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Staying in an unreformed EU is a major gamble

Our experience of the EU is a strange mixture of trivial and disastrous, writes Roger Bootle

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By Roger Bootle

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In the coming months I will analyse the major issues facing voters in the [impending referendum on EU membership](#). But it may be helpful if I first outline my own journey towards euro-scepticism.

In the 1975 referendum, I voted to stay in. Like many British people, however, what I voted to stay in was not the same thing as what the EU now is, let alone what it wants to become. The British people were asked whether “the UK should stay in the European Community (Common Market)”. Only subsequently did the “Community” become the “Union”.

I was ridiculously naive, but in 1975 the project’s political ambitions weren’t clear to me. In retrospect, whatever else they may have been wrong about, Messrs Enoch Powell and Tony Benn were dead right about this. As the decades passed, I became more aware of the political aspects of the Union and more sensitive to Britain’s implied loss of sovereignty.

Concern about sovereignty might have been trumped if the economics stacked up favourably for membership. In the early years, this is indeed how things seemed. After the signing of the Treaty of Rome in 1957, the UK did relatively badly compared to the original six signatories. The British establishment concluded that there was something special about membership of this club which led to higher rates of growth.

In fact, plenty of countries not in the Market, both European and non-European, were doing much better than Britain and about as well as the original six members. The outlier in the ranks of economic performance was not the Common Market, but the UK.

Indeed, in the 1980s, as many of our fundamental problems were addressed, while the initial growth impulse on the Continent waned, the picture began to change. The contrast became starker once the bungled attempt to construct a monetary union was [revealed to be an economic disaster](#). The countries of the eurozone continue to grow more slowly than the UK, the US and indeed just about everywhere else.

Accordingly, it is surprising that it is often suggested that leaving the EU would be an economic catastrophe. Sometimes people point to the potential tariff barriers which would face our exports if we failed to secure a trade agreement with the remaining members. (In practice, I am confident that we would manage to secure a favourable trading agreement.)



A referendum on Britain's membership of the EU is looming

The comparison with the 1970s is instructive. Since then, tariffs have fallen dramatically; goods have become less important in our trade as services (not subject to tariffs) have become more important; and, as the EU's growth rate has faded and other countries around the world have developed rapidly, the EU's share of our exports has dropped. So tariffs have become less relevant.

Accordingly, proponents of continued EU membership have become more worked up about membership of the so-called Single Market, that is the EU's single regulatory system that allows goods produced anywhere within the Market to be moved about without let or hindrance. The implication seems to be that if a country is not in the Single Market, then it will find it extremely difficult to export to it.

Yet this is palpable nonsense. Countries from all around the world export successfully into the Single Market without being members of it. Their exporters may face some added costs from the need to comply with EU rules and regulations but the huge success of their exports shows that this burden is far from onerous.

Yet, if you belong to the Single Market then you are obliged to accept its rules and regulations for the whole of your economy. About 40pc-45pc of our exports go to the EU. But, for simplicity, let's assume the figure is 50pc. Since we export about 30pc of our GDP, exports to the EU amount to about 15pc of GDP. It may not have escaped

your attention, however, that this implies that 85pc of our economy does not consist of exports to the EU. Yet this overwhelming bulk of the economy still has to comply with all EU regulations. Moreover, this non-EU proportion is rising all the time.

I think that a balanced analysis of the facts supports the conclusion that the UK could do perfectly well outside the Union.

For me, though, the key issue is governance. It has become clear that the EU's institutions do not work well. Accordingly, they are liable to make very bad decisions.

Our experience of the EU is a strange mixture of the trivial and the disastrous. The trivial includes the forbidding of hairdressers from wearing high heels at work. But the EU has also made bad decisions on four key issues: the operation of the Common Agricultural Policy (CAP) which subsidised inefficient agriculture; the huge expansion of the Union while maintaining free movement of people within it; the Schengen Agreement allowing passport-free travel; and the formation of the euro.

These bad decisions are the inevitable outcome of the combination of its dreamlike vision of the future, its inherently bureaucratic nature, the constant horse-trading between self-interested nation states, and the weakness of the European parliament. The result is a union that is profoundly undemocratic and unresponsive to peoples' needs, wishes and preferences.

The world is plagued by uncertainty and it is often suggested that leaving the EU would be risky. Yet [staying in an unreformed EU](#) would imply continued exposure to the EU's barmy decisions on whatever critical issues crop up in the decades to come.

In the light of past experience, this would surely be a monumental gamble.

Roger Bootle is executive chairman of Capital Economics. The paperback edition of his best-selling book, *The Trouble with Europe*, has recently been published by Nicholas Brealey.