

# We should not be swayed by soundbites and slogans about Europe

Business people and officials warn about the consequences of leaving the single market. But would it be all that bad?



'There is a soft push to create a sense of European citizenship which is based on frankly an invented common history' Photo: Alamy



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When ideas are encapsulated in a few simple words or catchphrases, they can be easily bandied around without anyone necessarily understanding what they are talking about. In the debate about Britain's membership of the EU, many of our successful business people, hard-nosed officials, and even quite a few grizzled commentators, all agree that we must be in the **“single market”**.

After all, they say, this gives us free access to the largest market in the world. If we are not members, then we would be excluded from this market, or we would not have full entry. Cue: guffaws, mutterings and the nodding of heads in affirmation of a self-evident truth.

But is this self-evident? Or even true? It is as though the single market were envisaged as some sort of enclosed space which you are either allowed, or not allowed, to enter. Of course, if you are outside the single market, unless you have a free trade agreement with the EU, then your goods have to pay an entry fee in the form of the EU's external tariffs.

But these are not very high. And there is an offset – namely not having to pay the Union’s annual membership fee, i.e. our net contribution to the EU’s budget. The tariff issue is really quite minor beside the supposed importance of the single market.

Yet hardly anyone seems to know what the single market is really about. It is more appropriately described as a single regulatory system. You can readily understand why this makes sense – certainly compared to a situation in which all 28 EU members have their own regulations and standards. In the extreme, a company might need to have 28 versions of the product it is exporting – or at least 28 versions of the packaging, documentation, testing certificates, quality accreditation, etc.

But in the context of whether or not the UK should stay in the EU, the issue is not whether the single market has been a good thing, and accordingly whether it should remain or be disbanded. The issue is whether we should continue to belong to it.

The situation is different as between goods and services and I will discuss financial services on another occasion. But for goods exports, if we left, not only would the single market still exist, but a British company trying to export into it would still enjoy the advantages of there being a single set of regulations governing all 27 other countries. In other words, the single market’s advantage to us derives, not from the fact that we are in it, but rather from the fact that they are in it.

This is profoundly at odds with the statements of many business people who give the impression that, the day after we left the single market, they would be faced by either an insuperable obstacle or unbearable costs. Of course, post exit they would need to comply with the EU’s regulations. Yet they already do. Would one of those industrialists who claim it is so important for us to stay in the single market please explain just how their business would be adversely affected after we left?

It is important to realise that “no change” for them does not mean “no change” for the rest of us. For outside the single market the UK government would have the ability to rescind EU regulations, and all those parts of the economy which are not involved with exporting into the EU – that is to say about 85pc of it – would no longer be bound by them.

Of course, the advocates of continued EU membership argue that if we are not in, then we cannot shape its rules. But how much ability do we really have? We are only one of 28 EU member countries and in a whole host of areas we are effectively operating in a minority.

The acid test of how beneficial it is to be in the single market is surely the relative performance of different countries at selling into it. Until recently the facts have received scant attention. Accordingly, we owe a huge debt of gratitude to the academic and businessman, Michael Burrage, who, in an interesting publication for the think tank Civitas, has compared the export performance of various countries, before and after the formation of the single market.

His conclusions are devastating. Umpteen countries not only export heavily into the EU but the rate of growth of their exports has been higher than the rate of growth of exports to the single market from the UK, and indeed the rate of growth of intra-EU exports from just

about all EU members. Being outside the single market does not seem to be any sort of barrier at all.

The debate about the single market represents the triumph of illusion over experience. Something similar happened, you may recall, with the issue of the UK joining the euro. Dire consequences would follow, it was said, if we remained outside. Again, notice, the image of exclusion. It was rather as though we British would be like poor street urchins in a Dickensian novel, peering in through frosted glass, at the congenial and prosperous folk making merry within. Yes, I am talking about the euro. Some source of merriment that turned out to be!

What happened with the euro is that people thought in soundbites and slogans without addressing the fundamental issues. They were mesmerised by supposedly large gains from lower transactions costs and exchange rate certainty. And they were bamboozled by the threatened exodus of businesses from Britain – everyone from Japanese carmakers to American investment banks – if we stayed outside. Does this ring a bell?

Is it a coincidence that it is largely the same organisations and individuals that got the euro issue blatantly wrong who now insist that we absolutely must stay in the EU?

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