



**Leave/Remain:
the facts behind
the claims**



Leave/Remain:

The facts behind the claims

This booklet has emerged from a collaboration between the UK in a Changing Europe, created to provide impartial information on the UK-EU relationship to as broad an audience as possible, and Full Fact, the UK's independent factchecking organisation.

The referendum on UK membership of the EU is starting to dominate the headlines. As the campaigns gather steam, the public is being bombarded with conflicting claims about the costs and benefits of that membership. Many of these are at best unsupported by evidence, and at worse simply untrue.

Unsurprisingly, many people do not know what to believe or who to trust.

Our intention in putting together this series of analyses was not to provide an exhaustive or definitive account of the arguments being used ahead of the referendum on British membership of the EU to be held on 23 June.

Rather, it was to investigate some of the claims being made by the rival campaigns. We take two claims per theme – one each from the Remain and Leave camps – and subject them to rigorous analysis. As organisations sharing a commitment to ensuring that the public be as well informed as possible, we thought it was important to ensure that the information being provided was as accurate as possible.

This would not have been possible without the hard work and occasional forbearance of our authors, all Senior Fellows of the UK in a Changing Europe initiative. We would like to record our thanks to Angus Armstrong, Catherine Barnard, Iain Begg, Damian Chalmers, Sara Hagemann, Simon Hix, Jo Hunt, Hussein Kassim, Jonathan Portes, Simon Usherwood and Richard Whitman for their efforts and hope that they think this finished product was worth the time they spent on it.

Most importantly, we hope that the analyses presented here serve to provide some clarity for those confused by the competing claims and unsure which 'facts' to trust.

Navigating the choppy waters of any political campaign can be treacherous. When the choice involves an institution like the EU, about which most people readily admit to being ill-informed, it becomes more treacherous still. Yet with such a crucial decision to make, the British people deserve to be properly informed.

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Brussels bureaucrats



The European Commission is an influential body, whose operation is central to the workings of the EU. Although it is one of several EU institutions that work closely together in decision-making, the Commission is probably the institution that comes to mind when people think about the EU.

The role it plays and its influence is controversial, according to UK in a Changing Europe Fellow Hussein Kassim.

As a permanent bureaucracy with important political functions, the Commission is more powerful than the administrators of most international organisations.

The Commission is important, but doesn't run the EU

Claims that the EU is run by the European Commission, or that the Commission is the government of Europe, aren't correct. They exaggerate the power of the Commission, and understate the role of other institutions which debate, amend and pass EU laws.

They also ignore the influence of the EU's member countries. This may be because the European Union is a political system that borrows from many places without taking any one in particular as a model. The EU has little in common with Whitehall or Westminster, making it difficult to describe in terms of the way government works in the UK.

The Commission has political leadership as well as administrative functions. It formally proposes new laws, oversees the budget, manages some policies, and represents the EU in trade agreements. It also has more staff than other EU institutions. There are around 33,000 civil servants in the Commission, 68% of whom are on permanent contracts.

It is led by a 28-person 'College', which includes one Commissioner from each member country. This is headed by the Commission President, currently the former prime minister of Luxembourg, Jean-Claude Juncker.

The Commission President is nominated by the prime ministers and presidents of the EU member states. The President then allocates jobs to other Commissioners, who are nominated by their government. The whole College must be approved by majority votes in the European Parliament and among prime ministers and presidents.

Remain claim: "The European Commission doesn't make laws. It only makes proposals, which are then debated, amended and passed (or rejected) by elected national governments and directly-elected MEPs."

Remain campaign

There are other EU bodies, equally or more important

The Commission's size, influence, responsibilities and political leadership explain why it's often said to 'run the EU'. But it is not the most important institution when it comes to making decisions.

That distinction belongs to the European Council, according to Professor Kassim. This brings together the top political leaders from the member states. The European Council sets the strategic direction of the EU.

Crucially, the Commission has only a limited role in EU law-making. It can decide some less important rules, and in general it is the only institution that can propose new laws, but it doesn't have the power to pass them on its own.

Professor Kassim says that some of the proposals that it brings forward have been requested by national political leaders. And there is no guarantee that a Commission proposal will become a law. The authority to make law belongs to the European Parliament and the Council of the European Union.

The Parliament is directly elected by EU citizens every five years. The Council of the European Union, sometimes called the Council of Ministers, is where representatives of all 28 member countries negotiate.

These two institutions debate, amend and pass EU law. Each has a veto.

Put differently, a Commission proposal only becomes an EU law when it attracts the support of two majorities. It needs both a majority in the Council, representing at least 55% of EU countries and 65% of the EU population, and a majority in the Parliament.

Although it doesn't pass EU laws, the Commission helps to enforce them

The Commission plays other roles too. It's responsible, along with the EU court, for ensuring that EU law is obeyed by governments and firms. In playing this role, the Commission works with the member countries. It doesn't have its own agencies in the member countries in the way that the US federal government has agencies in US states.

The EU also decides on competition policy in Europe – for example, whether state subsidies should be approved, and whether mergers should go ahead. It also negotiates trade deals for the EU. The Transatlantic Trade and Investment Partnership with the United States, known as TTIP, is being negotiated by the Commission. Member countries, through the Council, give detailed instructions, monitor the Commission closely, and have the final say on whether or not to approve any agreement.

The Commission is perhaps the most visible EU institution, but it is not necessarily the most powerful and is certainly not the government of Europe.

Leave campaign

Leave claim: "The unelected European Commission which runs the EU..."

Democracy

Discussions about democracy are essentially about yardsticks. Depending on what you look at, and compare against, you will get different answers. And in that sense, both arguments are correct.

The reason is that people don't agree on what 'democracy' is. We know it is about people being involved in how they are governed, but there are many different ways to turn that into reality.

'Democracy' means different things to different people

To take the most obvious example, when we talk about democracies, we often mean representative democracies, where we elect people to represent our views and make decisions on our behalf. That's very different from a direct democratic approach where, like in the EU referendum, decisions are taken by the population at large. Moreover, while we might accept Abraham Lincoln's famous formulation of 'government of the people, by the people, for the people', we seldom agree even on whom 'the people' might be.

For some, 'the people' means an ethnic, linguistic and cultural community. But it's also possible to argue that what ties 'the people' together is accepting a set of rules, where culture is less important than participation in community life.

Moreover, democratic standards may depend on the issue at hand. Do the same standards apply for regulations about selling fresh fruit as for organising the use of military force, or building a system of social security?

These questions confront all countries. The UK monarchy and a partly-hereditary House of Lords would strike some as 'undemocratic' compared to elected heads of state or upper chambers.

The EU has more democratic controls than a typical international organisation...

All democracies limit the power that any person or institution wields, but do so in different ways.

The EU is an international organisation, like the United Nations or NATO, founded on treaties between its member countries.

The political leaders of those countries decide on the EU's political agenda, and national ministers are the main decision-makers when it comes to policies. However, the EU far surpasses other international organisations in its democratic control, just as it reaches into far more areas of public policy than its counterparts elsewhere:

- EU citizens directly elect the members of the European Parliament. Its approval is generally needed for new EU laws. These elections also then shape the choice of European Commission President, who needs to have the approval of the Parliament;
- Citizens can ask for specific new laws to be considered by the EU, through a European Citizens' Initiative, although this has not resulted in any new laws to date;
- Member countries have accepted that the EU creates a set of legal rights, not only for states, but also for EU citizens, ('direct effect') which cannot be overridden by those countries ('supremacy' or precedence).

...but it's not a typical international organisation

However, precisely because of the extent of these rights and processes, many observers question whether the EU should be judged by the yardstick of a state. The EU court says that the treaties in effect constitute a 'constitutional charter'. The scope of EU activities distinguish it from other international bodies, which have limited areas of responsibility.

Compared to a country, the EU has democratic shortcomings

Seen in this light, there are a number of key democratic shortcomings or failings, according to UK in a Changing Europe Fellows Sara Hagemann and Simon Usherwood:

- The European Council and the Council of Ministers (the two bodies where member countries meet) still hold many sessions in private or only make some records public, which makes it difficult to know who has said what, or how individual countries have voted;
- Implementation of EU laws still often happens under the opaque 'comitology' system, although it has been changed recently;
- The European Parliament lacks some of the powers normally associated with national parliaments. It cannot formally propose new laws or raise taxes;
- There is no clear alternation of power. While different groups might gain more seats in the European Parliament, this is not necessarily matched by similar changes in the 'executive' branches of the EU – the European Commission, and the governments in the Council;
- Perhaps most significantly, most EU citizens do not identify strongly with the EU, so some will argue that it doesn't have the legitimacy that national systems enjoy.

Remain claim: "The EU has a better level of democratic scrutiny than any other international body: the UN, NATO, WTO, IMF, World Bank etc."

Remain campaign

There are still questions about the right balance to strike

There is a tension that might be obvious from this list. The obvious remedies would imply a considerable strengthening of EU powers, making it look even more like a state.

This dilemma is clearest with the increasing powers given to the European Parliament – which has nonetheless seen declining turnout for elections. In the absence of a shared European community of the kind found within countries, it might not be possible – even if it is desirable – to build a system that unifies people like many nation states have done. But this does not of itself mean that some form of democracy is impossible.

Dr Hagemann and Usherwood say that the question is how to get the best balance in a system which seeks to address the needs of both states and peoples in Europe, especially within an EU that handles both mundane technical regulations and highly political questions.

Leave campaign

Leave claim: "The EU's current institutions have serious failings and are undemocratic."



Leave campaign

Leave claim: "The EU costs the average UK household as much as £9,265 a year."

Economic costs and benefits

There are good reasons not to rely on either of these specific claims.

Adding up different studies answering different questions doesn't work

The CBI figure of £3,000 quoted by Remain campaigners is not a credible estimate, according to UK in a Changing Europe Fellow Jonathan Portes. It is based on a selection of studies produced at different times (some date back well over a decade), using different methodologies, and designed to answer different questions.

Some looked at the economic impact of EU membership to date, and some at the future impact of a vote to leave. Some are not even specific to the UK.

Mr Portes says that it doesn't make much sense to add them up like this, nor to use the results to get a single estimate of the costs or benefits of EU membership.

Taking a single study that makes a lot of assumptions about the future is also risky

The £9,625 figure used by Leave campaigners is based on a study from the Institute of Economic Affairs. It argues that EU membership reduces the value of the UK economy, measured in GDP, by about 13%.

It assumes that on leaving the EU, the UK would remove all barriers to trade with the rest of the world, and abolish all EU regulations in areas like the environment and the labour market.

This may not happen, and if it did, savings may not be this high. For instance, other experts say that the UK already has a relatively loosely regulated labour market, suggesting that gains from cutting back on EU rules would be small.

The calculation also includes some arbitrary and unsubstantiated 'gains', according to Mr Portes, such as the claim that UK contributions to bailing out eurozone countries have, or possibly will, cost us 2% of GDP.

If individual economists can come up with such different numbers, what can we say about the economic impact of EU membership?

We can at least point to some areas of substantial, if not universal, consensus among economists generally.

EU membership so far has made the UK's economy more open and this has made it bigger

The Bank of England says that EU membership has seen increased openness to flows of trade, investment and labour. It says that there is plenty of evidence suggesting that openness helps economic growth and improves living standards, although it also leaves the UK more exposed to economic and financial shocks from overseas.

Professor Nick Crafts, a leading economic historian, says that EU membership has increased UK productivity – and so GDP – by about 10%.

Any precise number about the future will be wrong...

If economists are right that EU membership boosted UK growth in the past, there is no guarantee that it would do so in future. The impact of a vote to leave would depend crucially on two things.

First, the trading arrangements between the UK and remaining EU countries. These would have to be negotiated after the referendum. Second, the economic policies adopted by the UK government after we leave.

We cannot predict these with any certainty. Credible studies talk about a range of possible outcomes.

...but economists think that leaving would come at some economic cost

There is a wide consensus that leaving the EU would come at some economic cost. For example, every year the Financial Times surveys a group of over 100 economists. This year, three-quarters thought that leaving would reduce the size of the economy in the medium term compared to staying in.

Fewer than one in ten thought leaving would improve growth prospects. The FT has published each economist's answer. Similarly, a recent gathering of economists at the Royal Economic Society also expressed support for staying in the EU.

The FT also reviewed three recently published studies, by the Centre for Economic Performance at the London School of Economics, Price Waterhouse Coopers for the CBI, and the consultancy Oxford Economics, which support this view.



Remain campaign

All three use credible methodologies generally accepted by economists and researchers, in contrast to the estimates used by the campaigns, according to Mr Portes.

They suggest that leaving the EU would have some negative impact on the UK economy compared to staying in, with that impact being smaller the closer any new arrangements are to our current economic relationship with the EU.

The estimates range from close to zero in one model (if we continue to be part of the Single Market, keep allowing free movement of labour from the EU, and so on) to significantly negative if leaving results in substantial new barriers to trade.

Why care about economic growth?

While economists generally conclude that membership has benefitted the UK economy overall, what happens to the economy does not affect everyone in the same way. Some regions and sectors may gain, while others may lose. This is why the Bank of England talked about past EU membership both raising economic growth and boosting living standards. Economic growth on its own does not necessarily mean that you personally or even people generally will be better off.

For that reason, it's not helpful to take an overall estimate of the effect on the economy and turn it into an amount per household.

Remain claim: "The CBI says that all the trade, investment, jobs and lower prices that come from our economic partnership with Europe is worth £3000 per year to every household."

Leave claim: "Given that the EU sells far more to us than we do to them, the remaining EU member states will seek a trade agreement with the UK that seeks to maintain the same level of free exchange of goods, services and capital as is the case today."

Leave campaign

Exports

As Remain campaigners claim, exports to other EU countries make up about half of goods exports, and about 44% of total exports. But it is correct, as Leave campaigners argue, that the share of all exports that go to the EU has been falling, down from 55% in 2002.

This does not mean their overall economic importance is declining. As a share of the economy as a whole there has been little change over the last decade.

EU exports were worth about 13% of the value of the British economy in 2014, just as they were ten years previously. Meanwhile, exports to non-EU countries have increased from around 12% to 16%. And the absolute value of UK exports to other EU countries has only been falling since 2011.

It's hard to say what difference the Rotterdam effect makes, but doesn't change the overall picture

It is sometimes argued that these statistics overstate the proportion of UK exports that go to the EU, as a lot of goods pass through ports like Rotterdam before being shipped to a final destination outside the EU.

Both the Office for National Statistics and the government's review of our EU membership have concluded that it's hard to put a figure on this 'Rotterdam effect' or to establish whether it's a serious problem for the statistics. The 'Rotterdam effect' does not alter the fact that the EU is the UK's main trading partner, as the House of Commons Library says.

An agreement on trade in services if the UK left the EU would be important

What would happen to trade if the UK leaves the EU depends on the trading and other economic arrangements made in negotiations after a vote to leave.

Leave campaigners are undoubtedly correct in claiming that it would be in the interests of the EU, at least economically, to conclude some form of free trade deal, especially for trade in goods. But that does not mean it would happen. After all, economists generally think that free trade deals are in the interests of both countries, but that doesn't mean they always come about.

In particular, there is no comparable cross-border single market for services anywhere in the world outside the EU, according to UK in a Changing Europe Fellow Angus Armstrong. And since the UK runs a substantial trade surplus in services, whether there would be a free trade agreement in services is a key question.

Remain campaigners are correct in saying that a free trade deal is not the same as full access to the EU single market.

The UK's bargaining power in post-Brexit negotiations

Who would have the most leverage in any such negotiations?

The UK currently runs a large trade deficit with the rest of the EU. We imported about £60 billion more than we exported in 2014. The deficit has averaged about £40 billion in the past decade.

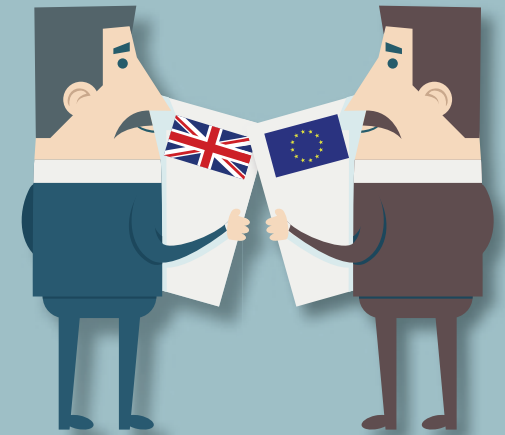
Leave campaigners say this means that the rest of the EU need us more than we need them when it comes to trade.

But this isn't necessarily the case. Trade benefits consumers in importing countries, who gain from access to cheaper and better-quality goods. So there can be benefits on both ends.

It is approximately correct to say that the UK is the EU's largest 'export partner' – at least when it comes to goods.

If the UK left the EU, the remaining EU would export more goods to the UK than anywhere else outside the bloc, at least if current shares are maintained.

This trade would represent 16% of extra EU goods exports, or around 3% of the value of the (remaining) EU economy.



Remain campaign

Remain claim: "Anyone arguing that they need us more than we need them should consider that half our goods exports go to the EU whereas on average just 5% of EU countries' come to the UK."

Immigration

It's true that as long as we remain in the EU, we will have limited control over immigration from other EU countries.

That's because EU citizens have the right to live and work in any other EU country, with some exceptions. However, about half of the immigration into the UK comes from outside the EU and the UK does have control over which non-EU migrants it chooses to admit.

Countries outside the EU that participate in the single market accept EU immigration

Leaving the EU would not automatically lead to a large reduction in immigration, for two reasons.

If we wanted to continue to participate in the EU single market after leaving the EU then one obvious way to do so would be for us to join Norway, Iceland and Liechtenstein as members of the European Economic Area. But free movement applies to EEA members, as it does to Switzerland, a non-EEA member with more limited single market access.

A Swiss referendum vote in 2014 to cap immigration from the EU breached the rules of the treaty dealing with free movement of people. This led to the suspension of talks over cooperation in research funding.

Norway and Switzerland both have higher immigration per head of population from the EU than does the UK, as of 2013.

So 'controlling immigration' might require leaving the single market as well as the EU.

The end of free movement doesn't necessarily mean a big drop in immigration

If free movement were to end, with or without single market access, this still wouldn't automatically mean a large reduction in immigration.

Migration Watch estimates that applying broadly the same rules to EU migrants as non-EU ones at the moment might reduce net immigration by up to 100,000, from its current level of about 300,000. However, it has also been argued that leaving the EU could see higher levels of non-EU migration, which would partly offset any reduction.

It depends on what the government chooses to do with immigration policy if we were to leave the EU.

Remain claim: "The free movement of people helps Britons study, work and retire to Europe. A total of 2.2 million Britons live in other EU countries – almost as many as the number of EU citizens living here."

Remain campaign

Over a million British-born people live in other EU countries

It's also likely that specific arrangements with other EU countries would have to be negotiated, either as part of an overall withdrawal negotiation or as two-way 'bilateral' agreements. For example, this may be needed to clarify the position of EU citizens already here (deporting them seems politically unlikely).

There's also the issue of UK citizens living in other European countries (repatriating large numbers of people from Spain would also be controversial). The 2.2 million estimate for the number of Britons abroad is wrong and has since been updated. Although the data is imperfect, the best estimate is that there are over a million British-born people living elsewhere in the EU.

Most Britons abroad will be working, studying, or retired – Spain is the most popular destination. The 2.2 million figure comes from a 2008 estimate by the IPPR think tank, which calculated that 1.8 million UK nationals lived in other EU countries for at least a year. This rose to 2.2 million when including people who lived abroad for at least part of the year.

This estimate was produced before the most recent round of census returns from those countries were available, so the researchers filled in the gaps using various assumptions. The IPPR now gives a figure in line with what other researchers say.

Immigrants and public services

There are about 3 million EU citizens currently living in the UK. The evidence suggests that impacts on jobs and wages have been small, and are most likely to affect lower-skilled workers.

Recently arrived EU immigrants pay more in tax than they consume in welfare or public services, so they benefit the public finances.

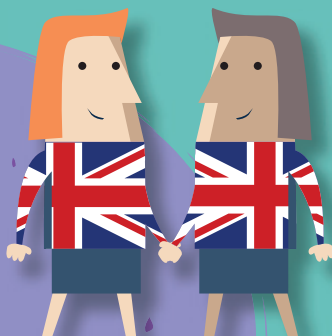
The impact on public services is difficult to measure with certainty. Immigrants may add to demand for and pressure on public services, but also contribute to financing and providing those services, particularly in the NHS.

Impacts are likely to vary by local area. However, research shows that higher levels of immigration are not associated, at a local level, with longer NHS waiting times.

In schools, increased numbers of pupils with English as a second language doesn't have any negative impact on levels of achievement for native English speaking students. If anything, pupils in schools with lots of non-native speakers do slightly better.

Leave campaign

Leave claim: "Brexit is the only way we can control immigration."



Leave claim: “Between 1993 and 2014, 64.7 per cent of UK laws can be deemed to be EU – influenced. EU regulations accounted for 59.3 per cent of all UK law. UK laws implementing EU directives accounted for 5.4 per cent.”

Leave campaign

Imported laws

Raw volume of legislation is not necessarily an indication of the importance of the EU to UK law and policy. Not all laws are equally important. It is more meaningful to look at specific sectors and areas of law.

In agriculture, fisheries, external trade, and the environment, it is fair to say that EU legislation and policy is indeed the main driver of UK law and policy, although the UK retains some freedom of action in these areas.

In other important areas – for example, welfare and social security, education, criminal law, family law and the NHS – the direct influence of the EU is far more limited.

When it comes to counting up laws, the reason there are different figures on each side of the debate is that they are counting different things.

Without counting EU regulations, the percentage of UK law influenced by the EU is small

The 13% figure used by Remain campaigners comes from the House of Commons Library. It arrived at this figure by looking at the proportion of British Acts of Parliament, and detailed rules known as ‘statutory

instruments’, that implemented EU law between 1993 and 2014.

This is a relatively robust way of calculating the proportion of laws made in the UK that comes from the EU, according to UK in a Changing Europe Fellow Damian Chalmers, and tallies with some studies done in other EU countries.

Some were in the region of 13%, although others were higher. Some of the differences can be explained by the fact that the UK does not participate either at all (the euro) or much (EU border and asylum law) in some areas of EU activity. However, this figure does not account for all the influence the EU has on our legal system. In particular, it doesn’t count EU regulations, which automatically have legal force in all member countries without the need for a national law.

Including EU regulations will give a higher count

The absence of EU regulations from the Remain figure explains in part why the Leave figure is higher. Counting EU regulations as a species of UK law means that estimates of up to 50% can be justified, again according to the House of Commons Library. The specific 64.7% number, which is taken from a report by the campaign group Business for Britain, takes roughly this approach. But it uses some inaccurate figures.

The report draws on a database of EU law to search for EU regulations passed every year between 1993 and 2014. The problem is that, as the report acknowledges, it’s tricky to use the database for this purpose – partly because it includes corrections in the count. A better source for the number of EU regulations is the European Commission. The Business for Britain report states, for example, that in 2014 the EU passed 1,904 regulations, while Commission statistics suggest it was 1,392. That would bring the 2014 proportion of UK law with an EU connection down from about 64% to about 58%.

This problem is replicated in other years, although over the whole 1993-2014 period it makes little difference to the headline figure.

There are however, more fundamental reasons why including regulations may overestimate the proportion of UK laws that are EU-influenced.

Amendments may not be as significant as entirely new laws

The Business for Britain count includes amendments to EU laws to reach its total. An amendment to an existing law doesn’t mean that two EU laws are in force. It is either one amended law or, if the amendment simply repeals the previous one, zero. This is also true of UK laws. So the 64.7% figure is an overestimate of total EU laws in force and an unreliable guide to the proportionate amount. And there are more fundamental reasons why counting up regulations may overestimate the proportion of UK laws that are EU-influenced.

EU regulations may technically be UK law, but some make no practical differences.

For one thing, EU regulations apply automatically in every country, but that doesn’t mean they matter in every country.

There have been, for example, EU regulations on whether Danish ships can catch mackerel. They still have the force of law in the UK, even though only Danish ship-owners need to pay attention to them. And as the House of Commons Library points out, EU ‘olive and tobacco-growing regulations are unlikely to have much impact here, but the UK implements such regulations’.

If we’re counting every EU rule, we could also count every UK rule

The vast majority of regulations (865 of 977 in 2014) are brought in by the European Commission, which does not formally have law-making powers. It can only pass regulations when a previous law grants it that power. That doesn’t mean these regulations aren’t important, as they can produce significant legal effects.

Professor Chalmers suggests that an alternative approach is to take all kinds of legally binding EU rules and compare them to all legally binding rules in the UK. This would include not just Acts of Parliament and statutory instruments, but also legally binding rules of the devolved assemblies in Scotland, Northern Ireland and Wales, local authorities, and regulatory and supervisory bodies (such as the Charity Commission or Financial Conduct Authority).

We could then set these against the total number of EU rules passed: 1,758 in 2014, plus 637 which amended previous laws. This is a big figure but almost certainly a small proportion of the total number of rules passed in the UK, according to Professor Chalmers.

Remain campaign

Remain claim: “The independent House of Commons library found that the real proportion is just 13.2% of our laws.”



Membership fee

The questions of what we contribute to the EU budget, and what we would save by leaving, are slightly different. The UK sent around £14.4 billion to the EU in 2014, or £280 million a week, but the potential saving if we hadn't been a member would have been much lower than that, because we get money back.

£350 million a week is not what we pay

The claim that the UK sends £350 million per week to the EU is wrong. This is what we would send if it wasn't for the UK's budget rebate.

The rebate is effectively an instant discount on what we would otherwise be liable for – the 'gross contribution'. In 2014, the gross figure was £18.8 billion.

Since it was negotiated in 1984, the rebate on the UK contribution has meant that the UK actually pays less than this hypothetical amount. The rebate can't be changed in future without the UK's agreement. The Treasury and the European Commission have both confirmed to us that the actual payment is the gross contribution minus the rebate.

Leave campaign

Leave claim: "Britain sends £350m to Brussels each week [implying £18 billion each year]."

The actual payment is different from year to year, but last year's was £250 million a week

The size of the payment varies from year to year. It was as high as £14.5 billion (£278 million per week) in 2013, and as low as £8.7 billion (£168 million per week) in 2009, according to the official EU Finances report published by HM Treasury. The figure for 2014 was marginally lower than in 2013, at £14.4 billion, while the projection for 2015 is that it will be £12.9 billion. This is £248 million per week, or £35 million per day, not £55 million a day as is sometimes claimed.

The UK gets money from the EU budget as well, so the savings from leaving would be lower

The UK receives money back from Brussels in the form of grants and payments. These mainly go to farmers and poorer areas of the country such as Wales and Cornwall.

According to the claim from the 'Remain' side, these reduce the net payment the UK makes to the EU to £9 billion. This doesn't exactly match the Treasury figures, but it's not far off.

In 2014 the UK public sector received £4.6 billion from the various spending programmes, again quoting the 2015 report on EU Finances published by HM Treasury. Based on this, the Treasury says that 'net contributions to the EU budget' were £9.8 billion that year. This is deducting the amount of the rebate and money coming back to the public sector from the gross payments. The Treasury also says that the UK private sector received payments as well, such as research grants. These were estimated in 2013 at £1.4 billion, but the Treasury does not show these in its table.



Remain claim: "Britain would save just £5.29bn [each year] by leaving the EU."

Remain campaign

If these additional payments are also deducted, the net contribution would come down to £8.4 billion in 2014.

Neither the money that goes back to public sector nor the private sector is fully within the government's control. If we left the EU we might choose to spend it differently, or spend the same amount ourselves on farmers, poorer regions and the rest. So if the UK left the EU it would almost certainly save less than the whole £14.4 billion amount we sent there in 2014. Exactly how much less depends on how much EU spending the government would want to keep in place.

The claim that the amount we could save is as low as £5 billion is speculation

The Remain side goes on to say that if the UK wants to retain the same access to the EU single market as Switzerland, it would have to pay an additional £3.71 billion for the privilege. Subtracting this from the £9 billion it gives as the net contribution results in the claimed figure of £5.29 billion in savings. This number is speculative because there is no direct basis for it, according to UK in a Changing Europe Fellow Iain Begg.

Switzerland, like other European countries outside the EU, does make payments linked to its access to the single market.

The Remain camp claims that these amount to 38% of the UK's contribution per head. But there are no figures on Switzerland's contributions more recently than 2009, according to the House of Commons Library.

So it's hard to say whether or not this is the case, and we don't know whether a newly departed UK would want or could get a deal at all similar to the Swiss one.

The numbers in context

Mostly because of the rebate, the UK pays the least of all member countries as a share of Gross National Income (GNI) – a standard measure of the overall prosperity of an economy that is a close relative of the better known GDP measure.

The EU budget is around 1% of EU GNI. This is the starting point for calculating what each member country should contribute to the budget – most end up paying around 1% of their GNI. The UK paid 0.65%.

Looked at another way, the government will spend a forecast £772 billion in 2016/17. The net contribution to the EU will be 1.5% of that, according to the Office for Budget Responsibility.

Norway

Norway is central to the debate about British membership of the EU, because it is often talked about as a possible model for a new UK-EU relationship. Norway is not a member of the EU. It is in the European Economic Area (EEA), along with Iceland and Liechtenstein.

Norway follows a lot of the EU laws that the UK currently does

It must, in principle, comply with EU laws on a broad range of issues: the single market, competition, social policy, environmental policy, state aid, transport policy, financial services, indirect taxation, consumer protection and company law.

Apart from agriculture and trade with non-EU countries, Norway is covered by all the significant EU laws that apply to the UK, according to UK in a Changing Europe Fellow Damian Chalmers.

As EU laws are made, they're passed to a committee made up of EU civil servants and civil servants from the EEA states to be made into laws that apply in those countries. These have to match the EU version 'as closely as possible'.

Leave campaign

Leave claim: "Nor is Norway excluded from the EU's own decision-making process... in any case, Norway isn't obliged to adopt EU laws... When for example, they didn't like the EU's Postal Services Directive, they declined to implement it."

So in a sense, following this model would mean that the British, like the Norwegians, would become 'rule-takers' not 'rule-makers'. Insofar as EU rules apply to them, they are made by others.

Norway has some influence on EU law-making, but it's limited

That said, the Norwegians are not passive in the EU law-making process. They are informally consulted on any proposal for a new EU law. Norwegian experts participate in the drafting process like EU member countries' experts. Norwegian influence is limited, however, as Norway does not have a vote on the EU law adopted. EEA states enjoy more wiggle room than EU states in their obligation to follow EU law.

There are ways for Norway to refer EU laws to its own parliament

Norway, Iceland and Liechtenstein can refer a matter for consideration to their own parliaments whenever it is felt to be constitutionally required. This happens frequently. Since 1 January 2004, it has been used for around 550 EEA measures.

These constitutional requirements do not allow Iceland, Norway or Liechtenstein to opt out of EU law, but greater leeway can be given to the phrase 'as closely as possible' in such circumstances.

The Norwegian government, for example, believes that EU rules can be adapted if they involve 'a change in Norwegian policy that is considered to be problematic'.

In theory, Norway can refuse to implement an EU law it's supposed to follow

The EEA Agreement does give Norway, Iceland and Liechtenstein a 'right of reservation' which allows them not to implement an EU law they would otherwise be required to. Norway has only formally invoked it once, in 2011 over the third Postal Services Directive, which sought to open up the delivery of letters to competition. To put this into perspective, in 2014 Norway implemented 627 EU laws.

The right of reservation may be used so rarely because the EU can suspend the 'affected part' of the Agreement in response. Professor Chalmers says that this is a strong countermeasure that will, in many instances, mean shutting down EU market access in the sector. In 2013, after much pressure from the EU, Norway lifted its reservation over the Postal Services Directive.

The other weakness of the right of reservation is that it can only be invoked when laws are being brought in. If Norway passes an EU law and then finds that it has negative consequences, it is not allowed by the Agreement to repeal that law.

EEA membership costs money, but less than EU membership

Norway also pays a financial contribution linked to its relationship with the EU. This was around £115 per head in 2014. The UK paid around £220 per head into the EU budget in the same year (before money came back from the EU, which it did in both cases.)

The way Norway arranges its payments is different to EU member countries. A large proportion of it takes the form of grants to less well-off EU members. Possibly for this reason, the Norwegian diplomatic service says it's not possible to directly compare net payments between Norway and EU member states.

Switzerland and Canada have also been mentioned as possible models

The Norwegian model is not the only one for securing market access to the European Union. Switzerland, has, for example, over one hundred treaties with the European Union governing various aspects of EU-Swiss relations.

The proposed Comprehensive Economic and Trade Agreement (CETA) between the European Union and Canada is a more limited version of these in that it tries to govern all matters of mutual interest within a single agreement.

Remain claim: "If, like Norway, we want access to the single market then, like Norway, we would have to... accept regulations made in Brussels. But, like Norway, we would have no ability to influence those rules."

Remain campaign

Neither of these systems involve EU laws constantly flowing into the Canadian or Swiss legal systems, as happens with Norway. But they also face challenges. The reason why there are so many agreements in the Swiss case is that each one has a limited scope. If the UK had a similar arrangement, it would have to negotiate a new agreement every time it wanted to add something else.

CETA is a broad-brush agreement. But it offers less market access in areas like financial services. Professor Chalmers says it provides limited market access for goods and services. Each country can restrict entry to protect public health, consumers or the environment.

It's also important not to understate the impact of these arrangements on national autonomy. A study of all laws passed by the Swiss Parliament between 1990 and 2010 found that just under a third were passed to meet EU legal requirements. But only a quarter of this amount was passed to meet Switzerland-EU treaty obligations. The rest was passed because the Swiss Parliament decided to adopt an EU law, either because it thought it was a good idea or to protect Swiss interests in its relations with the EU – so-called 'autonomous adaptation'.



Leave claim: “The top 100 EU regulations cost the UK economy £33.3 billion per year.”

Leave campaign



Regulation and the single market

A lot of EU regulation isn't linked to the single market but involves issues such as the environment. So trading off the benefits of the single market against the costs of all regulations would be a misleading exercise. With that caveat in mind, neither of these claims is wholly convincing. The claim about the cost of the EU regulations is taken from a paper by the think tank Open Europe, which is flawed in a number of respects.

Costs of regulations are calculated from uncertain predictions

The costs of regulation are taken from UK government impact assessments. These are estimates by civil servants of the costs and benefits of a new law, usually before it has been brought in. The methodology for these has frequently been criticised – so impacts may be over or underestimated. Regulations have only been reviewed systematically by the Regulatory Policy Committee, which checks their quality, since 2012.

In general, few estimates of impact are carried out once the regulations in question are actually in place. For example, the paper claims, on the basis of the impact assessment done before it came in, that the Working Time Directive costs the UK £4.2 billion a year. There has been no evidence since the impact assessment was carried out to support this figure. A much more recent review by the Department for Business, Innovation and Skills (which produced the original estimate) found that the Directive had had few, if any, negative impacts on the UK labour market.

Regulations also have benefits that can be set against costs

The £33.3 billion figure is simply a total of projected costs. Yet some regulations produce benefits as well. As Open Europe notes, the projected benefits of the 'top five costliest EU-derived regulations' outweighed the costs. The paper ignores these for the purposes of its figure on the basis that they may not have materialised, although this applies to costs as well. Some regulations that now come from the EU would be necessary even if we left

It's also the case that, if we weren't members of the EU, we would still need some similar rules. The second most 'costly' item on the list, the 'Capital Requirements Directive IV', about capital requirements for banks, mostly comes from an international agreement known as Basel III.

According to UK in a Changing Europe Fellows Damian Chalmers and Jonathan Portes, since the British government has signed up to the Basel III rules, we would need to follow them whether in or out of the EU, so they are not a cost of 'EU regulation'.

Leaving the EU may allow us to be more flexible on regulation

This does not mean that all EU regulations benefit the UK, or that collectively there is no cost to the UK economy. There is clearly some potential for the UK to gain from extra regulatory flexibility outside the EU. But the UK is still a lightly regulated economy compared to other rich countries, according to the Organisation for Economic Co-operation and Development.

This suggests that regulatory gains from leaving the EU would be quite small, according to Professor Chalmers and Mr Portes. And companies who want to export to the EU would still have to make sure that their products and services meet EU standards.

The EU single market doesn't mean there are no barriers to trade at all

It's widely recognised that, especially in many service sector industries, obstacles remain to true integration of the market. There are also restrictions on cross-border trading in the digital economy, in energy markets and in capital markets. So the claim that the UK can sell without barriers to 500 million people is only partly right.

In areas covered by the single market, EU law does mean that if an exporter meets the requirements of an EU law, it will have access to the EU market. This is a huge benefit to exporters, and to companies that supply them, but businesses that do not export may still have to adjust to EU regulations. And it doesn't mean exporters only have to abide by one set of regulations either.

EU laws frequently allow member countries to 'derogate' from EU rules in certain circumstances. In other words, they can adapt those rules to their own countries. For example, EU food labelling laws give a detailed list of information that must be included on food packaging, such as the 'use by' date. But the law allows governments to impose extra food labelling requirements to protect consumers or public health, so long as they have notified the European Commission and it has not objected.

Doing business across EU borders still means following other countries' rules

More fundamentally, EU laws never govern all aspects of any trading relationship.

A British manufacturer exporting to France may be able to get access to the French market because its goods comply with EU law, but it will still have to comply with French contract, transport and competition law, and, if it sets up shop there, with French labour and planning laws.

All these rules are mainly set by individual countries, even though they may complicate business and increase costs.

Remain campaign

Remain claim: “As a member of the European Union, our companies can sell, without barriers, to a market of 500 million people. The Single Market means that exporters only need to abide by one set of European regulations, instead of 28 national ones.”

Leave claim: "The Schengen system forbids countries from carrying out systematic checks on anyone with an EU passport from entering the EU."

This makes it much easier for jihadists to enter from the Middle East... outside the EU, we will continue to co-operate with our European partners to fight terrorism and organised crime."

Leave campaign

Security

Unlike most other EU member states – and some countries outside the EU – the UK is not part of the Schengen passport-free area because it hasn't signed the Schengen Agreement. This means it can retain border controls. But the UK does operate the Schengen Information System (SIS) which allows it to exchange information with Schengen countries for the purposes of cooperating on law enforcement.

The EU's member countries, including the UK, collectively control the EU's external borders through their own management of their national borders.

Controls at the UK border

The British government retains full control over its own border controls. Travellers who hold EU passports can't cross the UK border without having their passport or identity checked, and the same applies for travellers from non-EU countries.

The UK can, and does, perform passport and identity checks at its borders and refuses entry to travellers who do not travel with valid identity documents even if they are from another EU member state.

The benefit of holding an EU passport, or being the citizen of a European Economic Area (EEA) country (Norway, Iceland, Lichtenstein) or Switzerland, is that you travel through a separate channel at UK border controls. This normally results in a swifter identity check.

Non-EU citizens need to conform to all the UK's border and immigration checks, even if they're travelling from the EU, and are checked in a separate channel from EU, EEA and Swiss citizens. Citizens from outside the EU also face different visa, or visa waiver, requirements depending on the purpose of the visit and its duration.

There's no difference here if the person is travelling from a Schengen or a non-Schengen country. The requirements to enter the UK from outside the EU (for example, whether you need a visa) are a decision made by the UK government.

What this means for terrorism

Terrorism, just like many other crimes and other threats to countries' security, operates across borders. Concerns have been raised that terrorists may take advantage of refugee routes to Europe.

As the UK retains its own border controls and national control over asylum-seeking processes, it has the capacity to address any such development itself.

In recent years, there's also been more focus in the UK on 'home-grown' terrorism, as the House of Commons library and others have said. The government has been developing policies to counter the development of extremist beliefs among UK citizens identified as vulnerable to radicalisation.

According to UK in a Changing Europe Fellow Richard Whitman, collective information sharing has evolved on criminal justice issues between the EU's member countries to help them apprehend criminals, including sex offenders, people traffickers and terrorists, by unifying the procedures for and speeding up extradition and distributing security related information among EU members.

The UK has chosen to 'opt in' to some of these arrangements and cooperate collectively with other EU countries through the SIS, European Arrest Warrant (EAW), European criminal records system and EU-Interpol cooperation.

For example, the UK's National Crime Agency issued 219 EAWs for suspects in other EU countries in 2013, and 228 in 2014. Conversely, the National Crime Agency received 5,522 EAWs in 2013, and 13,460 in 2014.

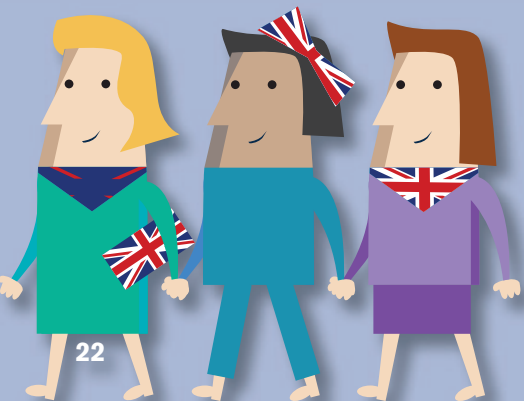
If the UK decides to leave the EU, it might lose direct access to some of these arrangements (such as the EAW which doesn't currently apply to non-EU member countries). That said, other non-EU member states, such as Norway, still participate in the SIS without being members of the EU and have negotiated similar arrangements to the EAW.

Outside the EU, the UK would be free to decide on which issues and with which countries it would wish to pursue such cooperation. That isn't much different to the situation now, according to Professor Whitman. The UK also already collaborates with other countries outside the EU, such as the US, on these issues on a bilateral basis.

Remain campaign

Remain claim: "In today's world, many of the threats to Britain's security are global in nature – like the aggression of Russia, terrorism and cross-border crime."

Being in Europe, working with our closest neighbours and partners to tackle these threats, makes Britain safer."



Leave claim: “Even if insanity triumphed and we didn’t get a withdrawal agreement from the EU – that they opted to cut their nose off to spite their face – the UK and EU would still have a deal.

An automatic deal under the all embracing World Trade Organisation (WTO) rules. How? Because the UK and EU are both WTO members in their own right and the WTO specifies WTO members must offer each other ‘Most Favoured Nation’ (MFN) deals.”

Trade rules

If the UK leaves the EU, future rules on trade would depend on what kind of agreement, if any, the UK reaches with the EU after its departure. This means we simply do not know what barriers to trade in goods might be put in place.

Trade in services after an EU exit is particularly important

As an economy increasingly dominated by services (manufacturing of goods is now under 10% of GDP) what will be most crucial for the UK is what happens to trade in services.

The future trade rules on services for a country outside the EU are particularly difficult to predict. This is because, even at present, for many service sector industries the single market is far from complete and obstacles remain to true integration of the market.

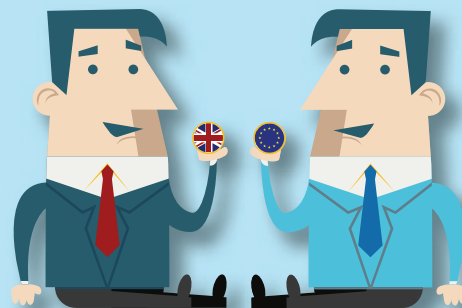
There are also restrictions on cross-border trading in the digital economy, in energy markets and in capital markets. Some of the possible alternatives are based on the trade relationships the EU already has with non-EU members. Some of these include full access to the single market such as the relationship with Norway, or other relationships that include almost full access to the single market for goods but much more restricted trade in services (such as the agreement recently made between the EU and Canada).

Leave campaign

WTO rules can still mean tariffs on UK goods

World Trade Organisation (WTO) rules would only be relevant to trade with the EU if there were no overall trade agreement struck following a vote for the UK to leave. An EU which the UK had left would normally be expected to offer us ‘most favoured nation’ terms for our exports, although there are some circumstances under which these WTO rules can be over-riden. Most favoured nation terms mean that any concession the EU offers to one of its trading partners should also be applied to other partners. So if a tariff is cut for one partner, it should also be cut for all others, including the UK.

However, these terms can still mean there is a tariff on UK goods if the same applies to other countries. The EU already applies various tariff rates on different types of goods. As part of the EU the UK faces no formal trade restrictions.



Barriers behind the borders

Some trade barriers are the result of what are known as ‘behind the border’ restrictions, such as the need for product certification, import licences, and customs checks. As a full member of the single market, the UK should, in principle, compete on equal terms in all EU markets, although shortcomings in enforcement of single market rules can mean that there is still some discrimination.

A growing share of overall UK exports is services and the UK has a strong competitive position, shown by the fact that exports of services are substantially larger than imports. So what will matter is not just formal trade barriers, which mainly affect manufactured goods, but also the different sorts of barriers that might constrain UK exports of services. In the past, the UK has been among the EU countries pushing hardest for liberalisation of EU services markets, according to UK in a Changing Europe Fellows Iain Begg and Richard Whitman. So the pace of market opening in the EU might diminish if the UK left.

If the UK left the EU, it could also choose to end the current free movement of labour arrangement with other European countries. But this might greatly restrict access to lower-cost workers which has been important to some sectors of the UK economy such as agriculture and food processing.

The controversial TTIP agreement tries to reduce behind the border restrictions on EU-US trade

The plans to establish a Transatlantic Trade and Investment Partnership, known as TTIP, are principally about reducing such behind the border restrictions, in this case between the USA and the EU.

The negotiations for this agreement have already created controversy. It would involve facilitating access to each side’s market by setting common standards and opening up processes, such as public procurement, to greater participation and competition.

Some people argue that common US-EU environmental standards, for example, would be lower than Europeans are used to.

The UK wouldn’t be signed up to this exact agreement if it wasn’t an EU member, but might want or face pressure to agree similar terms in any future trade agreements.

Remain campaign

Remain claim: “Countries which have a relationship based on WTO terms alone have much less favourable access to the EU single market. The EU imposes a common external tariff on countries outside.”

UK influence

Both sides, it would appear, are stretching what the available data might allow us to say. It is not clear how exactly the Leave campaign calculated the number 72, and the report that presents this evidence does not explain the source. To replicate their analysis, they would need to provide more detail about where they obtained the information. Alternatively, a freedom of information request to the Government could possibly confirm the number, but since government sources have come to us for clarification on this issue, it would most likely take some time to get any conclusive answers.

What we do know, from official EU voting records, is that the British government has voted 'No' to EU proposals on 57 occasions, abstained 70 times, and voted 'Yes' to legislative proposals 2,474 times since 1999. In other words, UK ministers were on the 'winning side' 95% of the time, abstained 3% of the time, and were on the losing side 2%. Just pointing out how many times the UK government 'lost' is hence a misleading picture of what has happened.

Leave campaign

Leave claim: "The lack of influence is quite marked. Over the past twenty years, which is roughly the time that the Euro has been in existence, there have been 72 occasions in the Council of Ministers where the United Kingdom has opposed a particular measure.

Of those 72 occasions, we have been successful precisely 0 times and we have lost 72 times. That is a fact."

Moreover, even saying the UK 'lost' on these 56 occasions is misleading. First, EU legislation passes through several 'readings' in the Council and the European Parliament, so the fact that the UK voted 'no' in one of the readings does not mean that the legislation was not subsequently amended enough for the UK to support it.

Second, the records from the Council only relate to votes on legislative proposals that eventually became law. So we simply do not know how often the UK successfully opposed proposals, as these are not mentioned in the official figures.

Third, what does 'the UK' mean? The UK is represented in the EU both by ministers in the EU Council and British Members of the European Parliament (MEPs). It is relatively common for a UK government minister to vote 'no' to a measure that many British MEPs support. In fact, on several occasions a minister has voted 'No' to a measure supported by a majority of British MEPs, including those from the minister's own party. Who represents 'the UK' on such occasions? The minister, or the MEPs? And of course when a UK minister is outvoted on an issue of EU social or environment standards, the government in Westminster may have opposed, the measure while the administrations in Edinburgh, Cardiff or Belfast may have supported it.



Remain claim: "It is very hard to find an EU regulation of significance that has been forced on an unwilling British minister who voted against it."

Remain campaign

As for the claim by the Remain campaign, there is data on all legislation since 1999 which the UK government voted against. But it is impossible to know what an 'EU regulation of significance' is.

Different people find different kinds of law significant. The 2003 Regulation on Genetically Modified Food was probably hugely significant for some farmers and consumers. Equally, when the UK is outvoted on budgetary matters, as it was several times in this period, one could argue that this has implications for all EU taxpayers, but would affect how much each UK taxpayer paid into the EU budget only marginally.

In fact, it is probably difficult to find any proposal on which a UK government minister was outvoted that was not significant for one group of UK citizens for some reason or another. On the other hand, there will have been numerous occasions where the government supported legislation that was disliked by some of its citizens.

It is true that UK government ministers have sometimes been outvoted over EU laws, and the UK government has clearly voted 'No' on some issues that some sections of the British population think are important. Nevertheless, in terms of the total volume of legislation passed, the proportion of times the UK government has been on the 'losing side' is tiny. And even when the UK government has voted 'No', several British MEPs have supported the legislation, which suggests both that 'Britain' as a whole has been divided even during the decision making process, and that some groups in the UK have supported the legislation.

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