

**VOTE LEAVE'S
“SEVEN PRINCIPLES”:
COHERENT PLAN OR
FANTASY WISH LIST?**

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INTRODUCTION

There have long been calls for opponents of the UK's membership of the European Union (EU) to set out what alternative arrangements they would propose instead. Recently Vote Leave, one of the pressure groups competing to be the official voice of the leave campaign in the forthcoming referendum, has published what it called "seven principles" for the UK outside the EU.¹ Unfortunately they are fuzzy, in some cases inaccurate and not reassuring. But at least we now have some idea of what Brexit supporters want and it does not make encouraging reading.

Partly this is because their "principles" are often not that at all; they are a mixture of action points and rhetoric, not backed up by evidence, and driven by emotion. In their anxiety to prove they have a credible alternative to EU membership, they get their facts wrong, make unjustified assertions and sow confusion.

In this brief analysis we have in each instance placed the text of Vote Leave's "principle" first, followed by our commentary. We hope this analysis will be useful to all who care about Britain's economic future and its position in the world.

David Hannay & Nicholas Kent

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¹ See Vote Leave, 'Briefing: 'Leave' looks like...', 3 March 2016: http://www.voteleavetakecontrol.org/briefing_newdeal

THE SEVEN PRINCIPLES

I

First, not in chronological order, we will repeal section 2 of the European Communities Act 1972. This is Parliament's instruction to our courts to treat EU law as supreme. We will repeal it and restore democratic government. Daily in government departments, ministers are told 'you can't do that because we will be judicially reviewed under European law', on a vast range of subjects from building hospitals and aircraft carriers to which terrorists we can deport. This causes administrative and management chaos and adds billions to costs. A 'leave' vote is a necessary, though not sufficient, foundation for restoring competent and democratic government.

It is noticeable that they have left themselves the option of not immediately repealing Section 2 to do so would be a breach of the UK's international treaty obligations; and it would also mean that we would lose access to the Single Market, our involvement in all EU programmes and so on. The reference to terrorists appears to be a reference to the European Convention on Human Rights – something separate from the EU and its law and unaffected by our leaving the EU. The European Arrest Warrant is the single most effective mechanism we have ever had to speedily extradite terrorists wanted in the UK or to deport them from the UK to other EU Member States.² Since 2004 it has allowed, in total, 7,000 people to be extradited from the UK to face trial or to serve their sentence and it has enabled just over 1,000 people to be returned to the UK to face justice.³

II

Second, we will retake control of our trade policy. We will leave the Common Commercial Policy that gives the Commission control of all UK trade agreements. After we retake control, we will negotiate new agreements with countries like India, which represent the future of global growth, much faster than the EU slowcoach wants to or is able to.

By leaving the Common Commercial Policy we would lose access to the markets of the 53 countries with which the EU already has free trade agreements. Negotiating new agreements on our own will be an arduous process in which our leverage will be less because we will only be offering access to market of roughly 60 million compared to the EU's 440 million. We would not be able to negotiate faster than the EU to get serious and substantial agreements, not least because a bilateral treaty with a smaller market like the UK will not have the same level of priority in other countries as their negotiations with the far larger EU. The sort of FTAs we could negotiate are likely to be similar to those of Iceland and Switzerland – *i.e.*, unbalanced agreements that give the other country

² The average time taken to extradite a person to the UK has fallen from a year to 48 days: see 'Q&A: European Arrest Warrant', BBC News, 5 December 2014: <http://www.bbc.co.uk/news/world-europe-23239493>

³ National Crime Agency, 'Historical European Arrest Warrants statistics: Calendar and Financial year totals 2004 – April 2015', 1 October 2015: <http://www.nationalcrimeagency.gov.uk/publications/european-arrest-warrant-statistics/historical-eaw-statistics/610-historical-european-arrest-warrants-statistics-calendar-and-financial-year-totals-2004-april-2015>

greater access to our markets than we are allowed to theirs.⁴ They are also likely, as with the Icelandic and Swiss agreements, not to give cover access for services, a critical issue for the UK given that 78 per cent of our economy is in services.

III

Third, we will have a new UK-EU trading relationship. There is a European free trade zone from Iceland to the Russian border and we will be part of it. The heart of what we all want is the continuation of tariff-free trade with minimal bureaucracy. Countries as far away as Australia have Mutual Recognition agreements with the EU that deal with complex customs (and other 'non-tariff barrier') issues. We will do the same.

What about the so-called 'Single Market'? The 'Single Market' is almost universally misunderstood and is nowhere defined in the EU Treaties. It was created in the 1980s by Jacques Delors in order to impose qualified majority voting in a vast range of areas beyond international trade such as the free movement of people, how we build schools or aircraft carriers, and thousands of things like the energy requirements of hoovers and the maximum size of containers in which two people sell olive oil to each other in the Shetland Islands (five litres). The Foreign Office and CBI like to claim that the Single Market was about 'free trade' but this is historical nonsense. Delors' goal was explicitly political - as he said, 'we're not here just to make a Single Market, that doesn't interest me, but to make a political union.'

The Single Market causes big problems. For example, the Clinical Trials Directive has hampered the testing of vital cancer drugs for years causing unnecessary deaths. Single Market rules add complexity, time, and billions to government procurement programmes. Economists have tried and failed for twenty years to identify clear general gains from the Single Market. Even the Commission's own, obviously optimistic, figures show that the supposed gains for the UK are smaller than reasonable estimates of the regulatory costs. Most businesses have said for over a decade that the Single Market does more harm than good but this debate has been distorted by a small number of large multinationals that lobby Brussels to use regulations to crush entrepreneurial competition. Big businesses are often the enemy of the public interest.

These problems will grow. The next EU Treaty is intended to harmonise another vast range of things including areas such as company law and 'property rights'. Harmonising regulations is often good for countries like Greece but is often disastrous for Britain which wins more of the world's investment in Europe than any other European country precisely because much of our legal system is not yet harmonised with Europe.

The EU's supporters say 'we must have access to the Single Market'. Britain will have access to the Single Market after we vote leave. British businesses that want to sell to the EU will obey EU rules just as American, Swiss, or Chinese businesses do. Only about one in twenty British businesses export to the EU but every business is subject to every EU law. There is no need for Britain to impose all EU rules on all UK businesses as we do

⁴ For example, the Sino-Swiss FTA provides for tariff-free access for most Chinese goods yet "the tariff rates on most of the major Swiss exports to China will be subject to transition periods of 5 to 10 years": see Wenfei Law, *A practical guide to the new Free-Trade Agreement between Switzerland and China*, 12 December 2013, p. 13 et seq.: http://www.wenfei.com/fileadmin/pdfs/China_Publications/Wenfei_FTA_Publication_December_2013.pdf

now, any more than Australia or Canada or India imposes all EU rules on their businesses. British businesses that wish to follow Single Market rules should be able to without creating obligations on everybody else to follow them. The vast majority of British businesses that do not sell to the EU will benefit from the much greater flexibility we will have.

The idea that our trade will suffer because we stop imposing terrible rules such as the Clinical Trial Directive is silly. The idea that 'access to the Single Market' is a binary condition and one must accept all Single Market rules is already nonsense - the Schengen system is 'Single Market' and we are not part of that. After we vote to leave, we will expand the number of damaging Single Market rules that we no longer impose and we will behave like the vast majority of countries around the world, trading with the EU but, crucially, without accepting the supremacy of EU law.

Regulatory diversity is good in many ways. One of the great advantages of post-Renaissance Europe over China was regulatory diversity. This meant Europe experimented and reinforced success (which often meant copying Britain) while China stagnated. Hamilton's competitive federalism between the different states in America brought similar gains. Now the EU's 1950s bureaucratic centralism, reinforced by the Charter of Fundamental Rights that gives the European Court greater power over EU members than the Supreme Court has over US states, increasingly mimics 16th century China in preventing experiments and crushing diversity.

This is back to the future; it is an attempt to revive the UK's position in the 1950s in talks with other European countries when we were unable to persuade them to agree to this sort of a free trade zone; they founded the EEC instead. In any case, this kind of free trade zone is not enough for the UK today – because it would not cover services, the bulk of our economy. "Services" does not just mean things like retailing and cleaning, it covers high value sectors like banking and finance, law, accountancy, management consultancy, scientific co-operation, the digital economy and other areas in which the UK excels and is often a world leader.

Secondly, the EU only concludes agreements with European countries like the UK on the basis of the European Economic Area, that means acceptances of the four freedoms (of capital, goods, services and people) of the Single Market and would mean us accepting EU rules without having any say over them.

Delors has not held office either at the European or national level for over 20 years; the EU has moved on and the UK renegotiation achieved commitment to new treaty language to address concerns about the meaning of the words "ever closer union" in the treaties.⁵ Of course EU regulations are not perfect (nor is regulation in the UK where gold-plating of EU regulation is not unknown) but we would not be able to correct them if we were outside the EU, which would be a major problem given that we sell almost 50 per cent of our goods and services to the EU.

⁵ European Council, *European Council meeting (18 and 19 February 2016) – Conclusions*, 19 February 2016, ST 1 2016 INIT, p. 16: <http://data.consilium.europa.eu/doc/document/ST-1-2016-INIT/en/pdf>

It is not true that businesses have said for more than a decade that the Single Market does more harm than good. The evidence gathered by the CBI, the Institute of Directors (and many others) suggests the opposite.⁶

The words “Single Market” are not mentioned in the EU Treaties because it is called the “internal market” in EU law. It is defined in Article 26 of the Treaty on the Functioning of the European Union (previously known as the Treaty of Rome, as amended) says:

The internal market shall comprise an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured in accordance with the provisions of the Treaties.

There is no plan for a new EU treaty that would harmonise company law and property rights. This is probably a reference to the so-called *Five Presidents Report*, a blueprint for greater integration in the eurozone and not the EU.⁷ There is little chance of it being implemented because of sharp differences of view which have emerged within the eurozone. In any case, inside the EU the UK has a veto over new EU treaties; outside we would have no voice and no vote, meaning that the EU could adopt new powers that we might find ourselves obliged to accept in order to continue trading with them but to which we objected.

The notion that regulatory diversity is a good thing is an interesting question for academic discussion but hardly relevant to the real world. The great advantage of the UK being in the EU is that we help to set the rules for the Single Market – it is the EU, along with the other economies of global importance (like the USA), which effectively set the rules for global trade. Outside the EU we would not have any influence over those rules while being forced to obey them.

IV

Fourth, we will increase our international influence. We have never managed to exert much influence on the EU project. As the UK negotiator for our entry to the EEC put it, the Foreign Office strategy from the outset was to ‘swallow the lot and swallow it now’. This situation recently got even worse. The Lisbon Treaty created a structural Eurozone majority in the EU Council of Ministers such that Britain is routinely outvoted and has no veto on vital issues. We have even surrendered our one meagre surviving true red card, the ability to stop other states going ahead by themselves with things that will damage us. Every time a British Prime Minister has tried to oppose something they have failed. Even this dismal new deal has demanded the calling in of favours and handing out millions of pounds to other EU members via the European Commission.

This bureaucracy over which we have so little influence now supplants Britain in many global bodies. Many supposed ‘EU rules’ now actually transpose rules agreed in these global bodies where Britain has given away its representation to the EU. Our new deal will therefore also include Britain retaking our seats on all these bodies, such as the

⁶ See, for example, CBI, *Our Global Future: The business vision for a reformed EU*, 28 October 2013: <http://news.cbi.org.uk/reports/our-global-future/our-global-future/>

⁷ European Commission, *The Five Presidents' Report: Completing Europe's Economic and Monetary Union*, 22 June 2015, p. 13: https://ec.europa.eu/priorities/sites/beta-political/files/5-presidents-report_en.pdf

World Trade Organization. If Canada has adopted the same rules as Norway or Luxembourg over car safety glass, and can export windscreens to Britain or Ukraine, it is because the relevant standards have been agreed at a higher level than the EU. A leave vote means the opposite of isolation – it means regaining a voice in global bodies that will be increasingly important as the EU shrinks in importance.

The notion that leaving the EU would increase our international influence runs counter to everything said by our friends (and our enemies) around the world. The USA, China, Australia, Japan, Norway, and countless other countries have made clear that they want the UK to stay in the EU. Are they joking? They want the UK to remain in the EU because of the influence that we have within it.⁸

The UK's influence on the EU has been very considerable. The creation of the Single Market was driven by a British Prime Minister (Margaret Thatcher) and a British Commissioner (Lord Cockfield). Enlargement was a project pursued by Thatcher and by John Major. Freer world trade, environmental co-operation, and international development are all areas of EU activity where the UK has played a major role under successive governments. It was the UK, in addition, that in the 1990s drove much of the development of EU crime, justice and anti-terrorism co-operation in response to the growth of international crime.

It is misleading to say that the UK is routinely outvoted; it votes with the winning majority in 85-90 per cent of votes.⁹ In any case, the majority of issues in the EU are resolved without contested votes.¹⁰ Many key areas are covered by a requirement for unanimity. The UK, under Margaret Thatcher, pressed for qualified majority voting for the Single Market because the vetoes of individual countries were preventing the removal of protectionist barriers to trade within the EU.¹¹ The UK has benefited greatly from the removal of those barriers.

A deliberate change in UK policy on voting in the Council of Ministers in 2010 has resulted in a higher number of occasions in which the UK is outvoted.¹² Ministers decided to make a point of being voted down rather than, as under governments of all parties in the past, to use our support for one measure to trade support for another.

The UK has not given up its seats on world bodies. We remain a permanent member of the UN Security Council and have our seat at the World Trade Organisation. Often we negotiate as part of the EU because of the greater clout that it has in global negotiations, such as over trade and climate change. If the UK is outside the EU the main negotiation

⁸ See, for example, 'Norway Foreign Minister Brende: UK better off in EU', *BBC News*, 1 June 2015:

<http://www.bbc.co.uk/news/world-europe-32957134>; or 'Obama urges UK to stay in European Union', *BBC News*, 24 July 2015:
<http://www.bbc.co.uk/news/uk-politics-33647154>

⁹ Vaughne Miller, *Voting Behaviour in the EU Council*, House of Commons Library Standard Note 13/6646, 23 May 2013:
<http://researchbriefings.files.parliament.uk/documents/SN06646/SN06646.pdf>

¹⁰ Discussed in Joseph O'Leary, 'How often does the EU overrule British Ministers?', *Full Fact*, 9 May 2014:
<https://fullfact.org/europe/how-often-does-eu-overrule-british-ministers/>

¹¹ For example, stopping the export of British-made chocolate to Belgium and beer to Germany. See *Commission v. Italy*, Case C-12/00, [2003] ECR I-00513: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:62000CJ0014&qid=1429697996641&from=EN>; and *Commission v. Spain*, Case C-14/00, [2003] ECR I-00459:
<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:62000CJ0012&qid=1429697996641&from=EN>

¹² Simon Hix & Sara Hagemann, 'Does the UK win or lose in the Council of Ministers?', *LSE BrexitVote*, 2 November 2015:
<http://blogs.lse.ac.uk/brexitvote/2015/11/02/does-the-uk-win-or-lose-in-the-council-of-ministers/>

will be between the US, China and the EU and the UK will be left on the margins, as we were in the 1960s before we joined the EU (for example, in the Kennedy trade round).

V

Fifth, we will use our freedom from EU law and our strengthened international voice to promote more effective and faster international cooperation often at a global level. European cooperation will continue in fields where it already exists such as air travel, sanitary controls, disease, and counter-terrorism.

We must go much further particularly to deal with rapidly accelerating technological revolutions such as genetic engineering and machine intelligence. The EU is clearly unable to cope and there is widespread recognition of the need for new global economic and security institutions to deal with humanity's biggest problems. We need institutions that are much faster to adapt to accelerating changes.

The meaning of this section is unclear. Are they suggesting that if, for example, the UK had negotiated separately at the Paris climate change talks in December 2015 the outcome would have been better? In any case, who is calling for new global institutions and which ones do they wish to replace? Should we junk the UN, NATO, the Organisation for Security & Co-operation in Europe (OSCE), the World Bank and the IMF? The only person repeatedly calling for new institutions is President Putin, who wants the disbandment of the OSCE in order to legitimise his aggression in Crimea and Ukraine.

If global institutions were to move faster than they do now, they that would mean them riding roughshod over the wishes of their member countries; the very thing the outers say they want to avoid.

VI

Sixth, we will have a sensible regime for the movement of people that allows us to replace the awful immigration policy we have now – a combination of an open door for low skilled labour and convicted criminals from the EU while simultaneously stopping highly skilled people from outside the EU coming to the UK to contribute. We will take back control of our asylum policy from the European Court, including over the vital 1951 UN Convention on refugees. As another billion people are added to the world population and this population becomes more urban and mobile, it is vital for our prosperity and democratic legitimacy that we regain the power to change our immigration policy according to changing circumstances.

Free movement of people brings skilled as well as unskilled workers from the EU into the UK. For example, doctors and nurses for the NHS and other well-qualified specialists.

Being in the EU makes it easier both to deport indicted criminals because the European Arrest Warrant means that other Member States can retrieve their wanted nationals from the UK quickly and efficiently and also to get back those wanted for crimes in the UK. Also, through EU crime and justice co-operation we have access to the criminal records information of other Member States. Changes to free movement rules agreed as part of

the renegotiation will make it easier to prevent convicted criminals coming into the UK in the first place and to clamp down further on sham marriages and other abuses.¹³ We retain control of policy on migration from outside the EU. The decision to restrict skilled migration from outside the EU was a UK Government decision and nothing to do with the EU.

Requests for asylum are determined under the provisions of the 1951 Geneva Convention, to which all EU Member States are parties. It is not a matter for the EU. Do the outers want us to withdraw from the 1951 convention?

There are pressures from global migration on all European countries including the UK but they will not lessen if we leave the EU, we will just have less influence with our former EU partners over ways of working together to mitigate its adverse consequences. The bilateral arrangement we have with France, which place our border controls on French territory, may not survive our leaving the EU.

VII

Seventh, we will be able to spend our money on our priorities. Instead of sending £350 million per week to Brussels, we will spend it on our priorities like the NHS and education.

This is the wrong figure; the UK's net contribution, that is after allowing for the UK's rebate and the money we get back from the EU to spend here, is about £119 million a week, less than half the figure claimed by the outers.¹⁴ It amounts to £266 per person, per year in the UK and we are only the ninth largest per capita contributor in the EU behind France, Germany, Italy, Denmark and others.

Promising to spend all the money "saved" from leaving the EU on the NHS presumes that farmers will no longer receive any state support, that UK regions, such as Scotland, Wales and Cornwall will no longer be supported and that innovation, science and the university research will also lose the considerable funds which they currently get from EU programmes financed through the budget.

¹³ Annex 7 of the Decision of the European Council on the UK renegotiation sets out ways in which the current free movement rules will be tightened to prevent abuses: see European Council, *European Council meeting (18 and 19 February 2016) – Conclusions*, 19 February 2016, ST 1 2016 INIT: <http://data.consilium.europa.eu/doc/document/ST-1-2016-INIT/en/pdf>

¹⁴ Full Fact discusses many of the claims made by outers of what belonging to the EU actually costs us: see Full Fact, 'The UK's EU membership fee', 25 February 2016: <https://fullfact.org/europe/our-eu-membership-fee-55-million/>



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