

## Three reasons why Britain needs 'Brexit'

Roger Bootle isn't convinced by the "scaremongering tactics" put forward to keep Britain in the EU



By Roger Bootle

5:38PM GMT 01 Nov 2015

 286 Comments

Last week, the Prime Minister said that life outside the EU would not be all “milk and honey”. He pointed to the **disadvantages of the “Norwegian option”**, saying that Norway had to accept EU regulations, yet had no vote or influence in Brussels, makes a substantial contribution to the EU budget and even has no effective control over its borders. Why would Britain want such an arrangement?

Why indeed? Even the Norwegians aren't that keen. The Swiss haven't adopted it and, pointedly, the Americans, or any other country that trades with the EU, haven't sought to ape it. So let's put the Norwegian option to one side.

The **economic arguments for Britain's continued membership** are pretty clear. Outside the bloc we would face the common external tariff, and our businesses might be forced to spend large sums to comply with EU regulations in order to gain access to the Single Market and even so, might still face discrimination. The UK might fare badly in trying to negotiate trade deals with third parties, such as China and the US, because it would lack the necessary clout. And, because of all this, business investment in Britain might drop, with falls in foreign direct investment and withdrawals by overseas firms.

The economic arguments for an exit mirror these, with the important addition of Britain's EU budget contributions. It is perfectly possible to imagine a prosperous future for the UK outside the EU, even if no special trade deal were done. As it happens, because trade between the UK and EU is so important – for both sides – there is highly likely to be **a deal which gives the UK special access to EU markets**.

Although it is widely assumed that a big and powerful entity like the EU would be better at negotiating trade deals with third parties than the UK acting on its own, the evidence does not back this up. So-called “clout” is only one factor. For the EU, getting a trade deal with a third party involves the tortuous business of catering to the interests of 28 member states. The outcome is bound to be a messy compromise.

An agreement that is forged to protect, inter alia, the interests of French Camembert cheese producers will not necessarily serve Britain well. Moreover, precisely because

of the EU's enormous size, the third party may be wary of opening up its markets for fear of what this might do to its domestic industries. In this regard, it is interesting that Switzerland has managed to sign a favourable trade agreement with Japan, a country with which the EU has still not secured a deal.

Probably the greatest benefit of Britain being outside the EU would be **the freedom to rescind EU laws and regulations**. Some estimates put the benefits at several per cent of GDP. Mind you, quantifying the costs of regulation is notoriously difficult, and we cannot know how far the UK would go down the deregulatory route if it had the freedom to do so. Indeed, a Labour government would surely take a different path.

Lastly, there is the EU budget. The UK's net contribution to the EU is about £9bn a year. This is a substantial sum – although not enormous. It represents only 0.5pc of the UK's GDP. Bear in mind, though, that the cost to the Exchequer from last week's rejection of the Chancellor's plan to reduce working tax credits would be just over £4bn. If we were outside the EU, then we must presume that the lion's share of our contribution would be saved, thereby reducing the Government's deficit by this amount.

The tally of overall costs and benefits could be a pretty close call. Nevertheless, three factors persuade me that we would probably be better off out.

1. First, on past form, the EU will continue to stretch its tentacles wider and deeper into every nook and cranny of national life. Hence, the costs of its interference will rise substantially. Meanwhile, over time the EU budget will surely increase. After all, the logic of moving towards a closer union is that the central budget should outrank national ones.
2. Second, if most of the rest of the EU moves towards full fiscal and political union to make the euro work, it is going to be very uncomfortable for the UK to be inside the EU but outside that bloc. Whatever difficulties we have had over recent years in making our voice heard in Brussels are bound to get worse.
3. Third, the EU is likely to fall in relative importance in the world. Admittedly, the UK doesn't have to choose between trading with the EU and trading with the rest of the world. But if the rest of the world is continuing to grow in relative importance, then the benefits of EU membership would be proportionately smaller, and the costs yet more unnecessary.