The pro-EU lobby peddle claims that jobs will be lost if we leave the EU, when the reality is the opposite of this.

Ewen Stewart, Stuart Coster & Brian Monteith
THE SCAREMONGERS

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globalbritain.co.uk
democracymovement.org.uk
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Introduction

Supporters of the United Kingdom’s continued membership of the European Union make the claim that three million jobs could be lost were we to leave.

For example, Nick Clegg, the Deputy Prime Minister, has said:

“There are three million of our fellow citizens, men and women, in this country whose jobs rely directly on our participation and role and place in what is after all the world’s largest borderless single market with 500 million consumers right on our doorstep... isolation costs jobs, costs growth, costs people’s livelihood.”

This paper argues that this often repeated claim is scaremongering. It is designed to psychologically intimidate the British electorate into shutting their minds to the possibility of change and prevent a rational debate taking place. We will argue that:

1. **In reality, the EU is more dependent on being able to export to our significant market than we are on selling to the European Single Market.** This is one of the reasons why Brussels would be extremely unlikely to want to erect trade barriers should we quit, even were this legally possible under WTO rules – which, we will show, it would not be.

2. **There is a real threat to UK employment, influence and our broader prosperity if we do decide to remain an EU member.** The EU is an economically and demographically declining area based on a dated, centralised ‘one size fits all’ model of harmonised law-making that, critically, goes well beyond trading needs. The growing regulatory burden, on both our private and public sectors, the increasing demands for financial contributions (now in excess of £21 billion gross), the imposition of expensive energy policies, slow movement on trade deals and the prospect of the eurozone majority voting as a single bloc in the future all mean Britain’s influence and economic prosperity will be put at risk if we allow ourselves to become subject, increasingly, to EU central economic governance.

3. **Our future economic well-being depends instead on gaining access and selling to the faster-expanding markets that lie beyond the EU.** Thanks to the WTO and the explosion in the number of bilateral free trade deals that have taken place in recent years, there are now relatively few impediments to world trade. 75% of all trade in goods is now tariff free. This is rendering the EU’s post-war era customs union model increasingly obsolete. A clear majority of UK exports now go to non-EU countries.
4. Employment growth would be even stronger if Britain was free to adopt bilateral arrangements of its own, outside membership of the EU, as it could focus on providing a regulatory framework that is appropriate for the UK economy and wider society and which has the democratic consent of the electorate. In the modern era, policy flexibility and speed of response to fast-changing circumstances are more important than size. Tony Blair has claimed that the great advantage of being a member state is the ‘heft’ the EU has because of its size. But what if the policies and demands it makes are the wrong choices for Britain, as they have so often been?

5. A growing percentage of cross-border issues and regulatory requirements are determined now by bodies at the global level through organisations such as the WTO and the numerous offshoots of the United Nations. It would make more sense for Britain, like Norway and Switzerland who are both outside the EU, to represent itself at the global level. At present we have very little influence in Brussels as we only now have 8% of the votes and zero influence on those global institutions where the EU represents all the member states collectively.

Our argument is that British policy makers and members of the business community need to stop looking with religious-like intensity through the prism of the European Single Market. As we will demonstrate, exports to the EU market are of declining significance to Britain. We need to re-focus towards the rest of the world. Having first considered how the myth of ‘the three million job losses if we leave the EU’ scare story came about, we shall examine three principal economic themes:

- First, we will look at where the UK trades, the relative importance of the EU and other geographic areas and analyse where the long-term growth opportunities are. Where should business place its bets?

- Second, the relative employment, job creation and unemployment records of the EU and other key developed markets. These show the UK to be getting stronger while the EU continues to stagnate or worse.

- Third, we will look at global tariff structures and ask the question: “Would the EU treat us differently from the US, Australia, or Canada if the UK resigned its membership of the EU?” Where does the risk lie in this context?
1. The myth of three million job losses if we leave the EU

What is extraordinary about this propaganda line is that, no sooner had it first surfaced fifteen years ago — during the period when Tony Blair was hoping to be able to call a referendum on joining the single currency — than it was shot down in flames. Yet here we are, all these years later, and the likes of Nick Clegg, Ken Clarke and Ed Miliband are still peddling the same discredited claim.

In 1999 the National Institute of Economic and Social Research (NIESR) produced a paper commissioned by the main pro-euro campaign, Britain in Europe. It asserted:

“Detailed estimates from input-output tables suggest that up to 3.2 million UK jobs are now associated directly with exports of goods and services to the EU countries. This has given rise to popular concern that some of these jobs might be at risk if Britain were to leave the Union. Opponents of membership on the other hand argue that many of the benefits flowing from the increasingly integrated European Economic Area might still be available even if the UK were to withdraw, particularly since the Uruguay Round Agreement (under World Trade Organisation auspices) has imposed significant limits on the trade barriers that the EU can place on non-members. In conjunction with the potential gains from withdrawing from the Common Agricultural Policy and no longer paying net fiscal contributions to the EU, there is a case that withdrawal from the EU might actually offer net economic benefits.”

This was, needless to say, not in the slightest bit helpful to those sponsoring the report. Britain in Europe proceeded to ignore the hugely inconvenient conclusion by the report’s authors that 3.2 million jobs were only ‘associated’ with UK exports to the European single market and that, since trade might well continue between Britain and the EU member economies in the advent of us leaving, these jobs would not in all probability be lost. The desperate attempt by the pro-euro lobby to spin NIESR as having confirmed that three million jobs were dependent on EU membership led to its then director, Martin Weale, to angrily dismiss this disingenuous interpretation as “pure Goebbels”.

Professor Ian Begg, one of the authors of the NIESR report, also repudiated the distortion of the paper confirming that:
“there is no a priori reason to suppose that many of these jobs, if any, would be lost permanently if Britain were to leave the EU”.5

The pro-EU lobby, additionally, wilfully refused to draw attention to the inconvenient reality that once Britain had departed, it would be protected by the WTO’s Most Favoured Nation principle, which outlaws its members from discriminating against fellow signatory states. 75% of all global trade in goods is now completely tariff free. In the few remaining areas where the EU could in theory hit UK exports with high tariffs once we were outside the single market it is extremely unlikely Brussels would choose to do so. Would French, Italian and Spanish wine exporters really want to face a potential whopping 32% tariff when selling to British consumers? Would German car exporters really be happy to see a tariff of 10% levied against them?

Given that the European Commission has already signed, or is in the process of negotiating, approximately 70 bilateral free trade agreements with nations such as South Korea and Mexico – economies that are of far less significance to EU exporters than the UK market – it is extremely unlikely a deal could not be negotiated between an independent Britain and Brussels.

Further, if approximately 3 million UK jobs are related to what we sell into the European single market, many more jobs are dependent on what the other EU member states sell to us. A study by Ruth Lea and Brian Binley MP concluded that since the original 1999 Britain in Europe ‘3 million jobs’ claim, 6.5 million jobs were related to what the rest of the EU was able to sell to the UK, with 4.5 million UK jobs linked to trade with the EU (see chart overleaf).6 The EU, therefore, has almost one and a half times as many jobs ‘at risk’ in the unlikely situation that they choose to initiate a full-scale (and illegal) trade war with Britain if we vote to leave.
## Estimated jobs dependent on exports of goods & services to the UK, 2006

<table>
<thead>
<tr>
<th></th>
<th>Exports to the UK (£bn)</th>
<th>GDP (£bn)</th>
<th>Exports to the UK as a % of GDP</th>
<th>Employment Actual (millions)</th>
<th>Dependent on trade with UK (estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>3.799</td>
<td>175.871</td>
<td>2.16</td>
<td>3.928</td>
<td>84,853</td>
</tr>
<tr>
<td>Belgium</td>
<td>17.086</td>
<td>216.141</td>
<td>8.24</td>
<td>4.264</td>
<td>351,274</td>
</tr>
<tr>
<td>Cyprus</td>
<td>3.071</td>
<td>9.899</td>
<td>31.02</td>
<td>0.357</td>
<td>110,849</td>
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<tr>
<td>Czech Republic</td>
<td>3.113</td>
<td>77.490</td>
<td>4.02</td>
<td>4.828</td>
<td>193,960</td>
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<tr>
<td>Denmark</td>
<td>7.363</td>
<td>150.078</td>
<td>4.91</td>
<td>2.805</td>
<td>137,636</td>
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<tr>
<td>Estonia</td>
<td>0.820</td>
<td>9.021</td>
<td>9.09</td>
<td>0.646</td>
<td>58,749</td>
</tr>
<tr>
<td>Finland</td>
<td>3.231</td>
<td>114.115</td>
<td>2.83</td>
<td>2.443</td>
<td>69,184</td>
</tr>
<tr>
<td>France</td>
<td>40.315</td>
<td>1,222.645</td>
<td>3.30</td>
<td>24.769</td>
<td>816,749</td>
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<tr>
<td>Germany</td>
<td>50.165</td>
<td>1,583.695</td>
<td>3.17</td>
<td>37.378</td>
<td>1,184,011</td>
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<td>Greece</td>
<td>2.877</td>
<td>64.623</td>
<td>4.45</td>
<td>4.452</td>
<td>198,215</td>
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<tr>
<td>Hungary</td>
<td>2.371</td>
<td>61.309</td>
<td>3.87</td>
<td>3.930</td>
<td>151,985</td>
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<tr>
<td>Ireland</td>
<td>13.862</td>
<td>119.358</td>
<td>11.61</td>
<td>2.039</td>
<td>236,760</td>
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<tr>
<td>Italy</td>
<td>17.643</td>
<td>1,006.635</td>
<td>1.75</td>
<td>22.988</td>
<td>402,907</td>
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<tr>
<td>Latvia</td>
<td>1.418</td>
<td>10.987</td>
<td>12.91</td>
<td>1.087</td>
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<td>Lithuania</td>
<td>0.354</td>
<td>16.172</td>
<td>2.19</td>
<td>1.499</td>
<td>32,813</td>
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<tr>
<td>Luxembourg</td>
<td>3.283</td>
<td>23.074</td>
<td>14.23</td>
<td>0.195</td>
<td>27,788</td>
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<tr>
<td>Malta</td>
<td>0.532</td>
<td>3.420</td>
<td>15.55</td>
<td>0.152</td>
<td>23,704</td>
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<tr>
<td>Netherlands</td>
<td>27.055</td>
<td>364.229</td>
<td>7.43</td>
<td>8.261</td>
<td>613,621</td>
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<tr>
<td>Poland</td>
<td>4.731</td>
<td>185.266</td>
<td>2.55</td>
<td>14.594</td>
<td>372,665</td>
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<td>Portugal</td>
<td>5.006</td>
<td>105.747</td>
<td>4.73</td>
<td>5.160</td>
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<td>Slovakia</td>
<td>0.708</td>
<td>29.985</td>
<td>2.36</td>
<td>2.302</td>
<td>54,362</td>
</tr>
<tr>
<td>Slovenia</td>
<td>0.339</td>
<td>20.335</td>
<td>1.67</td>
<td>0.961</td>
<td>16,024</td>
</tr>
<tr>
<td>Spain</td>
<td>23.926</td>
<td>668.680</td>
<td>3.58</td>
<td>19.748</td>
<td>706,591</td>
</tr>
<tr>
<td>Sweden</td>
<td>7.767</td>
<td>208.5666</td>
<td>3.72</td>
<td>4.429</td>
<td>164,951</td>
</tr>
<tr>
<td>EU25 jobs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6,394,207</td>
</tr>
<tr>
<td></td>
<td>Exports to EU (£bn)</td>
<td>GDP (£bn)</td>
<td>% of GDP</td>
<td>Actual</td>
<td>Dependent on EU trade</td>
</tr>
<tr>
<td>UK jobs</td>
<td>205.036</td>
<td>1,302.056</td>
<td>15.75</td>
<td>28,337</td>
<td>4,462,270</td>
</tr>
</tbody>
</table>

For further details on the various EU-UK jobs studies: 2000 South Bank University (3.445m jobs ‘depend’); 2004 NIESR (3.2m jobs ‘associated’); 2008 Dept for Business, Enterprise & Regulatory Reform (3-3.35m jobs ‘linked (both directly & indirectly) with exports to the EU’); 2011 Centre for Economics & Business (4.2m jobs ‘associated’); House of Commons Library (4.5m jobs ‘dependent’ – but note that the working population has grown since the first study in 2000).
2. The EU is in structural decline and
UK trade is shifting to new markets

The times they are a changin’. According to the IMF, as recently as 1999, advanced economies accounted for 80.9% of global GDP. From an economics perspective China and India could be virtually ignored, because despite their 2.5 billion people their share of global GDP fifteen years ago was a staggeringly modest 3.5% and 1.4% respectively.

Today, the advanced economies’ share of global GDP has declined to 60.7% with China and India’s share having increased to 12.2% and 2.7% respectively. The European Union, once so critical to world GDP with a 34% share in 1980 has seen a relentless decline in its relative position. It now represents only 23.2% of global GDP, with the Euro area accounting for just 17.2%. The IMF forecasts that by 2018 the Chinese economy will be greater than that of the entire eurozone. Indeed the EU acknowledges this itself. As recently as July 2014 the European Commission outlined the problem even more dramatically than the IMF by saying ‘over the next 10 or 15 years, 90% of world demand will be generated outside Europe’. This trend is long-term structural, not cyclical.

The two charts below, using IMF data, highlight the shifting economic power of various regions and nations since 1980.

Share of Global GDP 1980-2018
Source IMF
The sharing of global GDP spoils is something to celebrate and is not a matter of despair as most of the developing economies’ growth has not come at the expense of our prosperity. Indeed although there have been losers (particularly Western manufacturing employment as work has migrated to lower cost areas) increasing industrial specialisation and Asian growth has benefited global growth in the round. These shifting GDP patterns are irreversible and thus the necessity to be tied to a geographically-proximate bloc should no longer be a relevant determinant of foreign and trade policy.

As emerging economies blossom the EU share of global GDP inevitably will continue to decline, and at a rate faster than in the US due to inferior European (although not British) demographics and a poor innovation and regulatory record.

Fortunately for the UK because of its historic links with the US, Australia, India, South Africa and the Commonwealth nations, a widespread recognition of the existence of the rule of law in Britain, the development of internet commerce, and because English is the world’s lingua franca for business, Britain is uniquely positioned to benefit from the decisive shift in economic and political power from west to east that is now taking place.
The chart below highlights just how rapidly British trading relationships are developing. This chart looks at the compound growth in UK exports since 2002. The countries marked in red are external to the EU. As growth patterns have shifted the UK’s growth markets have moved away from Europe to new jurisdictions.

**Export Market Growth 2002-2013 annual % change**

Source: Blue Book and Global Britain

Total EU trade is worth 17% of UK GDP, with the rest of the world accounting for 26% of UK GDP. Already, a growing majority of our exports are going to non-EU markets, rising from £322bn or 54% in 2009 to £395bn or 57% in 2013 – and this trend will only intensify in years to come.8

This data is unadjusted for the Rotterdam-Antwerp Effect and the Netherlands Distortion; these statistical distortions artificially inflate the percentage of UK exports going to EU. If account were taken of these distortions, the actual proportion of our exports going to the EU would be under 40%. Even if we take the ‘40%’ figure, this means that 60% of our exports go beyond the EU. Since 60% minus 40% is 20%, it is fair to state that UK exports to outside the EU are already 50% greater than exports to the EU.9
Britain’s trade patterns are already shifting away from EU countries to faster-growing, more economically dynamic parts of the world. Businesses are looking beyond EU markets locked in euro stagnation to new and future economic powerhouses east and west. Free from the EU, able to make their own decisions, Switzerland and Iceland have already negotiated trade deals with key future markets like China, exposing as myth the idea that emerging economies are not interested in doing deals with individual countries. Looking to our future, if we stay in the EU, it could be decades before Brussels concludes such deals to the satisfaction of all EU members.

Remaining unable to take full and timely advantage of global economic changes, like much smaller economies than the UK’s are already doing, represents a huge potential cost in lost business, jobs and prosperity.
3. Staying in the EU is not a risk-free option

The advent of the single currency has created a damaging dynamic in European politics, one which has big potential implications for countries such as ourselves, Denmark, Sweden and the other EU member states currently outside the eurozone. France and the countries of southern Europe are now in danger of permanently being locked into economic uncompetitiveness as they no longer control their own interest rates or are able to influence exchange rates. For the system to survive in the long-run the EU will have to move to central economic governance which will involve Commission surveillance of national budgets, debt-sharing and massive fiscal transfers.

It is naive in the extreme to believe that these developments will not impact on the nations that have chosen to keep their own currencies. One indication of what might be around the corner for the UK was given when our then chancellor of the exchequer, Alistair Darling, in the last days of the Brown government in 2010, was summoned to a meeting of the Council of Ministers. He was informed that Britain was now expected to contribute billions to the bailout of Greece. When he protested that British taxpayers should not be expected to risk their money helping to prop up a currency arrangement the UK was outside, the use of Article 122 of the treaty was then threatened. This commits all member states to provide financial support in the advent of natural disasters and voting is by qualified majority. Brussels was now proposing to reinterpret this obscure aspect of the treaty in order to force the non-euro countries to share the financial risk of bailing out eurozone members experiencing difficulties. Ultimately the Commission and the European Court of Justice determine what are the legal obligations of all member states, whether inside or outside the euro.

The very structure of the single currency with its one-size-fits-all interest rate, combined with already endemically high levels of unemployment and increasingly elderly populations across the EU, will result in ever more financial and policy demands being made on Britain by decision-makers in Brussels over whom we have very limited influence, with only an 8% share of the votes. The sheer scale of, and active role of the EU in, Europe’s unemployment problem needs to be acknowledged when calculating where our future interests lie.
3.1 Contrasting employment trends – The UK and Europe

Since 2007 total EU employment has contracted by 2.3% with seven of the member states seeing a decline in total employment by a magnitude in excess of 10%. A number of states are seeing levels of unemployment and in particular youth unemployment that are hugely damaging socially and economically. The UK’s record, despite claims that uncertainty over EU membership is damaging employment, compares highly favourably and Britain is in the top five of just ten member states to have grown total employment since 2007.

**Employment Growth 2007-14 % change**

Source: ECB
For those arguing that this is just a short term result of the credit crunch, the EU’s longer term record is pretty dismal too. Astonishingly six EU countries have smaller employment bases today than a dozen years ago. The UK, despite not being a member of the euro has, over that period, the best record of any major EU nation and is 3rd overall out of the 25 countries compared. UK employment growth has been approximately double the EU average since 2000.
3.2 Contrasting unemployment trends – The UK and Europe

Rates of unemployment vary massively across the EU as can be seen from the chart below. Again the UK’s record is strong with a current rate of unemployment of 6.4% that is almost half the average of 12.0% across the eurozone. Ironically this contrasts with claims that were made, prior to the formation of the euro, where it was argued that the UK would hemorrhage employment by being outside the core eurozone.

Further, different countries have different traditions with generally high rates of employment participation in Northern Europe. The UK is no exception, with one of the higher employment participation rates. Thus the UK has a strong record, relative to the EU, in employment creation, coupled with fairly low levels of unemployment and high employment participation rates.
The debilitating effects of the euro, coupled with global economic changes, mean the employment and broader economic prospects for most EU member states do not look good. Not only does this signal unpromising prospects for future trade within the EU, but of additional risk is the willingness of Brussels, evident in its decisions in response to the eurozone crisis, to exacerbate unemployment in its member states with the priority of protecting its own political status, powers and centralising objectives.

Additionally, future eurozone fiscal integration necessary to prop up the single currency will reduce the influence of non-euro members over EU legislation. Within the EU, the risk will grow of the UK being forced to enact EU legislation that the government opposes and that inhibits economic activity. Previous extreme manipulation of treaty articles by the EU and pro-integration judicial activism of the EU Court of Justice shows that assurances the Prime Minister may in future be given to allegedly protect Britain from being outvoted by a eurozone bloc majority are likely to prove neither credible nor robust.
A decision on EU membership demands not an assessment of the present but a projection into the future – a potential future of new economic powerhouses we are unable to more beneficially access and a future of being locked into a more centralised EU decision-making system that is only going to become more powerful, intrusive, costly and democratically remote. Remaining within the EU is very far from the oft-claimed ‘safe option’. In fact, we need to decouple ourselves before worse economic and democratic damage is done.
4 The world is our future

Slowly and surely tariffs have been falling. Today the global average tariff for all goods and services is less than 3%. In Europe and the US the figures are even lower at 1.09% and 1.58% respectively. The degree of economic protectionism has declined markedly over the last fifty years to the point where tariffs are now a minimal consideration when doing trade with all developed economies. Indeed, very few emerging markets now have meaningful tariffs.

To put this in context since the formation of the Euro, in January 1999, Sterling has swung between a band of €1.06 to €1.72 to the Euro. Movement against the US$ and Swiss Franc has been even more dramatic. While currency hedging is relatively straightforward, currency fluctuation is almost certainly a larger impediment to trade than tariffs because the magnitude and volatility of potential currency shifts far outweighs external protectionism in whatever form. The chart below outlines Sterling’s performance against major currencies since 2000.

Sterling against US$, Euro and Swiss Franc

Source ONS
Tariffs are no longer a material concern as can be seen in the table below looking at weighted average tariffs across all goods and services globally and by region.

### Global Tariffs – Weighted Mean Tariff % – All products

<table>
<thead>
<tr>
<th>Year</th>
<th>China</th>
<th>European Union</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>6.00%</td>
<td>2.00%</td>
<td>1.00%</td>
</tr>
<tr>
<td>2005</td>
<td>5.00%</td>
<td>1.50%</td>
<td>0.50%</td>
</tr>
<tr>
<td>2006</td>
<td>4.50%</td>
<td>1.20%</td>
<td>0.40%</td>
</tr>
<tr>
<td>2007</td>
<td>4.20%</td>
<td>1.10%</td>
<td>0.30%</td>
</tr>
<tr>
<td>2008</td>
<td>4.00%</td>
<td>1.00%</td>
<td>0.20%</td>
</tr>
<tr>
<td>2009</td>
<td>3.80%</td>
<td>0.90%</td>
<td>0.10%</td>
</tr>
<tr>
<td>2010</td>
<td>3.60%</td>
<td>0.80%</td>
<td>0.00%</td>
</tr>
<tr>
<td>2011</td>
<td>3.40%</td>
<td>0.70%</td>
<td>0.00%</td>
</tr>
<tr>
<td>2012</td>
<td>3.20%</td>
<td>0.60%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

The European Union does deserve some credit for reducing its average external tariff, which now stands at 1.09%, though even that rate is unfavourable compared with other non EU European nations. Switzerland charges zero and Norway 0.58%. Thus, the European Union per se has not led European tariff decline and being a member of the EU has not resulted in a more advantageous tariff structure to other non-EU European nations.
Further, in almost all major jurisdictions tariffs have been falling steadily and consistently as can be seen in the following three graphs which examine average tariffs in the US and key Commonwealth markets, as well as large emerging global markets and finally in Latin America.
Tariffs are no longer a significant concern in most global trade. Emerging economies have been steadily opening up their markets to imports. Other factors, such as currency fluctuation, heavily outweigh external protectionism as an impediment to trade. Even where barriers exist, as one of the world’s largest economies the UK has a powerful hand to play in any desired negotiations over tariff reduction or elimination. Scaremongering about potential tariff barriers only exposes the limited economic outlook of advocates of continued EU membership.
5. Why leaving the EU would not bring economic isolation to the UK

5.1 World Trade Organisation rules apply

International trade is policed by the World Trade Organisation. The WTO has been highly successful, over many decades, in reducing the burden of tariffs. These arrangements are protected by treaty and international law and it is simply not credible to suggest the EU would flout these legally-binding agreements by entering into a trade war, even in the short term, with the UK.

The guiding principle of the WTO is the **Most Favoured Nation** rule, which states that member nations cannot discriminate against each other through the imposition of tariffs. If the exports of one country are awarded a lower duty rate in relation to a particular product, then this must, typically, also apply to all others. Countries can, of course, establish free trade or customs unions, such as the EU, and abolish all tariffs and regulatory barriers between themselves. What they cannot do is then impose arbitrarily higher tariff levels on those outside such arrangements that go beyond the levels that have been established by the WTO’s already ratified multilateral agreements.

Therefore, in the few areas left where high tariffs can theoretically be imposed, such as on cars and some types of agricultural products, the UK could not be put in a worse position than, say, America or South Africa. The EU and an independent Britain would, of course, be free to negotiate a bilateral free trade deal that lowered, or removed entirely, customs duties and other types of barriers still permitted under the multilateral agreements.

While *in extremis* countries have raised trade barriers, such approaches by Western nations have become extremely rare, modest in scope and temporary. It is simply not realistic to believe that the EU would adopt a more punitive arrangement with the UK than it does with, say, South Korea, Australia, Mexico or Israel – countries that are of far less economic importance to EU exporters than Britain.
5.2 Britain would *gain*, not lose, international influence outside the EU

It is often argued by the pro-EU lobby that only by being part of a ‘big club’ can we exert influence internationally; as an independent country we would count for little. This is a disingenuous line of argument for two key reasons.

First, it assumes that, by subordinating ourselves to the judgment of the unelected European Commission, our national interest will *always* be best represented by the collective EU position. Yet, clearly, it is not in Britain’s interest that Brussels dictates trade policy for all member states. Do we really benefit from having to be part of the Common Agricultural Policy, which discriminates against Commonwealth and Third World producers and means higher food prices for our consumers? In recent times we have been in danger of being dragged into trade wars with China over textiles because of the protectionist inclinations of Italy, France and Belgium.

The second reason concerns the way in which a growing number of rules relating to various aspects of global international co-operation are determined by numerous transnational bodies, many linked to the United Nations. Outside the EU, Britain would represent itself on the WTO as well as the World Customs Organisation, a body that processes 98% of world trade. It is involved in the very important work of devising and implementing Rules of Origin. At present, the Commission speaks for all EU member states collectively on the WCO. There are numerous similar institutions including the Basel Committee on Banking Supervision, the UN Food and Agriculture Organisation and the National Plant Protection Organisation. These and other bodies draw up ‘quasi-legislation’; rules agreed by all the participating representatives that are then implemented within the different national jurisdictions, and by the EU.¹¹

The argument that the UK would lose international influence outside the EU is therefore yet another scare story. The opposite is the case. As an independent country we would be *better* able to shape cross-border agreements and rules at their increasingly global source. Britain would have more international influence than at present. We would cease being *Little Europeans* whose destiny was placed totally in the hands of the unaccountable European Commission.
5.3 EU nations would be the biggest losers in a trade war

There is a final reason why the EU would be most unlikely to increase tariffs against the UK, even if it could do so under WTO law. Simply put, turkeys don’t vote for Christmas. Since 2007, while the UK has registered a significant balance of payments surplus with non-EU nations of £54bn, over that same period the UK has run a massive and consistent trade deficit of a staggering £241bn (see chart below).

EU retaliation would be extremely counter-productive. While the UK would lose from retaliatory behaviour, the EU would have even more to lose.

Indeed, should the EU try to unilaterally levy tariffs at rates that WTO Most Favoured Nation rules would in theory allow — such as against, say, our whisky or agricultural exports — Brussels would risk retaliation on wines and champagnes, automobiles, white goods and other products. The other EU member states have more to lose as they export significantly more to us than we do to them.

Trade conflict would be negative for both parties and for this reason the probability of it happening, should the UK vote in a referendum to leave the EU, is close to zero.
Conclusion

Job creation is about enterprise, innovation, confidence and risk-taking – not about EU membership

It has been asserted that, while the EU might not be perfect, we cannot leave because so many British jobs are dependent on the Single Market. This is the product of muddled thinking. Jobs can be destroyed by political dictat (national or supranational) but ultimately employment is a result of comparative advantage, innovation, entrepreneurship and productivity gain, amongst other factors.

The EU’s record in employment creation has been lamentable. The UK has performed much more strongly over the last 6 and 12 year time horizons than EU averages. As Europe’s decline has become structural trade patterns have also changed. While the EU remains a key and important trading partner for the UK it is no longer the dominant market. 14 out of our 20 fastest growing markets are with non-EU nations. This represents a decisive and long-term shift in economic power away from the European continent.

Trade wars are largely a thing of the past. The WTO, working with national policy makers, has succeeded in reducing tariffs to an extent where they are now of only second tier importance in investment and export decision-making. Considerations about the stability of a currency, the rule of law, the quality of the workforce and inappropriate regulation are far more critical. The apparent group-think of a few business leaders representing big multinational corporations claiming ‘we can’t leave the single market’ based chiefly on tariff or influence criteria really does not pass critical inspection as average WTO tariffs are now so small and 75% of physical products are now completely tariff free.

Big companies tend to favour a high regulatory burden as it increases barriers to entry for smaller potential competitors. That may well help the profit margins of a large, bureaucratically-run individual firm, but it does not help competition, broader prosperity or our capacity to export in the long term. It is merely oligopolistic and a threat to employment.

Is it really credible that there would be a mass exodus of companies over an average WTO tariff of 1.09%? In international law the scope for EU retaliation, should the UK leave the Union, would be extremely limited, as we have shown. Indeed it would be counter-productive. Should EU leaders choose to be vindictive for economically irrational reasons they will only shoot themselves in the foot as EU exports to the UK are substantially greater than our exports to the single market.
The UK has demonstrated that given its global links, with the Americas, Asia and Africa as well as the Commonwealth, it is uniquely well placed to benefit from today’s shifting economic sands. The political stability of the UK, the English language and rule of law coupled with secure property rights and a population that is by far and away the most diverse in Europe will continue to benefit from global growth. By enabling trade policy to be determined at home, the UK can both continue an open trading relationship with our European neighbours and best foster these wider links to boost employment, growth and prosperity.
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