.

- **If Scotland leaves the EU its voice can be more influential in the forums, such as Westminster, where decisions about our affairs will once again be made.**

Scotland's voice within EU institutions is tiny. It cannot nominate an EU Commissioner, or sit on the Council of Ministers or European Council. The only directly elected EU institution is the European Parliament, where Scotland has only 6 MEPs (0.8%) out of a total of 751 and have no powers to initiate legislation.

Scotland could influence more decisions that affect it from outside the EU, either as a continuing member of the UK, where it has 59 MPs (9.0%) out of Westminster's 650 members – or as a sovereign country.

- **Scotland and the UK would regain democratic sovereignty that allows its parliaments to appoint a government, make laws and dismiss its political leaders without decisions being overturned by judges sitting in Luxembourg.**

Scottish legislation, such as minimum pricing of alcohol, would be decided for good or ill only in Scotland. Politicians would be directly responsible for their decisions, improving political accountability and respect for our democratic processes.

- **The UK government would regain control over its own security and would assume complete responsibility for its own borders. Immigration in Scotland could be tailored to reflect our skills shortages and economic needs, as well as social considerations.**

Having control of our own borders would improve security and allow a new immigration policy to attract the skills we need for economic growth, in numbers we can absorb. All migrants could be treated equally. Rather than giving preference to EU citizens irrespective of their abilities, people from Asia, North America, Africa and Australasia could once again help drive the Scottish economy.

- **Scotland's economic future depends upon the ability of our businesses to trade globally, rather than regionally. By leaving the EU and entering the world Scotland can benefit from new trade relationships with the anglosphere and emerging economies.**

The EU is the worst performing economic region in the world, with the exception of Antarctica. Its customs union is a fortress against Scotland having genuine free trade with the rest of the world including fast-

---

growing developing nations. After leaving the EU Scotland can benefit from new trade agreements that open up markets, such as selling more whisky to India by reducing its tariffs.

- **The Transatlantic Trade and Investment Partnership is a highly secretive and unaccountable regulatory deal that could alter the nature of our NHS beyond recognition and privatise Scottish Water. It will not be open to amendment.**

The only way to prevent the adoption of TTIP is to leave the EU. No deal with the USA would be preferable to the TTIP deal.

- **CAP is an over-complicated, costly and bureaucratic process, whose flaws and financial value are only likely to worsen in the foreseeable future. Brexit offers a better potential deal for Scotland's farmers.**

After returning EU agriculture management to Scotland Holyrood could introduce new schemes for farming that suit our unique environment and enhance farming support by using some of Scotland's £506 million saving from EU membership fees.

- **Fishing in Scotland has been savaged by EU policy and the CFP. Brexit can provide a lifeline to Scotland's fishing industry, allowing government policy to better reflect the interests of Scottish fishermen.**

Leaving the EU means responsibility for fisheries will be transferred directly to Edinburgh. Fishing communities could be revived by introducing a new management system based upon the commercial and environmental success of Iceland, the Faroes and Norway.

- **Scottish universities are amongst the best in Europe but EU rules prevent them charging EU students the full fees they charge students from the rest of the UK.**

Following the UK leaving the EU all Scottish universities would be free to charge students from the EU the capped rate of £9,000 worth £122m of income to Scotland's universities per annum. Membership of Erasmus+ and Interrail would continue to be available to the UK and Scotland, just as it is currently accessed by Norway, Switzerland and other countries not in the EU.

- **EU health tourism is a drain on scarce NHS resources while the EU clinical trials directive has put patients lives at risk by making the development of new drugs prohibitively expensive.**

Leaving the EU will equip NHS policymakers with the tools and freedom to protect it by making a health tourism agreement fit for purpose and allow the clinical trials directive to be reformed.

- **With an ageing population, Scotland needs young workers to create the wealth that will pay for the social care of the elderly. This economic migration has to be balanced with the needs of the resident workers, to protect their standards of living. The way to achieve is through controlling numbers and the skills that economic migrants bring, while raising and maintaining a Living Wage.**

Our community is likely to become increasingly diverse whatever the result of the referendum, and that is a strength rather than a weakness. Outside the European Union we can have an open, meaningful debate about how that happens, to ensure that immigration works for us rather than be dictated to by 27 other countries with vested interests that can be contrary to ours.

- **Scottish national sovereignty is the aim of the Yes movement. It is not just a noble, but a necessary ambition to achieve it, for without sovereign power Scottish society cannot be re-built and so change it from an indecent to a decent one, where all are endowed with dignity and respect.**

If we vote to remain in the EU, then seeking sovereignty is but a pretence, because we cannot be sovereign while remaining locked within a super state, because the price the EU demands is permanent surrender of sovereignty.

- **The issue at the heart of the referendum is the question 'to what extent does Scotland wish to control its own destiny – to control its own laws, taxes, economic and social policies?' The two unions – the EU and the UK – are not the same, thus it is possible to be against the former while supporting the latter.**

If Scots are comfortable and happy with their British identity then voting to leave the EU offers the attraction of greater self-determination, accountability and transparency for the UK. Similarly, if Scots are genuinely interested in wanting to return *more control* to the local level at Holyrood, whether as a sovereign or devolved Parliament, then the only choice is to vote to leave the EU.

---

## 1. Introduction and context

### A referendum to give voters their say on the UK's European Union membership

SINCE THE UK acceded to the then European Community on the 1<sup>st</sup> January 1973, the case has been building that its membership has become contrary to our national interests by severely limiting the British government's independence in return for diminishing economic and social rewards. The referendum on the 23<sup>rd</sup> June 2016 will give the public its first opportunity since 1975 to assess the merits of EU membership, presenting voters with the choice to remain in the European Union, or to leave and have a genuinely sovereign UK, a position which has become known popularly as 'Brexit'.

This paper will examine the impact that Brexit is likely to have on Scotland, exploring the positive case for leaving the EU and examining some of the claims of the 'remain' campaign, which has sought to scare voters about prospects outside the European Union for the UK in general – and Scotland in particular.

It will demonstrate how Brexit offers Scotland and the United Kingdom the opportunity to take control of their own spheres of influence by returning democratic decisions and accountability to their respective institutions. They will then be able to take reasoned and enlightened decisions that suits their best interests and particular circumstances so that greater prosperity for the people can be shared.

This paper looks at the background and experience of EU membership for Scotland and the UK and reveals the opportunities that would be open to both following Brexit – with separate chapters to explain why both nationalists and unionists can support the positive case for such a momentous change. The two positions are not mutually exclusive. Each have different perspectives, but both share a desire for greater responsibility for our country's affairs to return to institutions where decision makers can be held to account.

**This paper concludes that Brexit can deliver a more *Democratic* and *Prosperous* nation – *free* from the constraints of the European Union and *free* to decide if Scotland should become a sovereign nation in its own right.**

### The UK's membership of the EU

THE EUROPEAN UNION has its origins in the aftermath of World War II, when the growth of federalist ideas resulted in the Treaty of Paris in 1951, which founded the European Coal and Steel Community (ECSC) in 1952. Its members would go on to sign the Treaty of Rome (1957), establishing the European Economic Community (EEC), which featured a common market, a customs union and free movement of capital and labour.

The EEC established many of the core institutions that characterise the EU. These included a commission, a council of ministers and an advisory assembly, which would develop into the modern European Parliament. The European Court of Justice was founded to adjudicate on disputes over EEC decisions and interpret the Treaty of Rome.

The United Kingdom first applied for membership of the EEC in 1961, under the Conservative government of Prime Minister Harold Macmillan. That application was vetoed by the French President, Charles de Gaulle, who argued that the British government was not committed to the underlying ideals of European integration.

The UK eventually joined the EEC in 1973, signing an accession treaty alongside Denmark and the Republic of Ireland. Norway also signed the treaty, but its membership was rejected by its people at a referendum. The UK held its own referendum in 1975, after renegotiating the terms of its entry.

In the intervening years, and over a number of fresh treaties, the federalist and supranational pretensions of the EEC have been consolidated and expanded, arguably to the detriment of the 'common market'. It has also extended its geographical reach exponentially, currently spanning 28 member states and over half a billion people.



---

The European Currency Unit (ECU) and exchange rate mechanism (ERM), were the start of a drive for 'monetary union' and a single currency, the euro. The powers of its member states to veto decisions or legislation were eroded steadily and, as the EEC became the EU following the Maastricht Treaty, the Union began to encroach on an expanding number of policy areas, from social matters to employment law, immigration and foreign policy. National vetoes on areas of legislation were replaced steadily by majority voting.

Having become a legal entity through the adoption of the Lisbon Treaty the European Union has serious intentions to become a state. The EU now has a flag, an anthem, a currency, various diplomatic missions outside its borders and a constitution, which, although unratified, was repackaged and adopted under the guise of that same Lisbon Treaty.

*“The EU now has a flag, an anthem, a currency, various diplomatic missions outside its borders and a constitution”*

### **The main EU institutions and Scotland's role**

THE INSTITUTION theoretically in charge of setting EU policy is the European Council, which comprises heads of state or government from the member countries, as well as the European Commission President and the High Representative for Foreign Affairs. The European Council has, however, no powers to legislate.

Instead, the European Commission, made up of a commissioner appointed by each member state, is tasked with proposing and enforcing legislation, although it can now be asked to propose legislation by the European Parliament.

Laws are often adopted by the Council of the European Union in conjunction with the European Parliament. The Council of the European Union represents the governments of member states and its powers to adopt or veto legislation still outweigh those of the European Parliament, whose 751 MEPs form the only body directly elected by the people of the EU.<sup>1</sup>

The Court of Justice of the European Union, more commonly known as the European Court of Justice (ECJ), is charged with ensuring that EU law is applied across the Union. The court can sanction national governments for failing to comply with EU law and individuals can apply to the European Commission and ask it to pursue their legal grievances against national governments through the ECJ.

Scotland is a small part of one of the 28 member states of the European Union. It is also an EU parliamentary constituency, returning six MEPs (0.8%) to the 751-member institution, with the UK as a whole contributing 73 MEPs across 12 parliamentary constituencies. The European Commission has an office in Edinburgh, which operates information centres in Edinburgh, Aberdeen and Stornoway.<sup>2</sup>

The Scottish Government promotes its relationships with the EU through an office in Brussels<sup>3</sup>. However, the relative importance of reaching out to other parts of the world is reflected by the fact that in North America, Scotland's biggest export market after the rest of the UK, there are two offices in both the US and Canada.<sup>4</sup>

<sup>1</sup> EU website [www.europa.eu](http://www.europa.eu)

<sup>2</sup> EU website [http://ec.europa.eu/unitedkingdom/about-us/scotland-office\\_en](http://ec.europa.eu/unitedkingdom/about-us/scotland-office_en)

<sup>3</sup> Scottish Government website. <http://www.gov.scot/Topics/International/Europe/Offices>

<sup>4</sup> Scottish Government website. <http://www.gov.scot/Topics/International/Americas/north-america>

---

## EU funding and Scotland's contribution to the EU budget

SCOTLAND is a substantial net contributor to the EU budget, as part of the UK. EU funds find their way to Scotland via the UK government and can be divided into two broad categories:

i) Agriculture funding consists mainly of the Direct Payment (DP) made to farmers, formerly known as Single Farm payment, and the Rural Development Programme.

ii) The regional financial support that is provided to Scotland through structural and cohesion funds costs the nation far more than is received back. These funds are divided between two 'programme areas', the Highlands and Islands, designated a 'Convergence' region, and the Lowlands and Uplands, designated as a 'Competitiveness and Employment' region.<sup>5</sup>

Research by Open Europe established that in the period 2007-13 in the Highlands and Islands a £203 million contribution to the EU brought in £188 million in grants; in the South West £1.1 billion brought £401 million, in Eastern Scotland £996 million brought £338 million and in the North East of Scotland £256 million delivered £89 million. A total of £2.53 billion elicited only £1.01 billion. In no part of Scotland were the receipts larger than the contribution. Indeed of 37 regions across the UK only two were net beneficiaries with 35 being net contributors<sup>6</sup>.

Scotland's estimated gross contribution to the EU budget, during the period 2007-2013, was approximately €7.8 billion and funding receipts were approximately €6 billion. We therefore made a net contribution before abatement of nearly €2 billion, during this period.<sup>7</sup>

The UK's gross contribution to the European Union during 2014 was £18.8 billion (in 2017, in a time of practically zero inflation and interest rates it is proposed to rise to £20.2bn). After deduction of the Fontainebleau abatement the net contribution fell to £14.4 billion<sup>8</sup>.

By population share of 8.44% Scotland's contribution in 2014 would be circa £1.215 billion. Research by the Centre for European Reform puts the spending on CAP and structural funds in Scotland at £709m per year leaving a balance of £506m.

Two figures become important for Scotland. Firstly there is the EU spending of £709m, of which £614m will automatically come under its management through the transfer of powers over farming and fisheries. A strong case for managing the remaining £95m per annum of structural redevelopment funds would be hard for Westminster to resist.

Secondly, there is the saving of £506m, which is the Scottish share of the UK's net saving of £10bn after the abatement and EU spending is deducted. Again, the Scottish Parliament could expect to see most of these funds, for if Westminster decided to use it for NHS spending, or other spending that is taken into account by the revised Barnett Formula, then the 'consequentials' would come to Holyrood. The £506m savings that could be free to spend, and the £709m managed funds, puts £1.215 billion through Holyrood – that's not small beer.

*“The £506m savings that could be free to spend, and the £709m managed funds, would put £1.215bn through Holyrood – that's not small beer”*

<sup>5</sup> Scottish Government website. <http://www.gov.scot/Topics/Business-Industry/support/17404/StructuralFunds2007-201>

<sup>6</sup> Off Target: The case for bringing regional policy back home, Open Europe, January 2012

<sup>7</sup> Scottish Parliament Information Centre, Briefing 15/71, 30 October 2015.

<sup>8</sup> Scottish Parliament Information Centre, Briefing 15/71, 30 October 2015.

---

Holyrood would not only be able to provide the existing support of CAP and structural funds but could enhance it; in addition it could place funds elsewhere, such as in the NHS, schools and other infrastructure that it cannot currently afford. All of this could be done without making cuts or raising taxes.

The alternative will not be the status quo but a continuing fall of EU spending of UK receipts in Scotland as the number of poorer member countries expand and take up a larger share of grants.

**Whichever way one looks at the figures it is clear that Scotland pays out more than it receives and were the UK to leave the EU then we would have more public funds under accountable control in the Scottish Parliament than it has now. Contrasted against the certainty of the EU's financial deal for Scotland worsening in the coming years, supporting the case for Leave on financial grounds makes sense on its own.**

## Alternative models for an independent UK or Scotland

PERHAPS SURPRISINGLY, relatively little of the discussion on Brexit has revolved around the alternative models the UK might adopt, were it to leave the European Union. There are a number of possible precedents, drawing on the experiences of nation states that have a close relationship to the EU, but have not taken up membership, or the UK may prefer a 'clean break', negotiating a completely separate relationship.

Two free trade agreements offer the possibility of retaining an association with the EU, while leaving its membership and reclaiming sovereignty for the UK.

The European Free Trade Association (EFTA) includes non-EU members, Iceland, Norway, Switzerland and Liechtenstein. It offers a free trade area, rather than a customs union, whereby the UK could set its own tariffs on imported goods and negotiate trade agreements with other states. This option would address three of the biggest criticisms of the European Union; 1) the imposition of a common external tariff, which hampers trade with the rest of the world; 2) the restriction of negotiating trade arrangements with countries outside the EU, such as India and China, *through only the European Union as a bloc*; and, 3) returning legislative authority to the UK by removing us from the jurisdiction of the European Court of justice. The benefits are obvious. For example, while Switzerland has negotiated free trade deals with nations worth \$39.8 trillion (£27.58 trillion) GDP the EU has only managed such deals to a value of only \$7.7 trillion (£5.34 trillion)<sup>9</sup>.

While membership of EFTA would entail a contribution from the UK Treasury to the EU's social fund (but, crucially, not its CAP or CFP), this would be much lower than its current contribution. The government would also gain much greater freedom over important areas of taxation, such as VAT.

Norway, Iceland and Liechtenstein are members of the European Economic Area (EEA) as well as EFTA. This agreement extends the EU common market and involves acceptance of its laws in areas like competition policy, consumer protection and environmental policy. Importantly, the agreement does not cover key areas like agricultural and fisheries policy, the customs union, justice, monetary union or the joint foreign and security policy. While membership of the EEA, from outside the European Union, would not give the UK government a complete break with the EU – for instance it does not allow restrictions of freedom of movement of Labour – it would still involve a substantial repatriation of sovereignty.<sup>10</sup>

Contrary to attacks on EFTA by remain campaigners the treaty between EFTA and the EU is not a surrender document by EFTA. It has 129 Articles setting out the EFTA-EU relationship, prominent features being an EEA Joint Committee and a Joint Parliamentary Committee. Article 99 is instructive:

*"1. As soon as new legislation is being drawn up by the EC Commission in a field which is governed by this Agreement, the EC Commission shall informally seek advice from experts of the EFTA States in the same way as it seeks advice from experts of the EC Member States for the elaboration of its proposals.*

*2. When transmitting its proposal to the Council of the European Communities, the EC Commission shall transmit copies thereof to the EFTA States.*

*3. During the phase preceding the decision of the Council of the European Communities, in a continuous*

<sup>9</sup> 'No benefit for UK trade from EU 'collective clout'', Civitas.org.uk.

<sup>10</sup> House of Commons Library, Briefing Paper 7214, 12 February 2016.



---

*information and consultation process, the Contracting Parties consult each other again in the EEA Joint Committee at the significant moments at the request of one of them.*

*4. The Contracting Parties shall cooperate in good faith during the information and consultation phase with a view to facilitating, at the end of the process, the decision-taking in the EEA Joint Committee.”*

Article 100 then states:

*“The EC Commission shall ensure experts of the EFTA States as wide a participation as possible according to the areas concerned, in the preparatory stage of draft measures to be submitted subsequently to the committees which assist the EC Commission in the exercise of its executive powers... When drawing up draft measures the EC Commission shall refer to experts of the EFTA States on the same basis as it refers to experts of the EC Member States.”*

It has been suggested that, alternatively, the UK could set a different course from EFTA or EEA membership, drawing perhaps on culture, history and language linking it to the ‘Anglosphere’ and the Commonwealth. Proponents point out that English-speaking communities share defining characteristics aside from a common tongue, such as Common Law, similar democratic institutions, traditions around individual liberty and strong civil society.<sup>11</sup> They point out that the EU has not enjoyed significant economic growth in comparison to other economies, with strong links to the ‘Anglosphere’.

This could mean adopting either what is known as the ‘Canadian model’, which is to rely on World Trade Organisation rules topped up with an additional trade agreement – or to go for completely open free trade without the need for trade agreements<sup>12</sup>. After all, trade agreements are not a prerequisite to allow trade. A country does not need to be part of China to trade with China, or part of the US to trade with the US. Indeed, trading without being a member of another nation’s political institutions is the normal position for most countries in the world.

Whether the UK opts for a new, unprecedented arrangement with the EU, or whether it draws on the experiences of states within EFTA and the EEA, being the fifth largest economy in the world puts it in a strong negotiating position to shape its own arrangements.

***“The European Union is currently beset with uncertainties... as the Schengen Area borders go back up and as the Eurozone continues to struggle.”***

### **A positive alternative to Project Fear**

**SUPPORTERS of a Leave vote have quite intentionally not presumed to demand the adoption of any particular model for the future relationship between the UK and the EU following Brexit – but are clear that all are superior to remaining in the EU and offer a positive vision for the future. They believe that the United Kingdom or Scotland should be a sovereign, independent state and, perhaps more importantly, they believe in democracy; the right of a people to consent to the political system which governs them and elect the politicians who operate that system.**

By comparison, the ‘remain’ campaign has offered a cloudier vision, scaremongering on anxieties and insecurities about the UK’s place in the world and the uncertainties of Brexit. This strategy has been dubbed ‘Project Fear’ – after the similar approach

taken by Better Together during the Scottish Independence Referendum. It is often claimed that this negative campaign saved the Union, this ignores that support for independence rose from 28% to 45% during the

<sup>11</sup> James C Bennett, An Anglosphere Primer, 2001

<sup>12</sup> A Global Britain: The recommended “Brexit” option, Global Britain 31 March 2015, <http://www.globalbritain.co.uk/sites/default/files/publications/GB%20Brexit%20Position%20Paper.pdf>

---

campaign period and that the benefits of the union were not explained positively, leaving a weak legacy for any future defence of Scotland's position in the UK.

In the EU referendum the same tactics have been employed by the remain campaign widely in Scotland. Although at its launch the Scottish Remain campaign promised a "Project Cheer" it was notable that its messages were decidedly apocalyptic<sup>13</sup>. By the time it came to its re-launch on 10 May it did not even bother to mention Project Cheer and simply issued a litany of dystopian scare stories.<sup>14</sup>

Unlikely, catastrophic counter-factual scenarios have been devised to shake the self-confidence of voters considering a 'leave' vote.

It is easy to use uncertainty to conjure up frightening scenarios, but there are uncertainties to every course of action, whether it is change or the perceived status-quo. The European Union is currently beset with uncertainties, as it scrambles to devise an effective, coherent response to the refugee crisis, as the Schengen Area borders go back up and as the Eurozone continues to struggle. In addition the EU has ambitions to create an army (reportedly headquartered in Germany) that must only worsen relationships with Russia; introduce rules to homogenise pensions and welfare benefits under EU control; and take further powers over taxes and spending to shore-up the Euro. New proposals from the EU Commission, giving detail to these developments, are being held back from publication until after the UK referendum<sup>15</sup>.

The EU is not loved. Even its supporters deplore its democratic deficit, record of wasting money and excessive bureaucracy, as they point to its supposed economic benefits. Furthermore, in a globalised economy the European Union's regional free trade arrangements look increasingly anachronistic, when there are such huge opportunities to trade with the world.<sup>16</sup> In Scotland, in particular, our economic success is dependent on driving private sector growth, built on exports and inward investment. It is argued that despite these faults the UK should remain a member to work for reform – yet the desperately disappointing deal struck by the Prime Minister showed how unlikely, if not impossible, any reform will be. Indeed it is highly likely the direction of travel will be towards more centralisation of power in Brussels, at greater financial and regulatory cost, making us less competitive in the emerging markets that should be our economic future.

**Brexit is an opportunity, not to move to the edge of Europe, but rather to look outward to the whole world. It offers the chance of a prosperous, more confident Scotland, trading and exchanging ideas with the EU, but also the Americas, Asia, Africa and Australasia, with greater freedom and independence of action that it currently lacks.**

## 2. Reclaiming sovereignty

### A confident, outward-looking Scotland

HISTORICALLY Scotland was an industrial powerhouse, innovating and selling its goods across the world. Traditionally a centre of heavy industry, engineering and manufacture, membership of the EU has not provided Scotland with any respite from the significant and painful change that has seen so much of its productive base disappear. Indeed it can be argued that EU laws have prevented government intervention where it might otherwise have taken place to alleviate the change or through policies such as procurement have delivered change that was not expected or wanted.

There is now political consensus that Scotland's economic prospects can only be improved by private sector growth, stimulated by exports and a global outlook.<sup>17</sup> Progress toward this goal is patchy, but Brexit offers the prospect of playing an enhanced role within a United Kingdom that dismantles trade barriers with emerging economies.

<sup>13</sup> Scottish pro-EU campaign promises to be Project Cheer, *Daily Telegraph*, 10 February 2016

<sup>14</sup> Pro-EU camp accused of scaremongering after claiming Brexit would hike prices, *Scottish Daily Express*, 10 May 2016

<sup>15</sup> EU wants control of your pension: Brussels' secret plan revealed, *Daily Express*, 11 April 2016

<sup>16</sup> Andrew Rosindell MP, 'Commonwealth trade – a thing of the future', *GetBritainOut.org*, 4 June 2015.

<sup>17</sup> Scotland Executive, Programme for Government 2011-2015.

---

If Scotland left the EU through the process of Brexit, then by the legislative authority of the Scotland Act 1998<sup>18</sup> the Scottish Parliament would find itself *automatically* with greater responsibility over areas of devolved policy that are currently affected by EU rules. These include employment law, industry, environment, fisheries and agriculture.

**Brexit offers the people of the United Kingdom control over their destiny – and Scotland would then find itself with an enhanced role with yet further powers that not even Westminster currently has.**

## Restoring Democracy

EUROPEAN UNION institutions are accountable to its half a billion citizens in the most tenuous fashion. The only directly elected institution is the European Parliament, which is an unwieldy forum, comprising 751 MEPs, with no power to initiate legislation. The bulk of the parliament's members form part of seven parliamentary groups, which operate roughly like political parties, based on some apparent ideological commonalities. There is, however, no evidence to suggest that when Europe's electors go to the polls they are either aware of these groups or that they understand their significance. *There is no European Union demos.*

The groups have been described as 'cobbled together', on the basis that there is a lack of any common political culture across the EU to sustain genuinely pan-European political parties, with which voters might identify.<sup>19</sup> In any case, the EU's effective 'government' is not derived from the Parliament, but rather from unelected bodies like the Commission and the Council of the European Union.

Although the EU is often described in terms of nation states "pooling" their sovereignty, the critique that sovereignty has instead been transferred has gained considerable validity, particularly since the Lisbon Treaty and the formation of the Eurozone.

During the debt crisis in southern Europe, states like Italy, Greece and Portugal found the independence of their elected governments attacked by the so-called troika, an ad-hoc executive comprising, commission including the European Commission, the European Central Bank (ECB) and the International Monetary Fund (IMF) – set-up to monitor chaos unfolding in the Eurozone.<sup>20</sup> Severe measures imposed by the EU's Troika have resulted in youth unemployment topping 50 per cent in Greece. The *appointment* of unelected 'technocratic' regimes in both Italy and Greece, following pressure on their democratic governments from the European Commission and the IMF, created huge controversy and would be intolerable in the UK.<sup>21</sup>

Closer to home, the troika imposed a programme of austerity on the Republic of Ireland in return for a financial bail-out. The Dublin government was quick to accept these edicts and had, in any case, started its own voluntary programme of cost-cutting measures. Nevertheless, there was strong popular opposition to the EU's actions in the Republic, which contributed to rampant unemployment and an increase in emigration. The autonomy of the government was severely constrained and officials in the Republic's Department of Finance have alleged that they were 'pushed' into accepting a bail-out, which many commentators contend spelt the end of the 'Celtic Tiger' economy.<sup>22</sup>

The EU Commission is currently negotiating the Transatlantic Trade and Investment Partnership, or TTIP, with the United States, purportedly opening up the US market to EU firms.<sup>23</sup> It is anticipated that following TTIP public services will be open to greater privatisation through legal suits brought by US corporations. TTIP is also likely to impose a raft of further regulations on UK businesses, but its content is being discussed in secretive fashion by the Commission. Although MEPs are allowed to view the documents, they are contained in a special vault and are required to keep their contents strictly secret. This is one prominent example of the EU doing its business in an unaccountable fashion.

Similarly, the Lisbon Treaty institutionalised an independent foreign policy component at the heart of the EU. While not all members of the EU are part of the North Atlantic Treaty Organisation, commentators argue that

<sup>18</sup> 1998 c.47

<sup>19</sup> Jim Sillars, 'In Place of Failure', Vagabond Voices, Glasgow, 2015.

<sup>20</sup> Evans-Pritchard, *Daily Telegraph*, 20 June 2015.

<sup>21</sup> David Skelton, 'Government of the technocrats, by the technocrats, for the technocrats', *The Spectator*, 16 November 2011.

<sup>22</sup> 'Ireland pushed into bailout', *Daily Telegraph*, 18 June 2015.

<sup>23</sup> EU website, <http://ec.europa.eu/trade/policy/in-focus/ttip/>

---

the treaty effectively merged the EU's security system with that of NATO.<sup>24</sup> Whatever the merits of this position, it creates a dangerous and secretive tangle of obligations, which can have unintended consequences and complicates our relationships with countries outside the EU. Anxiety around the complications created by shared foreign policy may have contributed to the recent Dutch referendum result, which rejected an EU 'association treaty' with the Ukraine by a resounding margin.<sup>25</sup>

Politically, Scotland is less than a tenth of UK, but in a vast, unaccountable EU, our voice is tiny. As a single constituency of the European Parliament we elect six MEPs to its body of 751 members (0.8%). By contrast, proportionally, Scotland returns 59 MPs to the 650 members of the House of Commons (9.0%), from which the UK government is drawn and legislation originated and passed. Scotland's numbers of MEPs would need to increase ten-fold to 60 to have the same numerical influence as they have at Westminster. With the UK's population of 64 million only having 73 MEPs in total, such representation is not a realistic prospect.

In addition, the Scottish Parliament has responsibility for a range of devolved issues, and its powers will increase, in the event of Brexit.

UK government is based on democracy and the ability of the people to choose and dismiss their political leaders, while the EU has been described as "a union of European elites who want to *avoid* their peoples".<sup>26</sup> The instincts of the European Union are to evade popular consultation with voters but, being outside that union, Scotland and the rest of the UK would have an opportunity to offer far greater levels of transparency, accountability and participation.

### Judicial activism and reasserting the primacy of UK law

THE EUROPEAN COMMUNITIES ACT 1972 implicitly recognised the primacy of EU law over UK courts. Critics of the influence of the EU have alleged that judicial activism by the ECJ has had far reaching consequences, imposing a raft of new law on the UK and restricting the prerogative of the Westminster parliament. Research suggests that the UK has lost 77 per cent of its cases at the Luxembourg court.<sup>27</sup>

***"If the UK were to leave the EU, domestic law would regain its primacy."***

As the referendum debate approached, the government suggested that this process could be reversed by the introduction of a 'Sovereignty Bill', provisions in a British 'Bill of Rights' and possibly a new 'constitutional court' modelled on a similar institution in Germany.<sup>28</sup> The legal effectiveness of these measures has been attacked by leading lawyers like Antony Speight QC, a member of the previous government's Commission on a Bill of Rights.<sup>29</sup> None of those suggestions surfaced in the Queen's Speech of 19 May 2016.

Estimates vary as to how much EU law has been enacted in the UK. The House of Commons library estimated that 14 to 17 per cent of Westminster legislation is derived from EU membership. However, it also found that 50 per cent of legislation with 'significant economic impact' derives from the EU. This would take the amount of laws and regulations closer to the 70 per cent claimed by EU Commissioner Viviane Reding when she visited London in 2014<sup>30</sup>. That is in addition to "soft law", which includes communications, declarations, recommendations, resolutions, statements, guidelines and special reports from EU institutions, and rulings from the ECJ.<sup>31</sup> Few areas of life in Scotland are not impacted by regulations passed down in some form from the EU.

---

<sup>24</sup> Richard Sakwa, 'Frontline Ukraine', IB Tauris & Co, London, 2015.

<sup>25</sup> Reuters, 'Dutch referendum voters overwhelmingly reject closer EU links to Ukraine', *The Guardian*, 7 April 2016.

<sup>26</sup> Brendan O'Neill, 'For Europe, against the EU', Spiked Online, 3 March 2016.

<sup>27</sup> 'Poor track record for UK in European Court of Justice', *Belfast Telegraph*, 2 March 2016.

<sup>28</sup> 'David Cameron drops strong hint of new law to enshrine British Bill of Rights', *Daily Telegraph*, 18 January 2016.

<sup>29</sup> 'Michael Gove's new constitutional court will not veto any EU laws, says leading Tory QC', *Daily Telegraph*, 4 February 2016.

<sup>30</sup> BBC, 11 February 2014. <http://www.bbc.co.uk/news/world-europe-26122808>

<sup>31</sup> House of Commons Library, Research Paper 10/62, 13 October 2010.

---

If the UK were to leave the EU, domestic law would regain its primacy. The Scottish Parliament and Scottish courts would find themselves free to make and interpret the law without reference to rulings handed down from the ECJ. This would provide an opportunity to lift burdensome restrictions, particularly in heavily regulated areas like agriculture, fisheries and trade, giving the UK and Scottish governments the ability to tailor their policies to meet the needs of the Scottish people.

The government would regain considerable control over its own security, for instance choosing which are the aspects of the European Arrest Warrant where it wants to 'opt in'. The UK would also assume complete responsibility for its borders, with the freedom to set criteria for immigration that treats EU and non-EU people equally.

**The days of pleading with other countries for us to be able to decide our own security and immigration arrangements would be over.**

### 3. Business, employment and the economy

#### Trading with the world

THE SCOTTISH GOVERNMENT published its Economic Strategy in 2015<sup>32</sup> acknowledging the necessity to "support Scotland's exporters to grow into new markets". The manufacture of food and drink formed the largest part of Scotland's £27.5 billion exports in 2014, with the USA comprising its single biggest market. Although the Netherlands was statistically the second biggest international export market, this reflects the "Rotterdam Effect", a statistical distortion whereby goods are exported there for onward supply to other countries.<sup>33</sup>

With Scotland's largest export market outside the EU the Scottish Government has identified 'new' markets as a key priority for Scottish exporters. For that reason, difficulties with regulation in emerging markets are necessarily a barrier to growing the economy.

It is clear that trade to the EU, the Anglophone and emerging markets will all play a significant role if Scotland is to maintain and grow a vibrant, export-led economy. Some of the wilder figures thrown around by the 'remain' campaign seek to suggest that trade with the EU will be decimated, if the UK leaves. One minister, Anna Soubry actually claimed trade would be reduced to "almost absolutely zero".<sup>34</sup> Many of its estimates of the amount of jobs and investment put "at risk" by leaving the Union are based simply on calculating the total economic activity between the UK and the EU – and for Scotland simply taking a Scottish 'share'.<sup>35</sup>

There is, however, little prospect of free trade between Scotland and the EU coming to an end if the UK chooses to vote Leave. The EU exports £61.7 billion more goods and services to the UK than we

***“Norway only adopts those regulations that are in its own interests – applying 4,724 EU laws between 2000-2013, against 52,183 EU directives and regulations in the UK...”***

<sup>32</sup> Scottish Government, Economic Strategy, March 2015.

<sup>33</sup> National Statistics, Export Statistics Scotland 2014, 27 January 2016.

<sup>34</sup> BBC Any Questions, 11 March 2016

<sup>35</sup> Ryan Bourne. The EU Jobs Myth, Institute of Economic Affairs, March 2015.



---

sell to the rest of the EU.<sup>36</sup> The National Institute of Economic Research has found that, on the day the UK left the EU, it would become the Union's single biggest export market, comprising 21 per cent of its exports – "more than its second and third largest export markets (the US and Japan) combined".<sup>37</sup>

It would be a colossal exercise in self-harm, were the EU to refuse to negotiate a free-trade deal with the UK. In other words, it is unthinkable, a fact acknowledged even by some of the most vehement proponents of EU membership, before campaigning began.<sup>38</sup>

With trade to the rest of the EU under no significant risk, the challenge facing Scottish businesses is finding ways to export more goods and services to the rest of the world. Brexit can provide the UK with the autonomy to negotiate free trade deals with critical markets, like Anglophone countries, fellow Commonwealth states and emerging economies in Asia, the Middle East and the Americas.

Scotland's economic future depends upon businesses' willingness to trade globally, rather than regionally, and Brexit has the potential to open the door for more opportunities and incentives for local companies to do just that.

## **The threat from TTIP**

THE TRANSATLANTIC Trade and Investment Partnership (TTIP) is a proposed EU-USA trade agreement. Unlike other such agreements however, such as those negotiated by the World Trade Organisation, TTIP is secret. Negotiations between the EU and the USA have been conducted in secrecy, while MEP's have only been allowed to examine TTIP documents in a secure room, on condition that they make no copies of what they read, and keep all details of the agreements confidential from not just the public – but anyone that does not have the same security clearance as them.

Why the secrecy? TTIP will affect thousands of businesses, public owned companies and utilities, and millions of workers, yet we have no right to know what will be imposed upon us, far less to be asked for our views on the matter. The TTIP negotiations show the EU at its most anti-democratic, dictatorial worst.

Public anxiety is understandably growing over the fate of public services, like the NHS, which could be exposed to privatisation. Assurances that the NHS, will not be touched by TTIP ring hollow, when we remember that it is an international treaty, open to different interpretation and challenge and that it is EU laws that have forced procurement rules that brought about the privatization of the Royal Mail, railways and other public services.

Its form resembles the North American Free Trade Agreement (NAFTA), which has allowed US corporations to challenge Canadian policies on electricity generation, tax law, revocation or denial of licenses, bans on hazardous material, and health care regulations. Further anxiety has been generated by leaks by organisations such as Greenpeace revealing the extent to which large US and European corporations are influencing negotiations and the ability they will be given to challenge elected governments under TTIP.

A number of specific issues arising out of TTIP have a direct bearing upon the EU Referendum. Will TTIP be an EU-USA treaty, not subject to ratification by all 28 member states? Certainly statements from UK government sources indicate that neither the UK Parliament nor any other parliament will have any veto over the terms. It appears the treaty will be signed by the EU in its own right, with that right exercised under the new powers given to it by the Lisbon Treaty.

The Commission may have to table its terms before the European Parliament, but it will likely do so on a "take it or leave it" basis since any attempt by MEPs to amend the terms would not be accepted by the USA without further negotiations.

Amongst the leaked documents on the treaty are some of considerable importance to Scotland, as they reveal that TTIP will apply at the sub-state level as well as at State level.

---

<sup>36</sup> Office of National Statistics, *The Pink Book*, 2015.

<sup>37</sup> Jonathan Portes, 'After Brexit: how important would UK trade be to the EU', National Institute of Economic and Social Research, 2 November 2015.

<sup>38</sup> Vote Leave, 'Third dodgy dossier from the government misrepresents the alternatives to EU membership', 2 March 2016.

---

Scotland will not be able to claim exemption from TTIP rules because, as a sub-state devolved administration, it will be subject to them. All of them.

This rule has serious implications for the NHS and Scottish Water in particular. TTIP opens Governments and crucially, devolved administrations, to legal challenges. Legal minefields have to be navigated very carefully. When the WTO was formed, the US Trade Department increased its number of lawyers by one third.

On the US side, the legal expertise of the US government and the best legal brains that some of the world's biggest American corporations can buy will be deployed to mine Scotland's lucrative public sector for profitable opportunities.

The commercial opportunities that TTIP presents means that the NHS and publicly owned Scottish Water are vulnerable targets. Referring to TTIP, the Report on Costs and Benefits of an EU-USA Investment Protection Treaty<sup>39</sup>, noted that a "EU-US investment chapter would still probably by design confer greater rights on US investors than they would be entitled to under UK law, at least in certain areas."

Major US health corporations will be able to argue that since parts of the NHS have been privatised in England the privatisation principle has been employed at the State level, therefore Scotland at the sub-state level cannot claim exemption from US companies entering this public service.

American corporations will have rights under TTIP no matter what our public policy may be or what our politicians may promise. They will see a Scottish NHS without State protection ripe for dissection and profit. Additionally, since many elements of our health service are effectively private at present, precedents have already been set. Currently, our GPs are not NHS employees but are self-employed private contractors, as are most dentists; our pharmaceutical companies are private, as are the pharmacies that dispense our prescriptions, even some of our hospitals are PFI-owned. There are more than enough precedents for clever US lawyers to argue for opening up our NHS to greater privatisation.

Vague assurances about our NHS being safe are worthless, unless they are specifically embedded in the TTIP text, which so far as we can gather from the leaks they are not. As with the NHS, so too with water. In England and Wales water is privatised, so from an American standpoint water privatisation is an established State norm and public ownership, as in Scotland, is an anomaly. Tragically, TTIP may succeed where Margaret Thatcher failed in taking our great natural water resource out of public hands and placing it in the hands of private profiteers.

**TTIP presents many serious threats, ultimately, only Brexit can free Scotland from its many dangers.**

## **The strange case of the campaigners that will not bark about TTIP**

AS SCOTLAND'S INDEPENDENCE referendum heightened in the last few months of the campaign the issue of the threat to the NHS from TTIP was raised by NHS surgeon and SNP supporter Dr Philippa Whitford<sup>40</sup>, who argued that only by leaving the UK could Scotland save the NHS from privatisation brought on by TTIP. The argument was reflected in much writing of Yes campaigners at the time<sup>41</sup> but was erroneous in that *only by leaving the EU* would Scotland be able to avoid TTIP.

Nearly two years have passed since that referendum and the negotiations over TTIP have almost drawn to a close. It will likely be adopted later this year, but Dr Philippa Whitford – now an SNP MP with a louder voice and greater influence – has, like so many others, gone quiet on the threat of TTIP. A treaty that was previously life-threatening to the NHS is now not even worthy of comment. The issue has become an embarrassment to some nationalist politicians because opposition to TTIP clashes with the SNP and Green Party support for EU membership.

**The message is clear, if TTIP was as dangerous as was stated in 2014 there's no reason to believe that anything in the treaty has changed since then. All politicians against TTIP – and they are both nationalist and unionist – should be recommending a vote to Leave the EU.**

---

<sup>39</sup> Produced by the London School of Economics for the UK Government

<sup>40</sup> Why No vote would mean end of the NHS in 10 Years, *Sunday Herald*, 24 August 2014

<sup>41</sup> TTIP and the Scottish NHS, *Bella Caledonia*, 4 September 2014

---

## The potential impact on jobs

IT IS SAID that there is great risk in leaving the EU, that Scotland's trade with the EU supports nearly 350,000 jobs – but the Scottish Parliament's own information centre (SPICE) studied the evidence and established the figure was closer to 81,000 jobs directly related and a further 69,000 jobs indirectly associated. These are still large numbers but they do not take account of two considerations, the first is the cost to existing Scottish and British jobs from being a member of the EU, and the second is that no account is taken of new jobs that can be generated by new trade.

In the scaremongering that is presented over jobs and economic activity no allowance is made for the damage to business from higher energy costs on industrial processes (such as steel production) or EU rules that can limit economic activity. No consideration is given to how a financial transaction tax would not just hit the City but impact financial services in Aberdeen, Dundee, Edinburgh and Glasgow.

Nor is proper recognition given to Global Value Chains, with stages of production located across different countries, rather than being limited to regional trading blocs, now being an increasingly important aspect of trade. Industries such as automobile and aerospace manufacturing have invested billions in their complex supply chains straddling the world, with assemblies using international parts located in the UK – and UK parts going to their assemblies in Europe and other continents. Companies such as Airbus, Siemens, BMW, Volkswagen, Jaguar Land-Rover, Honda, Nissan and Toyota have all issued statements confirming they will not relocate following Brexit.<sup>42</sup>

Indeed if there is any risk to losing manufacturing jobs it is clear from recent events that being a member of the EU is a real and present danger. In 2012 the EU provided a loan of £80m to assist Ford to relocate its Transit van plant out of Southampton to non-EU Turkey from where they are now exported back into the EU, including the UK<sup>43</sup>. The EU also subsidised by €105m the establishment of a Peugeot car plant in Trnava, Slovakia<sup>44</sup>, allowing the company to switch its production from Ryton, Coventry, and then close the UK factory with the loss of 2,300 jobs.

As the Ford Transit episode demonstrated, being outside the EU is no barrier to trading with it, but it is not the only example. In 2012 Renault opened a new €1.6bn manufacturing plant in Tangiers, Morocco, to export cars *into the EU*, while PSA Peugeot Citroën is opening a similar operation in Kenitra on the Moroccan coast in 2019<sup>45</sup>. The last time anyone looked Morocco was outside the EU. Why then should tariffs be applied to British cars or other Scottish manufactured goods following Brexit?

It is also noticeable that when the threat to Scottish or British jobs is raised the corresponding threat the jobs in continental Europe are not mentioned – but more European jobs are reliant on trade with the UK than British jobs are reliant on trade with the EU. It follows that if a trade war were ever to instigate a loss of trade-reliant employment the bigger losers would be the EU countries. Most EU countries already have higher unemployment than the UK – French unemployment is double the UK rate, the Spanish rate is four times worse and youth unemployment is over 50% in Greece. The last thing EU countries need is to cause greater loss of work leading to poverty and social instability in their domestic economies.

Estimates of the regulatory burden placed on all British businesses – whether they export or not – by the UK Treasury (in a report commissioned by Gordon Brown) and economists such as professors Tim Congdon and Patrick Minford have shown a drag on GDP in a range between 4%-12% which translates into jobs not being created and economic prosperity being held back in Scotland as well as the rest of the UK.

Likewise, opportunities for new jobs are ignored. For instance India, like much of Asia, is a lucrative market for Scotch Whisky, despite the high tariff of 150% that is placed on the import of blends and single malts. The EU negotiations with India to establish a free trade agreement that could reduce that and other tariffs has been in deadlock for nearly seven years and shows no sign of progressing. Were the UK to leave the EU it would have every incentive to establish Free Trade Agreements with countries around the world, not least the emerging

---

<sup>42</sup> Leave.EU Media Briefing #02: Why the UK is still a workshop

<sup>43</sup> Taxpayers' millions fuel Ford Transit move to Turkey, *Sunday Times*, 4 November 2012

<sup>44</sup> Psa Citroën Trnava, *Quark*, 24 April 2016

<sup>45</sup> Carmakers drive Northern Morocco's manufacturing industry, *Financial Times*, 23 March 2016

---

markets like India, and to do so quickly. With the tariffs on whisky and other products reduced the possibility to grow those exports would become highly attractive and the opportunities to expand production and create more jobs in distilling, bottling and packaging could be realised. Similar new trade deals with countries like China and the US, that have not yet been concluded because the EU insists in turning such agreements into regulatory processes rather than trade deals, would offer similar potential.

## Removing the burden of red-tape

SCOTTISH BUSINESSES have identified overly burdensome regulation as among the top obstacles and barriers which they confront.<sup>46</sup> Employment, health and safety and data protection were cited as particularly problematic areas by small companies.<sup>47</sup> However, complaints about bureaucratic rules span industries and business sizes.

Large companies and the financial industry claim that they have been swamped with complicated capital rules and strict regulations around bonuses, particularly since the 2008 crash. The *Financial Times* found that extra compliance costs had risen to “prohibitive levels”.<sup>48</sup> The newspaper quoted a leading manufacturer who described being swamped by regulations, which resulted in it taking “six months to do simple things like open a bank account”.

Even pro-EU organisations like the CBI are concerned about the effects of EU rules.<sup>49</sup> The think tank Open Europe has estimated that EU regulation introduced since 1998 will cost UK businesses £184 billion between 2010 and 2020, or between 6 and 25 per cent of national GDP.<sup>50</sup> During the last parliament, an estimated 3,580 regulations and directives which had a direct effect on British businesses were passed by the EU, comprising over 13 million words.<sup>51</sup>

By comparison, and contrary to absurd claims by pro-EU supporters, Norway only adopts those regulations that are in its own interests – applying 4,724 EU laws between 2000-2013, against 52,183 EU directives and regulations in the UK and other EU Member States during the same period.<sup>52</sup>

In Scotland, private sector economic activity is disproportionately concentrated among SMEs (Small and Medium-sized Enterprises). The burden on small businesses trying to trade online was increased exponentially in 2015, when EU VAT was levied on digital products in the country where the products were bought, as opposed to the country in which they were sold. This change obliged businesses with a turnover of less than £81,000 a year to register for VAT with Her Majesty’s Customs and Revenue.<sup>53</sup>

In a small-business economy, like Scotland, extra regulation from Brussels can be the decisive factor in driving companies out of business or reducing their potential. A thorough and effective review of red-tape is not possible while the UK remains part of the European Union.

## Business divided over Brexit

‘REMAIN’ CAMPAIGNERS have been keen to portray the business community as supporters of EU membership. The reality is rather different. Scotland’s economy is heavily dependent on SMEs. The sector contributes 55.6 per cent of private sector employment and 99.4% of private sector businesses.<sup>54</sup> In a survey, the FSB found

---

<sup>46</sup> FSB (Scotland), Business Survey 2015.

<sup>47</sup> FSB, Manifesto European Election 2014.

<sup>48</sup> David Oakley, ‘EU regulations blamed for “swamping” businesses’, *Financial Times*, 2 February 2016.

<sup>49</sup> ‘EU regulation must always sow the seeds of growth’, CBI, 15 October 2013.

<sup>50</sup> Minford, P., Mahambare, V., and Nowell, E., Elgar, E., ‘Should Britain leave the EU? An economic analysis of a troubled relationship’, Open Europe, 2015.

<sup>51</sup> Business for Britain, EU Business Regulation briefing note, 2013.

<sup>52</sup> Jim Sillars, The Logical Case, Why ScotLeave.EU makes most sense, 2016.

<sup>53</sup> HM Revenue & Customs, ‘Digital services suppliers urged to register for new EU VAT service’, 23 September 2014.

<sup>54</sup> Scottish Government, Key Facts on Scottish Business, March 2015.

---

that two fifths of its member firms in Scotland have not decided how they will vote and over half do not feel that they have been informed well about the matter.<sup>55</sup>

Although the CBI has voiced scepticism about the prospects of Brexit, the organisation represents mainly larger firms, and is therefore unrepresentative of the great majority of Scottish businesses.

Another aspect of the economy in Scotland that has enjoyed some positive publicity is attracting Foreign Direct Investment, or FDI, with the third best year on record falling in 2014.<sup>56</sup>

Notably, the EU's share of world inward FDI has fallen dramatically, from 45 per cent in 2001, to 20 per cent in 2013, against a background of the emergence of highly competitive economies, elsewhere in the world.<sup>57</sup> The EU's share of world GDP is projected to continue to fall from 17 per cent in 2014 to close to 10 per cent in 2050.<sup>58</sup> Meanwhile, levels of investment in the UK from the US, Asia and the rest of the world, have increased dramatically over the same period.<sup>59</sup> Overseas investment into foreign owned but British built car plants has been considerable in the period running up to the referendum.<sup>60</sup>

The quality of trade agreements, both with the EU and countries outside the EU, are likely to be decisive where the effects of Brexit on FDI are concerned.

Additionally, it is difficult, if not impossible, for the UK government to act freely to protect key industries, from within the EU, because of strict state aid regulations.<sup>61</sup> For instance, the European Commission has challenged the UK over the legality of government assistance given to the aerospace company Bombardier for research and development purposes.<sup>62</sup>

A debate about European Union membership continues to rage among Scotland's business leaders. Many business owners are yet to make up their minds, but there is strong resistance to EU regulation and many proponents of Brexit among the business community. The view that leaving the European Union poses a risk to the economy has been aired exhaustively. However, the countervailing argument that Brexit offers considerable opportunities to businesses is supported by credible research and is only now being heard.<sup>63</sup>

Scotland is currently on the edge of the European Union and we are located far from the locus of UK-EU exporting, which is situated disproportionately in the south-east of England. However, we are positioned perfectly to engage in global trade, with the freedom to look outwards across the Atlantic to the US and Canada, and towards new and emerging markets in Asia, Russia, Africa and South America. Scotland will always be on the periphery of the European continent, but, with the right attitude, we can put ourselves at the centre of the world.

## 4. Agriculture and fishing

### Offering farmers a sustainable future

FARMS ACROSS THE UK, particularly in Scotland, have become dependent on the Direct Payment (formerly the Single farm payment), a subsidy distributed under the EU's Common Agricultural Policy (CAP). The Direct Payment (DP) has distorted the market severely, allowing food distributors to pay under the cost of production for products.

---

<sup>55</sup> FSB, 'Two fifths of Scottish firms undecided on Europe vote', 26 February 2016.

<sup>56</sup> Ernst & Young, '2014 Scotland attractiveness survey', 2014.

<sup>57</sup> Ernst and Young, Ernest and Young's Attractiveness Survey Europe, 2014.

<sup>58</sup> PWC, The World in 2015, February 2015.

<sup>59</sup> Centre for European Reform, 2014.

<sup>60</sup> Leave.EU Media Briefing #02 Why the UK is still a workshop

<sup>61</sup> Department for Business, Innovation & Skills, Government guidance: State Aid, 10 July 2015.

<sup>62</sup> European Commission, State Aid N 654/2008 – United Kingdom Large R & D Aid to Bombardier, 17 June 2009.

<sup>63</sup> Capital Economics, The economic impact of 'Brexit', February 2016.



---

The UK makes an enormous net contribution to the EU budget, some £9.9 billion more than it got back in 2015 after payments to farmers.<sup>64</sup> That gives the government the option, in the event of Brexit, to maintain subsidies to farmers, cut bureaucracy and still make a substantial saving. Due to the renegotiated Barnett Formula, any UK public spending of that saving could result in a consequential uplift in the Holyrood budget worth hundreds of millions that could be directed to the priorities of Scottish parliamentarians.

The importance of the DP to farmers has been emphasised as one of the primary arguments for Scotland to remain in the European Union. The problem with this reasoning is that the subsidy is effectively recycled British money being returned to the UK with a heavy handling charge being deducted. In addition, the DP is falling in value – subsidies, including coupled support, amounted to £510 million in 2014 and £490 million in 2015. This reduction was explained partly by an unfavourable exchange rate, but there was also a 6 per cent reduction in the original euro payment.<sup>65</sup>

In addition, EU rules mean that DEFRA at Westminster and SEERAD in Holyrood are not free to allocate all CAP monies directly to farmers. Agricultural subsidies are divided into pillar 1 (SFP) and pillar 2 (rural development). Scotland has one of the lowest rates of Pillar 1 support per hectare and lower Pillar 2 support per hectare than the average of any member state.<sup>66</sup>

Both Pillar 1 and Pillar 2 CAP funding will continue to fall in real terms. The current average payment rate in Pillar 1 per hectare is €130 per annum, lower than any EU state. This is expected to remain broadly the same by 2020, with an estimate between €125–€135. The current average payment rate in Pillar 2 per hectare is €11 and, again there is no projected uplift in the period to 2020.<sup>67</sup>

It's clear that CAP is an over-complicated, costly and bureaucratic process, and those flaws are only likely to worsen in the foreseeable future. Indeed, with further reform expected to be to the fore for the rest of this decade, EU agricultural subsidies are entering a period of volatility and uncertainty.

Farmers find themselves burdened down by regulations, which prevent them, for instance, from innovating to improve crop yields. They must navigate a complicated process to access dwindling subsidies – funded, in any case, by UK money – and cash intended to assist their industry is either claimed back by the EU Commission as fines, or diverted into questionable rural development projects.

The National Farmers' Union (NFU) has modelled the likely effects of Brexit on the industry and found that if, as expected, the UK maintains liberal economic policies after leaving the EU, farming will not suffer negative effects, so long as subsidies to farmers are maintained.<sup>68</sup> It is not surprising therefore that a survey conducted by Farmers Weekly found 58 per cent of farmers supported leaving the EU.

**Brexit offers the opportunity to support farmers more directly, through the parliament at Holyrood, in a way that is a better fit for Scotland's conditions and is accountable to the electorate – without any of the waste associated with CAP. It allows the Scottish Government to claim back control over important aspects of agriculture policy to help ensure agri-food becomes a more competitive, prosperous aspect of the economy in Scotland.**

## Reviving our fishing communities

THERE ARE FEW AMBIGUITIES around attitudes to the EU from people involved in commercial fishing. The belief is widespread that Brexit can save the industry.

Representatives say that their industry is over-regulated under the EU, that UK boats are not entitled to catch fish quotas which reflect the size of our territorial waters and that the European Union complicates national policy-making, preventing a clear chain of accountability for important decisions.<sup>69</sup>

---

<sup>64</sup> Office of National Statistics, Pink Book, 2015.

<sup>65</sup> The Scottish Farmer, 'Farming incomes fall for second year running', 27 January 2016.

<sup>66</sup> Scottish Parliament Information Centre Briefing, CAP Reform: Proposals for 2014-20, January 2011.

<sup>67</sup> The Scottish Government, CAP Budget Potential Funding Levels for Scotland 2014-20, October 2013.

<sup>68</sup> NFU, British Agriculture – The implications of a UK exit from the EU, 2016.

<sup>69</sup> Dick James, NIFPO, interviewed 22 March 2016.

---

The basis of international maritime law is the United Nations Convention on the Law of the Sea, or UNCLOS. The agreement says that, in general, countries across the world are entitled to an Exclusive Economic Zone (EEZ), which extends 200 nautical miles from their coastline, entitling them to exploit and control resources in this area in any way they wish.<sup>70</sup>

In contrast, the EU's Common Fisheries Policy (CFP), imposes a single EEZ on member states. It then allocates each state a quota for the amount and type of fish they are permitted to catch (Total Allowable Catches or TACs). The intention is supposedly to prevent over-fishing, but fishermen say that quotas are established arbitrarily, with little flexibility to reflect recovering stocks. Because the UK is an island nation and its EEZ was particularly large, there is a perception that our TAC does not reflect accurately the extent of the coastal waters we would otherwise control. It is estimated that British and Irish waters account for 60 per cent of the EU's waters.<sup>71</sup>

Thanks to the CFP the UK fishing industry has been dramatically reduced while – *perversely* – British taxpayers have funded the modernisation of competing fleets that have taken an ever-larger share of the fish stocks.

UK vessels decreased from 10,295 in 1994 to 6,406 in 2012, while fisherman fell from 20,751 to 12,450 over the same period. Bearing in mind the size of the communities affected these job losses can be devastating to local economies and their social fabric.

Naturally, with fewer vessels and fishermen the size of catches has dropped, from 948,000 tonnes in 1970 to only 417,000 tonnes by 2008 – almost as low as when the North Sea was a war zone in World War I. Accordingly the UK became a net importer of fish in 1984 – accounting for two thirds of what we consume and valued at £2.66 billion.<sup>72</sup>

In European terms, the size of Scotland's fishing industry is significant. It accounts for approximately 60 per cent of the UK catch and 7.5 per cent of total EU volume.<sup>73</sup> The CFP has had a dramatic impact on Scottish sea-fishing and the fleet has fallen by 11 per cent since 2005. It comprised 2,030 vessels in 2015.<sup>74</sup>

*“The system is skewed in favour of powerful, industrial scale fishing companies whereas it should be supporting our inshore low impact fishermen.”*

By comparison Norway, outside of the EU and it's disastrous CFP, is one of the world's largest exporters of seafood, supplying over 150 countries with more than 3 million tonnes of seafood a year. Also, by being outside the EU and CFP Norway has its own seat and voice on the World Trade Organisation, the Food and Agriculture Organisation (and its fisheries committee) and Norway holds the presidency of the North Atlantic Salmon Conservation Organisation.

A 2014 study by Greenpeace discovered that a single Dutch trawler holds nearly a quarter of the English quota, unloading its catches in *Dutch* ports, while only five vessels hold 20 per cent of the UK quota.

Commenting on the perverse results of the Common Fisheries Policy, Ariana Densham of Greenpeace UK, said:

*“The system is skewed in favour of powerful, industrial scale fishing companies whereas it should be supporting our inshore low impact fishermen. They make up to 77 per cent of the UK fleet but get access to only 4 per cent of the UK's quota.”*

**Fishing in Scotland has been savaged by EU policy and the CFP. Brexit can provide a lifeline to Scotland's fishing industry, allowing government policy to better reflect the interests of Scottish fishermen. People**

---

<sup>70</sup> United Nations, United Nations Convention on the Law of the Sea.

<sup>71</sup> Chris Muspratt, 'The EU's betrayal of Britain's fishing industry', The Commentator, 2 October 2015.

<sup>72</sup> Ray finch MEP, Stolen Seas, EFDD Group, 2015.

<sup>73</sup> European Commission, 2014.

<sup>74</sup> The Scottish Government, Scottish Sea Fisheries Statistics 2014, 2015.

---

involved in the industry naturally feel angry, ignored and let down. Leaving the EU means responsibility for fisheries management will be transferred directly to Edinburgh, opening up the possibility of reviving fishing communities that have been savaged by the EU by introducing a new management system that learns from the successes of Iceland, the Faroes and Norway.

## 5. Education and Health

### Better funding opportunities for Scottish universities

THE ISSUE of whether or not to charge tuition fees to 'home' students remains controversial in Scotland, what is no longer controversial is the principle of charging 'international' students tuition fees. While students from the US, China and Norway are charged tuition fees in Scotland, students from EU member states are not, as they are entitled to the same rate charged to home undergraduates, which is zero.

Ironically, students from England, Wales and Northern Ireland are charged the full rate because they do not qualify for the EU dispensation. Following the UK leaving the EU all Scottish universities would be free to charge students from the EU whatever tuition fee they wished, which would likely mean they could charge the capped rate of £9,000 – although they could charge the higher rate set for international students. In 2013/14 some 2,000 Scottish students studied at EU institutions, providing a saving on funding transfers the Scottish government £3.6m – while 13,550 EU students studied at Scottish universities at a cost to the Scottish Government of £25.6m.<sup>75</sup> Were these EU students to be charged the capped rate of £9,000 it would be worth £122m of income to Scotland's universities.

Membership of the European-wide education scheme known as Erasmus+ would continue to be available to the UK and Scotland, just as it is currently accessed by Norway, Switzerland, Iceland and other countries not even in the European continent<sup>76</sup>. Erasmus+ helps ensure Scottish students gain access to European universities (be they in or out of the EU) and European Students (in or out of the EU) gain access to Scottish universities, with entitlements to financial support and fees at the same levels as home students in each jurisdiction. There is no reason this arrangement could not continue, especially given the excellent status of many of the Scottish and UK institutions.

Likewise, the Interrail pass, founded before the UK joined the Common Market in 1975, would also remain available to students – just as it is for students from Bosnia, Macedonia, Montenegro, Norway, Serbia, Switzerland and Turkey – all of whom are outside the EU.

### Protecting the NHS

THE NHS REMAINS at the forefront of concerns for those undecided about whether we should leave the EU. Some people who want to leave are worried about the short term impacts this might have on the health service.

It is claimed that without the EU as a source of labour for our medical workforce there would severe shortages but this completely ignores the fact that most non-UK doctors originate from outside the EU, namely India and Pakistan. Sourcing staff through immigration has always been conscious UK government policy. It is not a celebration of diversity but the decision to trade time and money in training new doctors, against importing them cheaply and ready-made from another country.

<sup>75</sup> Student Awards Agency for Scotland, October 2014

<sup>76</sup> <https://www.erasmusplus.org.uk/participating-countries>

---

The idea the NHS would collapse without immigration is either facile, or worse, colonial: third world and European countries continue to supply the UK with doctors *and* maintain their own health services. Finland's nurses are 98% Finnish in origin, for Switzerland this drops to 78% – reflecting different domestic policy choices. Finland inside the EU does not rely on migration for health service provision demonstrating that the UK does not need to either, it is a conscious policy choice.

As has been well documented by NHS surgeon Professor Angus Dalglish, the EU's clinical trials directive has erected huge financial barriers to developing new drugs by making the cost of a clinical trial rise from circa £100,000 to £1m a time. In 2004, with only 1% of the world's population, the UK was running 12% of all clinical trials. After the directive was introduced the share fell to 1%. This means patients are literally dying because the EU has prevented scientific advancement that was once affordable and can now only be undertaken by the biggest pharmaceutical companies.

The European Health Insurance Card (EHIC) covers all EEA, not just EU, citizens for their first three months *and is meant for emergency cover only*. It does not cover hip replacement surgery or coronary angioplasty.

It is well recognised there is a serious problem with underclaiming by the NHS from EHIC, based on its design. There are no identity checks of patients, for if there were it would have to be for *everyone* or it would be seen as racial profiling. So the NHS usually just waves the expense and does not claim from the patients' governments. This is not the fault of migrants or doctors, but the fault of politicians so in love with the EU they refuse to see that the NHS and EU are wholly incompatible when it comes to reimbursements. Outside the EU we could levy compulsory health insurance for anyone working in the UK but the Commission currently bans the UK from doing so.

## Conclusion

**There are major opportunities to help improve education and health services once Scotland leaves the EU. For education home students can still benefit from Erasmus+ and Interrail while our universities can reap over £100m in new receipts. Leaving the EU will not be a panacea for the NHS but it will equip policymakers with the tools and freedom to protect it, for instance by making a reciprocal health tourism agreement fit for purpose and allow the UK to revise the clinical trials directive that has a direct impact on patients' lives.**

## 6. Immigration

### Open and welcoming, but in control

THE UNITED KINGDOM has been shaped by successive generations of immigrants and Scotland is no exception. Indeed, we have also been affected by waves of *emigration*, to the US, Canada, Australia and elsewhere, which helped form attitudes and identities in our society. Scotland and the rest of the UK will always be open to new arrivals, but in recent years there has been an understandable perception that uncontrolled immigration from new EU countries has the potential to transform communities suddenly and beyond recognition.

Economic Immigration is not the same as the migration of refugees, who are treated differently in international humanitarian law. Over generations Scotland has given a home to refugees: Huguenots fleeing persecution in France; Jews fleeing persecution across Europe; Spanish civil war veterans; victims of Fascist Italy and Nazi Germany; Poles who could not return home in 1945; and, people from Africa, Asia and the Middle East. That must remain our policy.

The European Union has been found wanting in its response to the current refugee crisis, caused by war in Syria, continuing violence in Libya, Afghanistan and other areas, mixed together with a steady flow of economic migration from sub-Saharan Africa and elsewhere. This has blurred the difference between economic migration and refugees fleeing war or persecution. The EU responded chaotically to this influx of

---

people, with nation states bickering over relocation plans,<sup>77</sup> the Schengen open border area in disarray and then a controversial deal with Turkey, which seemed to revive that country's chances of becoming an EU member, in return for stemming the flow of migrants.<sup>78</sup>

Terrorist attacks in Paris and Brussels showed that Islamist extremists are prepared to use the extraordinary flow of migrants and refugees to attract new recruits, or to hide their identities and move between the Middle East and Europe. Understandably, these developments have added greater urgency to the discussion around immigration, particularly because EU leaders have been reluctant to address underlying issues, due to some of the sensitivities around race and religion that they raise.

There are also domestic politicians who seek to avoid these sensitive issues, through fear of being called racists, or accused of lining up with UKIP. It is intellectual cowardice to back-off the subject, which has importance on several levels, including – the labour market, health, education and housing – and public service planning. There is a basic principle to be addressed: is an open door immigration policy sensible?

It is not. An open door, which means no one knows how many people will come and be admitted, makes for serious difficulties in planning health care, education and assessing or meeting housing needs. That is why Canada, for example, to where Scots could freely migrate in years gone by, now has a system that welcomes migrants, but controls the numbers in accordance with its ability to absorb them. Does anyone in our own political discourse object to Canada's migration management policies?

There is the key question of the labour market, where people must sell their labour to live independently, knowing that if the market is rigged against them, then it is to the Job Centre and a sanctions regime they must go. Employers like the open door, because if many more workers come on to the labour market, then lower wages for the local *and incoming workers* will be the result. The Bank of England has itself recognised that recent levels of economic migration have depressed wages levels of the low paid by two per cent for every ten per cent increase in net immigration.

Recognising these difficulties does not mean there must be a stop to economic migration. But there needs to be a policy where there is control of numbers so that the labour market is not manipulated to the advantage of employers over employees. That requires managed immigration for EU member states, which is impossible as a member of the EU.

Leaving the EU does not, therefore, mean slamming the door on economic migrants. With an ageing population, Scotland needs young workers to create the wealth that will pay for the social care of the elderly. So, migrants will continue to come, and be welcomed for their contribution, not only in economic terms but in the cultural diversity they help create. Economic migration has to be balanced with the needs of the resident workers, whose bargaining power in the labour market has to be protected so that their standards of living do not suffer an economic shock, creating and exacerbating income inequality. The way to achieve is through controlling numbers and the skills that economic migrants bring, while raising and maintaining a living wage.

***A sensible economic immigration policy should ensure, no matter the national origin of workers, that employers chase them with job offers, rather than the workers competing with each other for the jobs on offer, and so chase wages down to the lower levels.***

The delay in compilation of statistics about immigration means that they often struggle to keep up with rapid changes in demography. The latest figures from National Records of Scotland show that the population rose by almost 20,000 people between mid-2013 and mid-2014, while the foreign-born population in Scotland rose 92 per cent between 2001 and 2011.<sup>79</sup> The Scottish public has concerns about recent levels of immigration. Some 80 per cent of Scots want to see the number of economic migrants limited, while 57 per cent of respondents from Scotland want to see a sharp reduction in immigration.<sup>80</sup>

The largest numbers of new arrivals came from Poland, which comprises the biggest group not born in the British Isles, as well as Romania and Bulgaria, with Slovakia, Lithuania and Hungary represented prominently.

---

<sup>77</sup> UNHCR, 'Europe response to refugee crisis still urgently needed, 15 September 2015.

<sup>78</sup> Megan Greene, R Daniel Kelemen, 'Europe's lousy deal with Turkey', Foreign Affairs, 29 March 2016.

<sup>79</sup> Better Off Out, EU Migration and Scotland, May 2014.

<sup>80</sup> Migration Watch UK, Immigration and Scottish Independence Briefing Paper, 2 December 2013.



---

This is immigration over which the British government currently has no control. In the event of serious societal problems Scottish politicians and politicians from the rest of the UK have little room to manoeuvre.

Likewise, with EU citizens currently having unrestricted rights to live and work in Scotland, there is no mechanism to ensure that EU immigration is beneficial to our economy. Leaving the EU might mean fewer arrivals from eastern and southern Europe, but it could also mean more arrivals with essential skills from the Commonwealth, with whom we share significant elements of history and culture.

**Brexit would restore genuine control over the UK's borders. Immigration in Scotland could be tailored to reflect our skill shortages and economic needs, as well as social considerations. Our community is likely to become increasingly diverse whatever the result of the referendum, and that is a strength rather than a weakness. Outside the European Union, though, we can have an open, meaningful debate about how that happens, to ensure that immigration works for us, culturally and economically, rather than be dictated to by 27 other countries with vested interests that can be contrary to ours.**

## 6. A nationalist perspective

### No reason to trust the European Union

FOR SUPPORTERS of Scottish independence, the European Union referendum poses problems. Many of the issues are UK in character, whereas the natural preoccupation of nationalists will be the consequences for Scotland, and how the result will affect the path to independence.

It is legitimate for any nationalist to have a different position from the SNP leadership on the EU referendum as the outcome will affect the strategy of gaining independence; and that is not for the SNP alone to decide. The SNP leadership's support for the UK government position should therefore be tested. Such an examination must be based on knowledge of the animating purpose of the elite who run the EU, their record in dealing with small nations, their fundamental lack of democracy in how it is run, their documented contempt for people, and an assessment of the better alternatives that exist. As Jim Sillars has argued,

*"People on the Yes side are being asked by the SNP to campaign in favour of an EU that, during the referendum campaign, told them to get stuffed, and if the UK remains in, will tell them the same again when a second independence referendum is held. For all that the SNP has been pro-EU, and is the most pro-EU party in the UK, there was no welcome from the EU to the prospect of an independent Scotland. The European Commission refused Scotland a seamless entry as a member state, it was told to wait in a long queue, while Spain threatened to use its veto."*

Yes voters must ask: if the SNP succeeds, through the Scottish vote, in keeping the UK in the European Union what will be different for the independence movement? With the UK's bluff having been called, the EU will continue its direction of travel with no change of attitude towards Scotland. That means back in the same trap, Scotland's fate in the EU Commissioners' hands, with their distaste for the break-up of a member state the ruling factor in their attitude to the nation's independence.

### Seductive but not rational

THE SNP is saying to people in England, Wales and Northern Ireland "we do not want you to leave the EU, but if that is how you vote, and we in Scotland vote to stay, then we will leave the UK, because your result will trigger a second independence referendum."

Implicit in that policy is the belief that on the day the UK leaves the EU,

1. An independent Scotland, having voted to stay, will get automatic seamless entry to the EU as a new member state;
2. An independent Scotland will inherit the opt-outs granted previously to the UK;

- 
3. An independent Scotland will not be subject to the rule that new member states have to join the Eurozone; and,
  4. Being a member state will be more advantageous to Scotland than the other alternatives that are likely to arise from the UK exit negotiations.

Accepting these assumptions so that Scotland can become an EU member state is a weak “only one option” policy. The EU would know Scotland had nowhere else to go – 5 million people negotiating entry with a Commission representing nearly 500 million. What would Scotland’s negotiators do if joining the euro was a basic requirement? Would the SNP Government sign up, when all know that the euro can only survive if there is a full fiscal union in a full political union in which members must eventually surrender all sovereignty?

***Scotland would be out of one union into another, where Scotland would have even less clout than in the UK. That is the scenario that arises from current SNP policy. Is that an independent future for our nation?***

The EU attitude to Scottish independence has been settled policy for a long time. In a letter to Christina McKelvie MSP, Convener European and External Relations Committee of the Scottish Parliament, dated 20th March 2014, Viviane Redding, Vice President of the European Commission, said:

*“The Commission’s position on the issue that you have raised has been stated on a number of occasions since 2004. The Treaties apply to the Member States. When part of the territory of a Member State ceases to be part of that State, e.g. because that territory becomes an independent state, the treaties will no longer apply to that territory. In other words, a new independent region would, by the fact of independence, become a third country with respect to the Union and the Treaties would, from the day of its independence, not apply anymore on its territory.*

*Under Article 49 ...any European state ...may apply to become a member of the EU. If the application is accepted by the Council acting unanimously after consulting the Commission and after receiving the consent of the European Parliament, an agreement is then negotiated between the applicant state and the Member States on the conditions of admission... This agreement is subject to ratification by all Member States and the applicant state.”*

The EU message, repeated throughout 2014, is simple: *once you are out you are out*, and to get back in you have to jump several hoops where one vote against means you stay out – and that is not counting the terms we would extract from you.

So, where is the advantage for Scotland helping to keep the UK in the EU? None. Are there alternatives that would make independence easier? Yes.

## **The importance for Scottish independence of an EU-UK Association Agreement**

IF THE UK remains in the EU, then nothing changes. The Yes movement will be told, as we were told in 2014, that there is no guarantee of EU membership, because all 28 countries would have to agree and Spain would threaten its veto again. The EU is not in favour of member states separating.

***Yet Brexit means that the UK will no longer be a member state, as, having left its status will change through an association agreement. Crucially for EU, the threat posed by Scottish independence from the UK changes along with Brexit – it melts away. That is something the SNP does not seem able to understand, yet it is of enormous importance.***

The principal fear of the EU, about setting a precedent of secession from a Member State will have disappeared. There will no longer exist the **internal** political imperative for the EU to reject an independent Scotland (threatening Spain and others) – because it will be an **external** matter; and so it will be much easier for the EU to accept a Scotland that becomes independent while in an association agreement based on the one negotiated with the UK. Indeed, if the SNP leadership was more clear-sighted, it would be demanding a place on the Article 50 negotiating team to ensure that Scotland’s distinctive position is recognised in the text of the agreement.

***Brexit under Article 50 makes it politically easier for the EU to accept an independent Scotland in an***

---

**association agreement, than as a member state. Such agreement would not be subject to veto by a single EU Member State as it would be by qualified majority voting as set out by clause 2.**

Such an outcome would be in accordance with Article 8, 1 of the Lisbon Treaty that states:

*“The Union shall develop a special relationship with neighbouring countries, aiming to establish an area of prosperity and good neighbourliness, founded on the values of the Union and characterised by close and peaceful relations based on cooperation.”*

## **Why not EFTA?**

ONE OF the great puzzles of SNP European policy is its failure to look at the alternative of the European Free Trade Association (EFTA) which, in 1994, signed an agreement with the EU to create the European Economic Area where free trade flows. After the role the EU played assisting the Better Together gibe of “the EU will not let you in,” it would make sense to engage in exploratory discussions with EFTA.

Far from engaging in such discussions, what emerged in 2014 was a Scottish Government document that rubbished the very idea of EFTA membership. It trotted out all the old canards about Norway having to tow the EU line – receiving and obeying EU orders but not being involved in discussions on policy. As has been demonstrated the Scottish Government was wrong, yet the lie persists.

The Scottish Government document was wrong also when it is claimed that Norway must obey **all** EU directives. When the EU stated that European offshore oil and gas production would be subject to new regulations, and noted that this had EEA relevance, Norway would not comply. As reported from the EEA Joint Parliament Committee on 27 November 2012:

*“The Norwegian government has taken the view that the proposed regulation by the European Commission falls outside the geographic and substantive scope of the EEA agreement.”*

Between 2000-2013 Norway adopted 4,724 EU laws, most of them being technical and compatible with Norwegian interest. Compare that to the 52,183 directives and regulations the UK and other EU Member States had to adopt in the same period.

The Scottish Government rejected EFTA on the basis that EU membership enables free trade agreements with other countries, as though EFTA States could not do the same. In fact, EFTA has thirty-five free trade agreements. The point missed by the SNP Government is that EFTA States exercise sovereignty over a wide range of policies outside the single EEA market, *a sovereignty not available to member states of the EU.*

The EEA agreement between EFTA and the EU is about regional free trade, not a customs union. It is important for the Yes movement to understand what the EEA does not cover:

- Agriculture and Fisheries policy.
- International trade policy with other countries.
- Justice and Home Affairs.
- Foreign, Defence and Security Policy.
- Energy.
- Currency.

In these key areas, EFTA states make their own sovereign laws, subject to no other organisation.

**Scottish national sovereignty is the aim of the Yes movement. It is not just a noble, but a necessary ambition to achieve it, for without sovereign power Scottish society cannot be re-built and so change it from an indecent to a decent one, where all are endowed with dignity and respect.**

**If we vote to remain in the EU, then seeking sovereignty is but a pretence, because we cannot be sovereign while remaining locked within a super state, because the price the EU demands is permanent surrender of sovereignty. That is the inescapable reality that everyone in the Yes movement has to face.**

---

## 7. A unionist perspective

THE ISSUE at the heart of the referendum is the question ‘to what extent does Scotland wish to control its own destiny – to control its own laws, its own taxes, its own economic and social policies?’

If Scots are comfortable and happy with their British identity then voting to leave the EU offers the attraction of greater self-determination, accountability and transparency for the UK. Similarly, if Scots are genuinely interested in wanting to return *more control* to the local level at Holyrood, whether as a sovereign or devolved Parliament, then the only choice is to vote to leave the EU.

**The two unions – the EU and the UK – are not the same, and thus it is possible to be against the former while supporting the latter.**

The recent history of the UK’s democratic governance is for its institutions to become more devolved with authority passing out from the centre to Edinburgh, Cardiff and Belfast. This has gone so far in Scotland that Holyrood will soon have substantial powers over taxation and welfare. By comparison the recent history of the EU is for more control, oversight and power to be determined at the centre – with the European Court of Justice as the supreme court across the EU. Laws that Westminster has conceded should be determined by the Scottish Parliament in Edinburgh, such as minimum pricing of alcohol, can be struck down not by politicians or judges in London but by justices in Luxembourg.

For Scots that believe the UK becomes stronger the more it decentralises authority and power from London to the Nations, cities and counties of the UK, leaving the EU would be a positive step. Anyone wishing to have greater autonomy for Scotland, and a greater local determination of Scotland’s laws and affairs must, on the evidence of what would happen if the UK left the EU, accept that the optimum level of self government will be achieved if Scotland also lies outside the EU. The reason is simple, under the terms of the Scotland Acts those matters not reserved to Westminster automatically become the responsibility of the Scottish Parliament.

This means that under devolution, or full independence of Scotland from a UK that had left the EU, considerable new powers would transfer to Holyrood. With these new powers would also come financial responsibilities that would require fresh inter-governmental negotiations about redistribution to the Scottish exchequer of UK spending from the funds that would formerly have been sent by the UK to the EU for items such as fisheries and farming support (£709m) – plus any ‘Barnett consequential’ from Scotland’s £1.215bn share of £506m UK funding that is currently recycled through the EU instead of coming through Holyrood.

Scotland would suddenly have the ability to adopt different policies from not only the EU but the UK that might be considered more appropriate to its local circumstances in competencies such as the environment, aspects of trade and industry, farming and fisheries.

**There is yet to be a Scottish politician, *nationalist or unionist*, that can explain why having those policies given to the Scottish Parliament would be anything but a good thing.**

Under devolved arrangements Holyrood could prepare and introduce new regulations and management schemes for fisheries and farming that suited our topography and our environmental needs – rather than apply the lowest common denominator across the whole of Europe. Scotland would be able to revive its fishing communities and improve the fishing grounds by introducing a management scheme similar to those enjoyed by Norway and Iceland. Why should our fishing communities continue to be at the mercy of voracious EU fishing fleets that plunder our seas with industrial-scale trawling?

If there is a concern about the current investment made by the EU in fisheries and farming support or in the award of structural funds being lost following a Brexit it has to be understood that the EU does not have any money of its own, it only has the funds that national parliaments give it. Fishing and farming support would undoubtedly continue at least at current levels as it would be politically damaging for any party of government to do otherwise. Indeed a Scottish government could consider improving certain grants (for instance to hill farmers). One thing would be clear – the responsibility for management and delivery of support would begin and end with Holyrood politicians. There would be no disagreements over who attends EU negotiations and there would be no passing the buck on to the EU for mismanagement or delay of farming support when Scottish ministers are at fault. Agricultural support could even be paid in advance or more regular instalments, if wanted.

---

Other reforms could be considered: the Water Framework Directive, designed for the parched earths of Southern European states but applied equally in rain-drenched Scotland, could be amended, reducing manufacturers' costs and reviving local industries without impacting on trade with the EU.

Changes such as these would be for the Scottish Parliament to decide and be democratically accountable to the people for those decisions.

**If Scotland were subsequently to become independent but then apply to the European Union for membership those competencies recently gained would revert back to the previous EU management from whence they came. The likelihood of further EU demands on Scotland, related to membership of the Eurozone, the Schengen Treaty and a more expensive membership payment cannot be discounted.**

With the direction of travel for the EU being towards greater central control of fiscal management, foreign relations, welfare policies and command of police and armed forces – Scotland would have left one *devolving union* – where powers are being gained – only to enter into an even less democratic and unaccountable *centralising union* where it would have little clout. If the UK can lose 72 out of 72 votes that it has contested at the European Council to prevent ever closer union then what would Scotland's chances be of preventing laws it did not like?

For some unionists there is another argument against Brexit, namely that a British vote to leave the EU will result in the break up of the UK if Scotland votes to remain. The argument goes that such will be the Scottish public's grievance about being taken outside the EU that it will demand a second referendum on independence and then vote to leave the UK so that Scotland can rejoin the EU. This ignores the benefits to nationalists of leaving the EU – and the danger to nationalists of losing a second referendum so soon again.

Supporters of EU membership peddle this scenario from their Project Fear playbook to discourage unionist EU-sceptics and doubters from voting to leave because they believe such voters would not dare put the union of Scotland and England at risk. Paradoxically, the more Scots unionists that vote for Brexit the closer the margin between leave and remain will be, eliminating the supposed grievance.

**Whether as part of the UK or as a sovereign independent nation, Scotland would gain greater democratic responsibility and accountability from leaving the EU. There is no need for a White Paper on what life outside the EU will look like. The key is that we will be able to decide for ourselves and we have yet to choose how we use the benefits of taking control of our destiny. Neither Norway, Switzerland or Canada are perfect models, for one thing they are not as important to the EU trading partners as the UK – but they show what the minimum potential is.**

## 8. In conclusion: An opportunity to broaden Scotland's horizons

THE DEBATE ON BREXIT, nationally and in Scotland specifically, has frequently become restrictive and narrow. It has focussed not on the possibilities opened up by reclaiming genuine sovereignty, but rather on the uncertainties of leaving a European Union to which we have become accustomed by habit. We have fixed the limits of our view on the confines of the EU region, rather than examining how we could better build relationships in a globalised, interconnected world – if only we had the freedom to do so.

Devolution created new opportunities for people in Scotland to influence the policies of our devolved government and create a positive vision for our future. However, politicians have not always responded by concentrating on what this potential could unleash, and in some respects their preoccupations have become more insular.

A vote to leave the EU offers the possibility of rebooting these attitudes and making Scotland more outward looking – irrespective of its place inside or outside of the United Kingdom. The referendum is about casting off the shackles of an increasingly intrusive and smothering political project, and the idea that it is about 'leaving Europe' is deliberately misleading. Scotland can continue to share all the aspects of history, culture and trade that we hold in common with the rest of the continent, without being held back or restricted by an overbearing EU.

---

Brexit puts control of the UK's destiny back in the hands of its people, and Scotland has the chance to play an enhanced role in a state whose self-confidence is boosted significantly. Some of the powers currently exercised by Brussels will be restored not to Westminster but to Holyrood, providing an opportunity to allow a spirit of enterprise to flourish that enables us to trade more successfully with the rest of the world.

Already, decision-makers have acknowledged that Scotland's long-term prosperity is dependent upon building an export driven economy, with ambitious home-grown businesses supplemented by healthy investment from abroad. We have important trade links with the rest of the UK and the European Union, but areas of potential growth lie increasingly beyond the EU and that is where businesses and politicians are rightly starting to concentrate their outreach.

Whether Scotland leaves the European Union, or elects to stay, there will always be political and economic uncertainties. With continuing economic instability in the Eurozone, chaos around the response to the migrant crisis and growing disenchantment with its federalist ambitions, the EU faces some of the most significant challenges it has encountered during its history. While it still exists, the EU will continue to be an important market for British goods, but the UK economy is the fifth largest in the world and long-term success will depend increasingly upon our ability to trade more widely.<sup>81</sup>

The number of people across the United Kingdom who are genuinely enthusiastic about the European Union is tiny and the same can be said for Scotland.<sup>82</sup> Proponents of continued membership argue that the EU can be reformed to suit the UK's needs, or that our representatives can curtail the aspects of Union that create most scepticism. However, ideas about federalism, political union and a single currency are among the most important founding philosophies of the EU and are not up for negotiation.

Nationally, the EU Referendum asks the people of the UK to choose whether they want to live in a country that is free to determine its own destiny. Because answering that question could allow greater responsibilities and with it democratic accountability the question also applies to Scotland irrespective, of its relationship with the rest of the UK.

**Whether it is security, jobs and trade, science and education, fishing and farming, energy or the environment the greater risk is staying in the EU. No one can predict with any certainty what the costs and existential challenges will be as the EU lurches from one crisis to another of its own making, compared to leaving and being able again to make decisions for ourselves in partnership with our neighbours.**

**While the consequences of Brexit cannot be determined with certainty, it creates the opportunity to build a more *democratic* and *prosperous* country with an international outlook, *free* from EU restrictions and free to decide its relationship with the UK without the EU's interference.**

**On June 23<sup>rd</sup>, electors can decide to give Scotland the opportunity to fulfil its potential, by voting to leave the EU.**

---

<sup>81</sup> Andy Bergmann, 'World's largest economies', CNNMoney, February 2016.

<sup>82</sup> John Curtice, How Deeply does Britain's Euroscepticism run?, What UK thinks EU, 2016.