

A leap into the dark: the real choice facing the UK over Brexit, according to Conservatives for Reform in Europe

blogs.lse.ac.uk/brexit/2016/02/12/a-leap-into-the-dark-the-real-choice-facing-the-uk-over-brexit-according-to-conservatives-for-reform-in-europe/

12/02/2016

In a speech delivered on 9 February 2016 at the Westminster Central Hall in London Nick Herbert outlined that Britain can negotiate a final arrangements which gives it what it wants, that enables it to participate and share in those aspects of the European project that suit it, but retain autonomy where they do not. The new deal is not yet agreed, but the draft delivers change in all the areas that Britain asked for. He noted that none of this may be enough for those who are determined to leave. But if they're honest, no reform ever will be.



Fifteen years ago, as Chief Executive of Business for Sterling, I launched the 'no' campaign against joining the euro. Our concern was that giving up the pound and control of interest rates would be damaging to the economy. Yet we saw the advantages to business and jobs of being in a single market which was growing. Critics told us that we couldn't have the best of both worlds. Tony Blair tried to polarise the choice between membership of the EU with the euro on the one hand, and out on the other. Those who wanted out didn't like our campaign slogan, "Europe yes, Euro no." They wanted to say no to the EU as well. In the end we won the argument. Britain showed that we could thrive outside the Eurozone yet remain in the single market. Today, Brexit campaigners like to point out that some who want us to stay in the EU now were supporters of joining the euro then. Well, many more of us were not. But in fact there's a different lesson to be drawn: that Britain can negotiate arrangements which give us what we want, that enable us to participate and share in those aspects of the European project that suit us, but retain autonomy where they do not.



[Downing St – Whitehall](#)

The Renegotiation

That is a status which Brexit supporters refuse to accept. For them, it is in or out, all or nothing. Driven by a deep dislike of the entire concept of the European Union, they will brook no deal, accept no compromise and recognise no variant of membership. Of course, this is a denial of reality. Nine countries are outside the euro, and Britain is highly unlikely ever to join. Britain is outside the Schengen Area and so able to maintain our borders. In the fraught years of successive treaties, as Europe's leaders tried to forge an ever deeper partnership, Britain successfully negotiated opt outs from the parts which we thought would not suit us, most recently the police and justice provisions. A

succession of pragmatic decisions were taken by Conservative Prime Ministers to co-operate where it was in the British national interest to do so, and to exempt ourselves where it was not.

Yet concern amongst the British public was growing about some aspects of the EU. Labour promised a referendum on Europe's new constitutional treaty and then reneged. A rising burden of regulation irritated business, and a widening democratic deficit distanced decision-making from the people. As the Eurozone economies struggled, the EU seemed insufficiently focused on job creation and too slow to drive trade deals with other countries. And as Britain's economy powered ahead while many of our partners' struggled, very high net levels of migration put pressure on public services. These concerns have been brought to a head by the crisis in the Eurozone and the belief by its members that to protect their currency they need to integrate their economies more deeply. Britain should neither prevent them from doing so, nor allow ourselves to be drawn into the new arrangements.

This is why David Cameron's ambitions for reform of the EU were right: to address the key areas of public concern, and then to settle Britain's membership through the in/out membership referendum which the public had been denied. Many of those now criticising the deal also asserted forcefully that the referendum would never be delivered, yet a Conservative Government has legislated as promised to hold it by the end of next year. The new deal is not yet agreed, but the draft delivers change in all the areas that Britain asked for. In all the essentials it meets the ambition set out by the Prime Minister in his Bloomberg Speech in 2013 and the commitments in our Election Manifesto last year. Together, the reforms carve Britain out of ever closer union, protect the City of London and our financial services UK business from discriminatory legislation, give more power to national parliaments, address high levels of migration, and – crucially – stop the ratchet of ever deeper integration. In fact, the package reverses the process for the first time. In truth, Cameron is the first Prime Minister since 1975 to take powers back from Brussels rather than give them away.

Under this proposed deal, the EU will no longer have the power to force British taxpayers to bail out the Eurozone, or to stop Britain denying full welfare to EU migrants for four years, or to force Britain into further political integration. And thanks to the Referendum Lock written into law in the last Parliament, no power can ever be passed again to Brussels without the British people having a say. I understand that none of this is enough for those who are determined to leave. But if they're honest, no reform ever will be. Feigned shock on the part of commentators who were determined to be disappointed, or dramatic announcements by politicians who claim they've now been driven reluctantly to the Brexit, should – let me put it kindly – be taken with a large pinch of salt when coming from those who've long made up their minds.

Indeed, most of the demands for more radical renegotiation, or crude assertions of British sovereignty, are barely concealed Brexit notices. Those whose real agenda is to leave often hold their position with principle and integrity, just as committed pro-Europeans would not brook leaving the EU, whatever the fate of the Prime Minister's renegotiation. But the rest of us – I would argue most of us – do not see the issue in such a binary way. We see the EU's faults, but know that irritation isn't a sufficient ground to end a 40-year relationship. We want to balance the costs and benefits of EU membership carefully. And to do that, we need to understand what leaving would entail. In my book *Why Vote Conservative?* published last year, I weighed these options. I said that if we couldn't secure satisfactory reform, especially to protect ourselves from deeper Euro integration and to deal with concerns over immigration, we should be prepared to leave. But I warned that "exit would not be without significant risks".

The Campaigns

The problem with Brexit campaigners, and why I believe their case makes many of us so uneasy, is that they refuse to acknowledge any of the risks. Too often they believe a furious assertion that we would be regaining sovereignty is enough, the final word. As Sir Bill Cash told the Commons last week: "We have to say no: we have to leave. That is the position. I do not need to say any more." But actually Brexit campaigners do need to say more. If the argument that we would regain sovereignty were enough, we would be tearing up many more international agreements than our membership of the EU. We give up sovereignty through our membership of NATO, because we are now treaty bound under Article 5 to go to the defence of a fellow member under armed attack. Of course, the House of

Commons could vote against such military action, but in doing so would breach the treaty and destroy the institution that is the foundation of our security. We have effectively ceded unilateral decision-making on one of the most fundamental decisions this country can make – whether or not to go to war – because we think that to do so makes us safer and stronger. We enter international agreements of our own volition because we judge that they are in our national interest. These agreements may require us to accept rules. We can either choose to try and change those rules or abandon the gains the agreements give us.

For years, Brexit campaigners have had a free run, railing against the EU without a hint of an obligation to say what alternative arrangements the UK might make. Now they have the referendum which they have long called for. Their initial response was to regret the fact that David Cameron called it, wondering if they wanted a referendum now after all since they feared losing it. Then they asked for a second referendum, hoping that they could sucker the British public to give a cost-free, passing thumbs down to the EU while relieving anyone of the inconvenient obligation to say what might replace it. Now they want to delay the vote. And some of them actually want to delay a decision to leave, even following a public vote for Brexit, to give them time to think about what Britain should do next. Never have so many who demanded so vociferously that democracy should be restored been so fearful of the democratic outcome. It is telling that having fought for Brexit for so long its advocates should now be so reluctant to see the matter decided once and for all. And it is remarkable that, often after a lifetime's campaigning, they should have no idea of what the alternative to EU membership looks like.

The personality differences between the various leave campaigns are clear for all to see. I'm not going to comment on those, not least because many of the leading campaigners are my friends – or, at least, they were. My point is that they also have serious policy disputes. And these fissures will remain whatever sham marriage they finally manage to put together. Whether Labour Leave leaves Vote Leave, or leave.eu goes with GO, or Vote Leave leaves this world, leave campaigners have a big problem: they have entirely differing visions of Britain outside the EU. Some of them want fortress Britain, sulking behind the Channel, while others want to turn the place into a gigantic Hong Kong, open to the world's capitalists. While Nigel Farage will mention migrants in every sentence if he can, Douglas Carswell will change the subject from immigration as fast as he can – though both want Britain to model our system on Australia's, which, Liam Fox admits has allowed a higher rate of immigration per head than ours. Matthew Elliot, chief executive of the Vote Leave campaign, [suggests opening our borders](#) not just to Australia, New Zealand and Canada but to the 300 million people of the United States. Whereas Aaron Banks, who leads another campaign, Leave.EU, [argues](#) that “Politicians of all parties have encouraged a total open door policy that has created tensions across Europe” and suggests an immigration cap of 50,000 a year.

The Alternatives

Whatever their perspective, outsiders have no doubt that Brexit would be better: they tell us that were we to leave the EU, we could trade more, have more sovereign control, and be more secure. If this were true, the case for leaving would be strong: it would allow us to have the benefits of 21st century globalisation, while keeping the control we were able to exercise in the 19th. But in fact, none – none – of the models they propose can do that. Let me take each of these issues in turn. First, trade. In the EU we have direct and unimpeded access to a market of 500 million people – the largest single market in the world. The single market's rules prevent countries blocking others' trade on protectionist or populist grounds. When France illegally banned British beef in the year 2000, it was the European Commission that took them to court, and fined them £100,000 a day until they [backed down](#). 200,000 UK businesses trade with the EU without tariff barriers, and our exports to it are worth £230 billion each year.

And within a few years the UK will, through our membership of the EU, have access to a wider market of almost a quarter of the world's population. Currently 60 per cent of our exports go either to the EU or to countries that we have a deal with through the EU. When all the current deals are concluded 80 per cent of our goods will go to this market. The idea that we have to choose between trade with the EU and the rest of the world is entirely false. We currently have access to global markets through over 35 EU trade deals with countries worldwide. Of these, over 20 are with Commonwealth partners. And the EU is pursuing deals with over 50 countries including India.

So what about the alternatives? Some Brexit campaigners want us to be like Norway or Switzerland, yet this would mean paying into the EU, accepting free movement, and having regulation imposed with no say – so when they promise that leaving would end these things it's a completely false prospectus. Others pin their hopes on the mirage of a free trade agreement that isn't on offer and which the EU would have little incentive to grant. The most misguided go so far as to say we should just accept trade barriers, despite the costs to business and consumers. Let's take Norway first, inside the European Economic Area but outside the EU itself. It has to accept EU rules without having a say over what they are. It has to pay into the EU budget. What's somewhat less well known is that Norwegian farmers face tariffs when they export to the EU. Since more than 40 per cent of our trade is with the EU, the effect of having to pay these tariffs would be very damaging for our industry and agriculture. Others suggest Switzerland as the ideal model. But Switzerland's deal is even worse than Norway's. It has only limited access for services, and almost none for financial services, by far the largest sector of our economy.

The City is the world's biggest financial centre thanks to American banks. They choose London because it's an English speaking city with the right to sell financial services across the EU. Thanks to the Prime Minister's deal, this right is secure if we stay in, but would be lost if we left. Then we have another model, Britain going it alone. Some say we could just cope with tariff barriers, despite the costs to business, which would push up prices for families at the shops. Others say a free trade deal could easily be negotiated. But they don't mean one deal. They mean dozens of them, because the EU already has over 35 global trade deals, with over 20 more in the pipeline, and no guarantee that Britain alone could negotiate the same terms as the EU, the world's largest trading bloc. To ensure the agreements were in place at the end of the Brexit process, which lasts only two years, we would have to do 35 deals involving more than 80 countries all at the same time. The South Korea deal was one of the quickest the EU has ever done, and took four years. On the highly optimistic assumption that we could do all the necessary new deals at the same pace, that's the equivalent of 140 years' worth of negotiation in two, when we haven't done a trade deal ourselves since 1972, and by the way have no trade negotiators with which to do it.

From driving a deal as part of a block of 500 million people we'd be on our own as a country with a tenth of that number, disadvantaged in negotiation by already having an open economy. Why should we expect a better deal than any we could get through the EU? Some might say this is a price worth paying. Trade may suffer outside the EU, but might it not be worthwhile if we could regain our sovereignty? Nigel Farage has repeatedly said he would rather have lower GDP than accept free movement on the current scale (Telegraph, 7 January 2014). It may appear self-evident that outside the EU we would have more control over our own economy and society. But in fact, Norway has surprisingly little. Its relationship is governed by the rather sinister-sounding "European Free Trade Area Surveillance Authority", accountable not to the parliament in Oslo but to a special supranational court. Switzerland doesn't do much better. It constantly has to play catch up with changes to EU rules to continue to access the single market. And as the European Council's former chief legal adviser, Jean Claude Piris, has said, Switzerland "... has to incorporate EU regulations and directives into its legal order and follow their interpretation by the ECJ, although it does not participate in the decisions that lead to their adoption."

What's more, the price of Norway and Switzerland's access to the EU's market is free movement of labour. Norway takes twice as many migrants from within the EU, per head of the population, as we do. Switzerland three times as many. Does that sound like taking back control or closing our open borders to you? These Swiss and Norwegian options weren't suggested years ago in some long forgotten speech or off-the-cuff comment. Daniel Hannan, Nigel Farage and others have again suggested the models recently. My friend Dan, for whom I have enormous respect, is honest enough to admit that "it would be sensible for us to have an element of free movement of labour". But Nigel Farage still claims that the drawbridge will be pulled up, that he can have his cake and eat it. All the benefits of the single market with none of the cost. A deal like Norway's, just without the parts he doesn't like. Of course, Brexit campaigners try to pick and choose from whatever model suits their argument. But while they haven't a clue what an alternative deal looks like, they're quite sure they'll have regained sovereignty.

In their hot headed determination to rush for the Brexit they haven't stopped to consider the cold reality of life outside. Even assuming free trade agreements could be negotiated in time and on our terms, these would not

provide us economic sovereignty. Take Canada, which has a free trade agreement with the EU. Instead of being a better alternative, the Canadian agreement shows the unique advantage of our EU membership: we have a say over the rules that the 28 members decide together to enforce. Canada, in contrast, just has to accept them. A car produced in Canada could not be exported to the EU unless it meets EU standards. With 6 in 10 cars exported from the UK going to the EU market, losing our say over those EU standards would clearly be very damaging. Though we are a larger country than Canada, the rest of the EU would still be over five times our size (EU: \$18.56 trn. UK \$2.95 trn. IMF (2014)).

And though we would be its largest single trading partner: accounting, on some measures, for just over a tenth of their trade, the rest of the EU accounts for 45 per cent of ours. Leave campaigners like to say that we're the EU's biggest market, so we're bound to be given a great deal. And from this you might assume that the UK takes most of the EU's goods, or a large share of their exports.

The UK's Bargaining Power

In fact the UK is the market for just over 5 per cent of exports from the rest of the EU. The share of their economy which they export to us is far lower than the share of our economy which we export to them. So we would be less powerful in any deal, not more. Since any new deal with the UK would have to be agreed by all of these member states, and the European Parliament, the incentive for them to bend over backwards to accommodate us suddenly looks less strong. Why would they give us a better deal than they have themselves? Even if bargaining were a purely rational exercise, the balance would be tilted heavily in their favour. Yet, as Open Europe's recent 'war games' revealed, a rational bargain is unlikely. The other member states have electorates too, and ultimately they would act in their own interests – exactly as Brexit campaigners want us to – protecting their own industries and answering to their citizens. Outers claim that the EU is irrational and anti-democratic, yet the moment we leave they expect it to become generous and altruistic, handing out a perfect deal – free membership benefits to a member who had just walked out of their club. As the former Finance Minister of Poland, Jacek Rostowski, [said yesterday](#), the leave campaign's "... argument is that an agreement based on 'friendly' negotiation with EU member states would permit the UK to opt out of the free movement of people, end EU budget contributions, extend regulatory opt-outs and allow access to Europe's single market. For most European observers and officials this just won't happen. No country has full access to the single market without making a contribution to the EU budget and accepting the four freedoms – and no such exception would be made for Britain".

We would not even be present at the top table to negotiate the new arrangement. Article 50 of the Lisbon Treaty requires an exit deal to be done within two years, during which we would forfeit our seat on the EU Council, putting us at an appalling disadvantage. Unsurprisingly, Brexit campaigners are divided on this crucial issue, too. Owen Paterson has called on the Prime Minister to invoke the procedure ahead of a referendum, saying that it would be "enormously attractive" (Speech to Business for Britain, 24 November 2014). Yet the Campaign Director of Vote Leave says this would be "like putting a gun in your mouth and pulling the trigger" (The Economist, 21 January 2016). The uncomfortable reality is that if Britain votes to leave we will have no choice but to invoke the procedure. And as Mr Rostowski reminds us, in Brussels "if you're not at the table you're on the menu." The a la Carte choices which Brexit campaigners wish for will simply not be available.

The Price of Leaving

And if we leave we risk getting a costly bill, not the cash back which campaigners claim. They're fond of the crude assertion that we'd simply save money by leaving. Vote Leave campaign use the bogus figure that by leaving the EU we would save £350 million a week, or £18.2 billion a year. They omit to count our rebate and the money the UK gets back. Once these are taken into account, it turns out that the true cost of EU membership is £10 billion less than Vote Leave claim. And this excludes the economic benefit from the single market. Only counting the costs is only half the story. Most reputable economic studies show a net benefit from the single market. Indeed, if Vote Leave's own assessment used the true, net, cost of EU membership, it would show the real picture that the single market produces a gain of £5.5 billion, not a cost of £4.5 billion. A true assessment of the costs and benefits needs

honesty about the facts and the alternatives. And the overall impact on our economy of the wrong decision would dwarf the kind of claimed saving from our net contribution to the EU Budget.

Conservatives can be proud of the achievements of this Government in turning the economy around, putting Britain at the top of the world growth league and delivering record job creation. But the global recovery is fragile and there is still work to do. We should be especially wary of any risks to our economic success. Those who advocate leaving the EU regardless of whether the PM secures his reforms or not are saying that Britain will be better off outside the EU. So despite no economy in the G7 having grown faster than Britain since 2010, with 2.3 million new jobs created and record falls in unemployment, Brexit campaigners claim this record isn't good enough. Their message is: however well Britain is doing, we should gamble on doing better. How much better they cannot say. How we will maintain the economic benefits of access to Europe's market they cannot begin to answer. It's a huge – indeed, incredible – ask. Leave campaigners refuse to acknowledge any of the economic risks of exit, but the rest of us need to weigh these carefully. When Britain's economy is already performing well, the burden of proof that it's worth taking a risk to do so much better must surely be very high.

For many Conservatives – including me – the balance of the scales would tip if, for instance, we could not protect ourselves from deeper integration in the Eurozone, or address concerns about immigration. But provided there is reform to tackle these issues, and especially while there is global economic instability, the risks of leaping into the dark start to look overwhelming. Together with the hard work of the British people, we are re-building our economy. We should think long and hard before we decide to gamble all the progress we have made on an entirely uncertain new course. The idea that we can separate our economic future from that of the EU is of course a fantasy. We need our principal export market to perform better, whether we are in the EU or not. And consciously destabilising that market would hardly be in our self interest. We need to ensure both economic and wider security. And in these uncertain times, we should think carefully before taking steps that could undermine close partnerships. I profoundly disagree with those who say that the EU is irrelevant to our security, and that only NATO matters. Because the EU has a vital role, too. Right now, when the international situation is at its most dangerous since the end of the Cold War, our closest allies, the United States, Germany and France, want us to stay in.

The UK's Security

Some Brexit campaigners believe security is one of their strongest cards. In one breath they characterise anyone who points out the genuine economic uncertainties accompanying a decision to leave as being part of "Project Fear", in the next they stir up alarm over terrorism and immigration. After the sex attacks in Cologne, the [Campaign Director](#) of Vote Leave tweeted: "EU law = once Cologne sex abusers get citizenship they can fly to UK & there's nothing we can do." and Nigel Farage told LBC:

"Those 1,000 young men that were outside the train station in Cologne will, within three to four years, have German passports, which means effectively they can come here." This is inflammatory scaremongering. And it's completely false. Only German citizens, not asylum seekers in Germany, have the right to come here without a visa. An asylum seeker has first to have their claim accepted, and then to apply for German citizenship. That process takes on average 10 years. And if they are convicted of a crime their citizenship application will be rejected. And should someone already have EU citizenship, because we are not in Schengen, we have the right to turn people considered a threat away at the border – a right we have exercised 6,000 times in the last six years (figures are from a No. 10 brief.). And these are powers which we are seeking to strengthen in the Prime Minister's EU renegotiation.

As Minister for Policing and Criminal Justice I became acutely aware of the value of EU arrangements to share intelligence and speed up the return of criminal suspects to bring them to justice. It's deeply ironic that while Brexit campaigners attack any suggestion that our membership contributes to our safety, even alleging that the EU undermines it, they usually oppose vital measures to co-operate more effectively on matters like sharing DNA records or the European Arrest Warrant. It was thanks to the European Arrest Warrant that we were able to extradite Osman Hussain, one of the failed London bombers of July 2005, swiftly to face justice. Now, as part of the

renegotiation, Britain is proposing to strengthen intelligence sharing between EU countries. By opting out of criminal justice and security measures that do not suit Britain, while taking part in those that keep us safe, we decide for ourselves where it is in our national interest to co-operate. What Theresa May's decision showed was a hard-headed Conservative approach to the EU. It revealed the difference between a pragmatic position and one which says that we should leave at any price.

Some Conservatives have already decided to vote leave, while others would remain come what may. They take a principled stance, and I respect their views. But I believe that many Party members and supporters who, like me, count themselves as Eurosceptic, have no love for the EU and worry about its direction, would prefer to see reform than take the unnecessary risk of Brexit. That is why, together with Eric Pickles and others, I formed Conservatives for Reform in Europe, and am so pleased that our group has gathered support so quickly. To Conservatives who are weighing up the choice, I would say: we have long sought a European arrangement which recognises Britain's unique circumstances and separates us from the drive towards a superstate. The proposed deal gives us the special status in the EU which we want, and so the best of both worlds: outside the euro, and protected from deeper integration, but able to access the single market; in the world's greatest trading block of over 500 million people, but still outside the Schengen area and so able to maintain our borders. We would have to be very sure of the alternative before throwing these advantages away. Leave campaigners are inviting the public to take a giant leap into the dark, gambling Britain's economic success on an alternative which they can't begin to spell out. And if even Brexit campaigners can't agree what the future holds, why should the British public take the risk of leaving?

This post represents the views of the author and not those of the BrexitVote blog, nor the LSE.

[Nick Herbert](#) MP is Chairman of Conservatives for Reform in Europe

- Copyright © 2015 London School of Economics