

## **Inquiry into EU reform and the EU referendum: implications for Scotland**

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### **The Implications of an EU referendum on Scotland**

The referendum question is not as cited in the invitation to submit evidence. It is actually:

“Should the United Kingdom remain a member of the European Union?”.

In my view, the franchise is too limited. It should be extended to 16 year-olds, who are as well informed as anyone about the EU, (which admittedly is not saying much) and who have a strong interest in the economic future of the UK. It should also be extended to EU nationals resident in the UK, who also have a strong interest in the matter.

EU membership brings inward investment to Scotland because of our membership of the EU single market, and provides a tariff-free market of 500 million consumers for our exports. Were we to leave, foreign companies which set up in Scotland would relocate to within the EU, in order to avoid EU import quotas and tariffs, and our exports would be subject to the EU external tariff.

Furthermore, our financial service industry would be damaged because, in order to operate inside the EU, financial service providers must be legally domiciled there and hold sufficient deposits there to cover potential losses. This means that if they want to continue to operate inside the EU they would have to relocate there.

The loss of manufacturing and financial services, and their associated service industry jobs, would result in a very large loss of employment in Scotland.

The organization “Business for Britain” claims that EU membership imposes a net cost on the UK of some £900 per family per year. However, their figures are all accompanied by the caveat that they are guesswork. Furthermore, they count only the supposed cost of EU regulation without considering the cost of the UK legislation which would have to replace it. For example, they criticize the cost of EU food safety rules without considering that if we left the EU we would have to invent our own food safety rules and they would probably cost the same.

The CBI has calculated that EU membership brings a net benefit to the UK of 4 to 5% of GDP, or about £3000 per family per year. Their calculations are carefully costed and seem realistic.

### **The process for leaving the EU.**

This is set out in Article 50 of the Treaty on European Union. The member state which wishes to leave the EU notifies the Council of its intention. The

Council appoints a team to negotiate the arrangements for leaving, taking account of the future framework of the country's relationship with the EU.

It is important to note that Article 50 is not a basis for negotiating that future framework; it is only a basis for deciding the terms of disengagement. When the Council votes on the arrangements the departing country has no vote and no say in the discussions on the vote.

It is difficult to predict the reaction of the other 27 member states, but it is certain that there would be difficulties in a number of areas. For example, EU funding would be withdrawn from the many joint research and development projects currently being undertaken. Would this entail the abrupt expulsion of the UK participants, or would there be transitional arrangements?

There would be difficult negotiations on fisheries. Given that UK fishing companies have sold quota to companies from many other member states, there would be have to be some agreement on the future of these quotas.

On the movement of people, the status of EU nationals resident in the UK, and UK nationals resident in the EU, would pose a lot of problems. Would EU nationals legally resident in the UK be given permanent residence status? If so, what would be the status of their families and future spouses and children? Similarly, would UK residents in the EU be automatically granted Schengen residence and work visas?

The future framework of the UK's relationship with the EU would probably be simply that of any other non-member state. Opponents of EU membership disagree on what relationship we would have with the EU if we left.

It is unlikely that we would join EFTA or have a Norway or Switzerland style trade agreement with the EU, for a number of reasons.

Opposition to the EU in the UK is usually based on one or more of the following:

- our membership fee;
- the free movement of people;
- the perceived "loss of sovereignty" in having to comply with the EU legislation (which we currently participate in making).

Norway and the other EFTA countries, and Switzerland, have to pay a membership fee, accept the free movement of people and comply with EU trade while having no say in making them. In return, they have access only to a limited part of the single market.

Under these circumstances, there would be no point in leaving the EU just to join an agreement with the same perceived disadvantages but fewer of the benefits.

## **EU reform agenda**

At this stage, the exact details of the proposed “reforms” which the government is seeking are unclear. However, one point is clear:

it is not possible to amend the Treaty in the timescale envisaged, and it is perplexing that Mr Cameron was not told this by his advisers before he made unwise statements about free movement and some other matters.

On the question of EU migrants and access to welfare, this is blatant dishonesty. EU migrants make a significant positive contribution to the economy and claim far less in benefits than UK nationals. If the government wants to change the rules on claiming in-work benefits they are free to do so, as long as the changes apply to everybody. If they want to be allowed to discriminate against nationals of other member states they will have to get the agreement of all of those member states to change the Treaty accordingly, which is an absurd idea.

A “stronger role” for national parliaments to block legislation would also require Treaty change and is difficult to envisage. Why should national parliaments over-rule the decisions taken by their governments in the Council?

The ambition for ever closer union between the peoples of Europe (note, not the governments but the peoples), set out in Article 1 of the Treaty, is regularly and deliberately mis-quoted by Europhobes in the UK as meaning ever closer “political” union. It does not. Political relations between governments are dealt with later in the Treaty and are based on subsidiarity and proportionality, not ever closed union. Article 1 deals with social and cultural relations. It has been there since the original Treaty of Rome and no member state will want to change it.

The interests of non-Eurozone members depend on their ability to forge links with other member states on matters of vital importance to them, which the UK government is singularly inept at. However, since only 2 member states have an opt-out from the euro they cannot expect to be given a veto over the decisions of the other 26.

The area in which the single market needs to expand, and which is of particular importance to the UK, is that of services. However, this would entail more EU regulation, not less, so it would be interesting to see the reaction of the UK to proposals in this area.

I do not think that substate legislatures should have a role in the EU legislative process. The process is cumbersome enough with 28 member states involved. The inclusion of substate bodies would multiply that number by possibly 5 or 10 and would make legislating virtually impossible.

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