Arguments for and against the UK's European Union membership

There are a number of arguments being made for why the European Union is good or bad for business and whether it would be better for the economy if the UK were to 'remain' in or 'leave' the European Union. For all businesses, it will be important to understand the arguments for leaving and remaining. The below table summarises the main factors for business to consider and the arguments on both sides.

	Arguments for remaining	Arguments for leaving	CBI assessment
Access to markets	• The EU gives easy access through the single market to the UK's largest trading partner – 45% of UK exports in 2014 were to the EU. • This amounts to £227 billion worth of goods and services each year.[1] • Today, the European Union remains a growing global market and important partner for the UK - 7 of the UK's top trading partners are EU countries.[2] • Britain continues to increase its exports *by value* to the EU, rising on average by 3.6% each year since 1999.[3]	• While the *value* of UK exports to the EU is growing, the percentage *share* of UK exports going to the EU is declining as we increase our trade with countries outside of the EU. • Some argue that global growth is being driven outside of the EU and that the EU is holding us back in boosting trade with emerging economies.	The European Union remains a growing global market and will remain an important market for the UK given that 80% of British businesses that trade overseas do so with the EU.[4] Similarly small businesses often look to trade with the EU when exporting for the first time. Preserving access to the Single Market is thus essential. British business should of course look to maximise new opportunities to grow globally but this shouldn't be at the expense of current strengths. It is not an either/or choice. Countries like Germany have successfully boosted trade with China as members of the EU – there's no reason the UK can't do the same.

[1] Office for National Statistics, Statistical Bulletin, Balance of Payments, 2015
[2] Office for National Statistics, UK Trade, August 2015
[3] City AM, How important is the EU to UK trade, June 2015
[4] UKTI, Trade statistics, 2013

International trade	• The EU facilitates global trade providing the UK with privileged access to over 50 markets outside of the EU through trade deals. • As an economy worth £11.8 trillion with a 500 million person market, the clout of the EU enables the UK to secure more and higher quality trade deals than it may be able to if negotiating alone.	• Some argue the EU restricts the ability of the UK to trade with the rest of the world as we cannot sign our own trade deals. • The UK will be able to increase global trade outside of the EU by negotiating trade deals independently and will be able to do it quicker than as part of a 28 country bloc.	The EU has provided easier access to global markets through trade deals. If the UK left the EU, it would aim to negotiate deals with countries across the world to replicate and go further than the access we currently have. But, the UK would be starting from scratch – losing the access it currently has. Trade deals are long and complex to negotiate and it cannot be guaranteed that other countries would see negotiating a trade deal with the UK as a priority. The quality of a trade deal is as important as the number. The EU has greater negotiation power as a market worth £11.8 trillion. So while it can sometimes take longer to secure these deals, they are usually more comprehensive in scope when via the EU.[5]
EU regulation	• Harmonisation of EU rules and standards has made it easier for businesses to enter new markets. • With one set of standards across the EU, a business in the UK can trade across 27 other countries more simply than if outside and operating under a different set of rules. • There is some cost to EU regulation and, at the lower end, the Department for Business Innovation and Skills has calculated this as somewhere between £8.6-9.4bn. But, many of these	• It is argued by some that EU regulations are an unnecessary burden and costly for businesses to implement. At the upper end, Open Europe estimate the cost of EU regulation at £33.3 billion. [6] • The EU also gets involved in regulating areas that are best left to national governments. For example, the working time directive goes too far in regulating issues that are best left to member states. Only by leaving can the UK end this 'mission creep' by the EU institutions.	The total cost of EU regulation is complex and contested. There is disagreement as to the cost of EU regulation. The Department of Business, Innovation and Skills has calculated the cost as somewhere between £8.6-9.4 billion and Open Europe have estimated it at £33.3 billion.[7] There are of course costs to some EU regulation but the Open Europe figure is calculated from adding up the costs taken from impact assessments of EU directives and regulations. This is a misleading assessment of the overall regulatory impact and does not take into consideration the benefit of some

[5] CBI, 10 Facts about EU trade deals, November 2015
[6] Open Europe, Top 100 Costliest EU regulations, October 2013
[7] Open Europe, Top 100 Costliest EU regulations, October 2013

	regulations have positive economic, social and environmental impacts.		EU regulation or the likelihood of comparable domestic regulation being introduced in its place. When designed well, these rules can make it easier for businesses to trade and operate across the EU. However, regulation must be fit for purpose, and make it easier to trade and grow and the EU must continue reforming the process of formulating legislation to ensure this is the case. It clearly does not always get this right at present. Further, the principle of subsidiarity must be better observed. A one-size-fits-all approach across the diverse range of labour markets has had a negative impact for some businesses.
UK influence	• By being around the table in the EU institutions, the UK helps to set the EU legislative agenda. • The UK has been successful in influencing EU rules such as in the creation of the single market itself. • For example, the UK, working with Germany, the Netherlands and Ireland, has been influential in shaping European defined benefit pensions regulations to avoid unnecessary regulatory costs.[8] • Whether a member or not, UK business will continue to trade and	• It is often argued that the EU does not represent the interests of the UK. • In particular, in the wake of the financial crisis, this has been particularly true in terms of some legislation governing financial services, an area critical to the UK economy. The UK has been outvoted on some of the rules it has to implement. • Also, as the EU has expanded, our relative voting power inside EU institutions has decreased.	The EU, as a Union of 28 countries, means there has to be compromise. The balances of votes do not always fall in the UK's interests. But, the UK has had, and continues to have, significant formal and informal influence in Brussels and has leveraged its ability to build alliances and use British expertise to help shape the agenda. This includes securing opt-outs from EU legislation, such as Shengen, the Euro itself or the Working Time Directive, or amending legislation such as pension or environmental rules. It is important that the UK continues to engage in Brussels and help to shape EU

[8] CBI Mercer, Pensions Survey, October 2015

	operate across the EU, and having a representative around the table helps protect the UK's interests.		rules to enhance the competitiveness of UK business.
International investment	• As part of the EU, businesses in the UK have open access to the single market for their exports, which is an important factor for many international companies. • 72% of investors cite the single market as important to the UK's attractiveness as a place to invest.[9]	• The UK's natural competitive conditions, such as flexible labour markets, time zone and language, make the UK an attractive destination for international investment. • With or without the single market, it is argued that the UK would continue to attract similar levels of investment.	Business has been clear that continued access to the single market is an important factor when making the next investment decisions. The UK would still be an attractive place to invest outside the EU, but UK membership is a key factor when these decisions are being made.
Access to labour	• Access to skilled workers is a rising concern for business with 55% of CBI members fearing they will not be able to hire enough skilled workers. • The free movement of people provides employers with a wider pool to source the skills needed to keep their business running and protect the jobs they create in Britain. • Free movement also allows British citizens to work abroad with approximately 1.8 million UK nationals living and working in the EU.	• Immigration has been especially concentrated in some local areas giving rise to legitimate concerns about the pressure on public services like the health and education systems. • It is also a criticism that as long as the UK is part of the EU, it will have no control over immigration from the EU which means restrictions on more skilled migrants from outside of the EU. • Many also think that the UK should plug skills gaps from the domestic labour force within our borders.	Continued access to labour from across the EU is important for business in being able to fill skills gaps. But, the freedom to move must be a freedom to work and not a freedom to access welfare payments. The CBI supports the government in tackling abuse of that system, which should help to maintain support for the principle of free movement of people. In the long term, employers must also work with government to improve skill levels in the UK workforce.
Eurozone integration	• A stable and growing Eurozone is in Britain's interest. The Euro area is the UK's largest trading partner – accounting for around two-fifths of the UK's exports.	• Some argue that as the Eurozone countries continue to work more closely together, the UK is becoming side-lined in decision making which adversely affects the single market.	There is little evidence so far of the Eurozone acting collectively in a way that negatively affects the single market as a whole. The Eurozone countries are not a homogenous bloc and do not vote as such.

[9] Ibid

	• It is therefore positive for the UK if Eurozone countries take the steps needed to integrate further and strengthen the Eurozone. • The UK leaving would destabilise its key allies and trading partners at a time when they are already vulnerable.	• It could be argued then that if the UK doesn't leave it will eventually be subsumed in a European super-state and have no choice but to adopt the Euro.	The EU has sought to protect the interests of non-Eurozone countries and the Prime Minister is aiming to enshrine this in his renegotiation with the EU recognising itself as a multi-currency union.
Direct budgetary cost	• As a member of the EU, the UK contributes to the EU budget which gives access not only to the single market but also to collaboration on research programmes, agricultural support and regional funding.	• In 2014, UK government gross contributions after the rebate were £14.3billion. Some content that this is money that would be better spent domestically and could be used to mitigate the negative impact of leaving the EU.	There is a direct budgetary cost to EU membership but this is not as high as often stated. 2015, the UK government's gross contributions were £17.8billion. After the UK rebate of £4.9billion and other public sector receipts of £4.4bn, the UK government's net contribution to the EU was £8.5billion.[10] The EU also provides funding to support research, innovation and growth in the private sector totalling approximately £1.4billion in 2013 (latest figures). Assuming a similar level in 2015 this would take the UK's net direct cost to £7.1 billion a year.[11] This is equivalent to £111 per year for every person in the UK.
Overall impact on the UK economy	• The various benefits of EU membership produce an overall positive impact for the UK economy despite the membership fee. Open and easy trade with the EU, continuing foreign direct investment, the ability to access skills, and the breaking down of barriers to global markets through EU	• Some argue that, the UK overpays for membership of the EU by billions every year. • The benefit of no tariffs is no longer significant to the UK due to the declining global level of tariff costs.	The CBI conducted a comprehensive literature review of analyses of the overall economic impact to give a cumulative estimate, removing any overlaps. As an estimate, the net benefit of EU membership may be in the region of 4-5% of UK GDP and that the average household may benefit in the region of £2,700 - £3,300 a year.

[10] HM Treasury, European Union Finances, November 2015
[11] Ibid

	trade deals all enable British business to grow and create jobs.	• The UK's budgetary contribution to the EU could be put to better use by being spent domestically.	
The immediate aftermath of the referendum	• The UK economy has stabilised and is growing. Some argue that this means a vote to remain would allow the UK to continue along the path of recovery towards prosperity. • In the short term, a vote to leave the EU would cause uncertainty for business, the economy and the currency.	• The UK economy is doing well and this is unlikely to change overnight if the UK voted to leave the EU. • Some argue that any period of economic disruption will be outweighed by the long-term benefits of removing EU regulations and gaining the ability to independently sign trade deals.	The process of departing the EU is complex and unprecedented and could be lengthy. The dislocation created following a vote to leave would be harmful to UK business and to the UK economy. While ultimately the UK could negotiate an agreement to retain some level of access to the single market, this would require a trade-off between following EU rules with no influence over them and the level of access granted. There is huge uncertainty over what arrangements the UK would negotiate with the EU. Depending on the relationship, it is highly likely that most EU regulations would be kept. If the UK joined Norway in the European Economic Area, Open Europe have estimated that 93 of the 100 most costly EU regulations would remain in UK law.[12] Currently 60% of UK trade is covered by the EU and EU trade deals. Following an exit the UK would lose this preferential access to global markets and have to begin negotiating new agreements, which could take many years.

Further information: Jade Rickman, UK policy lead
E: jade.rickman@cbi.org.uk

[12] Open Europe, Top 100 Costliest EU regulations, October 2013