EU REFERENDUM MEMBER INFORMATION PACK

HOW TO PREPARE YOUR ORGANISATION FOR THE EU REFERENDUM

FEBRUARY 2016

CBI EU Referendum member information pack

How to prepare your organisation for the EU referendum

Contents

Introduction

This document has been created to help CBI member organisations understand and prepare for the forthcoming referendum on the UK's EU membership.

It includes guidance on:

1. Assessing the impact of the referendum on your organisation
2. Deciding whether and how to communicate your position internally and externally
3. Legal and regulatory considerations
4. The main arguments, facts and figures around the debate

If you would like any more information or would like to discuss anything in relation to our work in this area please contact our EU online helpline for CBI members - EUref@cbi.org.uk

To note
Campaigning during the referendum period is subject to certain legal requirements. A basic overview of the legal regime is provided in Section 6, but this document is not intended to provide legal advice and is provided for informational purposes only. If you have questions about the rules that apply to campaign spending, please consult legal counsel.

The CBI does not intend for these materials to be used to campaign for or against a particular outcome during the EU referendum period, rather this is a tool to help CBI members think through the issues. They therefore should not be used in support of any of the listed activities discussed in Section 6 if undertaken during the referendum period.

1. EU referendum overview

What is the EU referendum?

The UK government has committed to holding a referendum in 2016 or 2017 on the UK's EU membership. Citizens will be asked to vote on whether they think the country should remain in, or leave, the European Union.

Why is this happening?

Holding the referendum was a pre-election pledge of the Conservative Party ahead of the May 2015 General Election. The party won a majority and moved quickly to set in motion the process of holding the referendum by introducing the *EU Referendum Bill* in Parliament. This passed through and received Royal Assent in December 2015.

When will it take place?

Polling day is 23 June 2016.

What was the UK Government negotiating with the EU?

Ahead of holding the referendum, the Prime Minister renegotiated the arrangement that the UK has with the European Union, as well as pushing for reform of the EU's overall priorities and direction. You can read the CBI's assessment of this here.

Why does it matter for business?

While voting is a matter for UK citizens, there are likely to be implications for businesses whichever way the vote goes. Please see the **Annex** of this pack for more information on how EU membership impacts the economic and business environment and a **checklist** of issues for your organisation to consider.

CBI members should also be aware that for ten weeks before the referendum there will be a regulated window of time leading up to polling day known as the "**referendum period**" - this will run from 15 April 2016 to 23 June 2016. During the referendum period, campaign activities relating to the referendum are subject to regulation by the Electoral Commission, and organisations carrying out such activities may need to register as a "permitted participant" if meeting certain criteria.

See the **Legal and regulatory considerations** section of this pack for more information, and be aware that you may need to obtain legal advice and possibly talk to the Electoral Commission. As noted in the introduction, this document is not intended to be used to campaign for or against a particular outcome during the referendum period, rather it is meant as a tool to help CBI members think through the issues.

Why does it matter for my organisation?

Your organisation may or may not benefit from the UK being within the EU, and you may or may not have a view on this. We would encourage all CBI members to examine and understand the implications of the UK remaining in, or leaving, the EU. Sections 2 and 3 of this pack have been put together to help with this.

With regards to communication, you may want to make public what you think or you may prefer to keep your position private but, either way, you will almost certainly be asked for it by media, employees and other stakeholders (such as your suppliers). The **Communicating your position** sections of this pack have been put together to help with this process of deciding whether and how to proactively communicate or respond to enquiries.

2. How to assess the impact on your organisation

We encourage all CBI members to think about who they need to speak to - internally and externally - in order to assess objectively the impact of European Union membership on their organisation and understand the implications of the UK remaining in, or leaving, the EU.

To do this you should first look at who needs to consider the issue and when:

Internal

Within your organisation you should review who needs to be aware of potential implications. For example:

- Your senior leadership may want to consider the risks and wider impact there could be on your organisation
- Those working in public/government affairs, policy or strategy functions may wish to examine the effect on UK and EU government and politics
- The communications team may need to think about how the referendum could affect their work and plans in 2016-17
- Those working in corporate governance may need to think about how it could impact on your governance calendar and the legal implication of undertaking certain activities in relation to the referendum
- Any other relevant individuals or teams in your organisation

We would recommend appointing a person or team to act as lead to on the EU referendum and to be the “go-to” point of contact. At the CBI we can then ensure that this person is always kept up-to-date on our communications, activities and outputs.

External

Outside your organisation, we would recommend:

- Talking to your biggest customers, asking their view, and examining potential implications for your relationships
- Talking to your top suppliers and, again, asking their view, and examining potential implications for your relationships
- Raising the issue of EU reform and the referendum in other forums or membership groups of which you are a participant. For example, trade associations for your sector.

Governance

Bearing in mind that there is a good possibility that the referendum will take place soon this year (2016), we would recommend that you examine your governance calendar to ensure that there is enough time for the issue to be properly considered. For example:

- When is your Annual General Meeting taking place and will shareholders have a view or wish to understand your corporate position?
- When will you publish your annual report and does the issue of the referendum need to be included in any way?
- When are board meetings scheduled in 2016 and is this on the agenda? If not already, should it be discussed?

Suggested actions:

1. Appoint a person or team to act as lead to gather information and share with all relevant internal parties

2. Review your 2016 activities where the referendum may be a factor, and your governance calendar

3. Schedule discussion of the referendum and potential impacts on the agenda for board meetings as soon as possible

4. Be aware of the potential implications of engaging in referendum-related activities during the referendum period, and ensure that you've taken appropriate steps before the period begins

3. What to consider when assessing the impact on your organisation

Your organisation should gather information on the different ways in which membership of the European Union affects your business and make an objective assessment of what it would mean if the UK were to remain in, and if it were to leave.

The main questions for your organisation to ask:

1. How has the UK being part of the EU affected your organisation in the past? For example, are you part of a European supply chain? Do you export or import from Europe?
2. How would future developments of the European Union impact your organisation if the UK remains in? For example, would the further development of the single market benefit your business? Could further integration harm your business?
3. If the UK were to leave, would there be any positive benefits? For example, specific regulations possibly being repealed reducing the costs of compliance.
4. If the UK were to leave, what could the negative results be? For example, tariff barriers on exports making your products less competitive abroad.
5. If the UK were to leave, what could the effect be on the European Union and would that affect your organisation positively or negatively? For example, EU rules being developed that damage your business if the UK was no longer able to influence them from inside.

Sources of information to help with your assessment:

A. Annex of this document

Included in the annex of this document are materials and information to help your organisation think about potential impacts and understand all sides of the debate. Including:

- A more detailed **checklist** of points to consider including thinking through how the business might be affected by changes in access to the EU single market; changes in access to third country markets where the UK has access through EU trade deals; changes in regulation; changes in the UK's influence over EU regulations; and so on.
- A summary of the main **arguments** relating to business for remaining in or leaving the EU;
- Details of opinion **surveys** done by the CBI and other major business groups;
- Compiled facts and figures around **trade**, including a list of EU trade deals which cover the UK
- Details of how a "Brexit" would work and what **alternative arrangements** to full EU membership might look like

B. Useful links

Reform & renegotiation

For some members, the outcome of the Prime Minister's renegotiation of the UK's arrangement with the European Union is important to reaching a decision on how remaining or leaving might impact upon the business. You can read the CBI's assessment to this here.

CBI publications

The CBI has published a number of reports over the last three years examining the UK's membership of the European Union in more detail. These can all be found in the EU hub on our website (news.cbi.org.uk/business-issues/uk-and-the-european-union), and include:

- Choosing our Future (2015) - our most recent publication on the European Union, laying out the benefits, what reforms business wants, and how the alternatives to full EU membership shape up.
- Our Global Future (2013) - our comprehensive consultation and research project on the business perspective on the UK's European Union membership, and desired reforms.
- Response to Treasury Select Committee (2015) – our submission to the House of Commons Treasury Committee Inquiry on 'The economic and financial costs and benefits of the UK's membership of the EU'.
- Doing things by halves? (2013) - our assessment of the alternatives to full EU membership
- 10 facts about European Union trade deals (2015) - our analysis of European Union trade deals from a UK business perspective.
- A new era for Transatlantic trade (2014) - 20 grassroots business examples examining how the EU-US Transatlantic Trade and Investment Partnership (TTIP) will affect UK businesses, employees and consumers.
- 5 reasons not to believe everything you hear about TTIP (2014) - Five myths busted about the EU-US Transatlantic Trade and Investment Partnership (TTIP).

Regional/sectoral groups

You could ask any sectoral trade associations and regional business groups with which you are associated for any relevant information and analysis that they can supply.

Campaign groups

There will eventually be two groups officially designated by the Electoral Commission to respectively lead the campaigns for remaining in and leaving the EU. They should be able to provide the key arguments on either side of the debate:

- *Britain Stronger in Europe* are the leading campaign group for the UK to remain in the EU. Their website is strongerin.co.uk
- *Leave. EU* and *Vote Leave* are contending to lead the campaign for the UK to leave the EU. Their websites are leave.eu and voteleavetakecontrol.org.

Suggested actions:
5. Assess the information and analysis available at board level and in other relevant teams/individuals 6. Come to an agreed internal position on whether the UK remaining in or leaving the EU is best for your organisation, or whether you think there would be no impact

4. Communicating your position: Considering employees and other stakeholders

Once your organisation has a position you should think about whether and how you would want to communicate it – first of all internally

Employees

It is highly likely that your staff will ask what the referendum means for your organisation and we would encourage you to be prepared to communicate your position to ensure employees have as much information as possible as to how it might affect them.

Your organisation has a choice as to whether to proactively communicate your position, or only offer it reactively (i.e. when asked). If you do decided to communicate to staff proactively, channels you could consider for communicating with employees could be:

- **Letters -** writing direct letters from your organisation's leadership to each employee
- **Email -** sending direct emails to employees or including in internal email newsletters
- **Intranet -** putting something on your intranet or similar platform. For example, a putting an article in a company magazine or newsletter
- **Debates -** some organisations are hosting debate events for employees to enable them to hear the case being made for both sides. This could involve inviting business leaders, politicians, and campaigners etc. to speak.
- **Events** - other organisations that have a clear position may host sessions that are less debates and more about communicating their assessment of how it will affect the organisation, such as a member of senior management addressing staff and answering their questions at a "town hall" style meeting.

Note that activities such as communicating your position (including to employees) and holding events relating to the referendum may be considered regulated activity by the Electoral Commission if falling within the 'referendum period' that runs from 15 April 2016 to 23 June 2016. Please see **Section 6** of this document for more information on this.

Other stakeholders

In addition, companies that are part of your supply chain may wish to know how the outcome of the referendum will affect your organisation and your relationship with them, and stakeholders such as your local MP may ask for your opinion on the local impact and jobs. For these you could prepare to react when asked, or reach out to communicate your position proactively.

Suggested actions:
7. Put together a plan for communication to employees covering how and when you would want to do this (proactively or reactively), taking into account the restrictions that apply during the referendum period 8. Assess whether there are other stakeholders that you might wish to communicate with on this issue and work out how and when you might do so

5. Communicating your position: Considering the public and the media

Some CBI members will also want to think about whether and how to communicate their view to the media and wider public

An important decision is whether you want to make your position on the issue known publicly or not. If you have judged that the outcome is important to your organisation, you may feel you have a responsibility to communicate it publicly. The CBI is encouraging members to speak out on this issue, whatever your position, because the business voice is important and the impact should be understood and considered by all. This is something that the Prime Minister has echoed.

Doing this proactively means that you get to control when and how the information is released. However, the disadvantage is that there will be some that disagree with your position – whatever it is – and will criticise you for having it.

If you do decide to communicate your view publicly, there are a number of channels you could consider for this:

- **CEO/spokesperson statement or speech -** your position on the EU could be conveyed in a public intervention by a leadership figure
- **Annual report -** something could be included in your published annual report
- **Public debates -** an external event could be used as a platform – either hosted by yourselves or by working with a local organisation that is looking for a business voice
- **Media -** sharing a press release directly with the media (local or national) and/or contacting local media directly to offer an interview
- **Website and social media -** your digital channels could be used to provide a platform
- **Other platforms or joint initiatives -** there may be opportunities to co-sign a letter with other organisations in your sector (possibly via your sectorial trade association)
- **CBI case study -** we are collecting and publishing online case studies that give members an opportunity to write about how they see EU membership affecting their organisation and/or how they would want to see the EU reformed. Please let us know if this is something that you would like to consider.

If you choose not to communicate your position publicly, you should have a plan in place should your organisation's name is brought into the debate by a third party outside your control. This could happen if, for example, one of the groups campaigning around the referendum use information about you in a communication that you are then forced to clarify publicly.

Note that undertaking referendum-related activities – such as organising an event - within the 'referendum period' that runs from 15 April 2016 to 23 June 2016 may bring your organisation within the scope of the Electoral Commission regulations, and may potentially trigger the requirement to register with the Commission as a "permitted participant". Please see **Section 6** of this document for more information.

Questions to prepare answers to:

Whether you decide to proactively communicate your position or not, you should prepare answers to questions that you are likely to be asked by local and/or national media at some point. For example:

1. Does your organisation think the UK should remain in or leave the European Union?
2. If for leaving, what do you think the alternative arrangement should be?
3. Will there be an impact on jobs in your organisation if the UK remains in/leaves the EU?
4. What do you think will be the impact on the UK economy and jobs more widely?

It's worth thinking in advance what you will say even your if reply is that your organisation is not taking a position.

Suggested actions:

9. Decide whether or not to communicate your position publicly

10. If you decide to communicate your view publicly, devise a plan for how and when you would want to do this, taking into account the restrictions that apply during the referendum period

11. If you decide not to communicate your view publicly, prepare your lines to media and have a contingency plan in place should external events disrupt your plans

6. Legal and regulatory considerations

Organisations should be confident that they can contribute to the debate over EU membership, but should be aware of the regulatory framework

All elections and referenda are governed by a strict set of rules which control how much the political parties and other campaigners can spend trying to affect the outcome and for a prescribed period before a polling day there are spending limits.

For the EU referendum, the "referendum period" will run from 15 April 2016 to 23 June 2016. During this period, any organisation can spend up to £10,000 without needing to register with the Electoral Commission.

In the referendum period low cost activities like issuing press releases or emailing staff are very unlikely to trigger the need for an organisation to register if they are the only activities undertaken, but nevertheless they do count towards the £10,000 spending limit. There are no spending limits for activities undertaken prior to the beginning of the referendum period.

As an overview:

- Until the referendum period starts on 15 April 2016 there are no spending limits for an organisation's activities.
- For the referendum period of 15 April 2016 to 23 June 2016, there is a spending limit of £10,000 on certain specified activities conducted with a view to influencing the decisions of voters towards a particular outcome in the referendum.
- Those activities include broadcasts; advertising; sending unsolicited material to electors; published polling or market research into voting intentions; press conferences and other dealings with the media; rallies and other public events; transport costs related to these, and other public documents setting out your position on the referendum.
- If an organisation does intend to spend more than £10,000 on such activities, it must register with the Electoral Commission as a "permitted participant" in the referendum. That entails certain extra duties, including declaration of relevant spending after the referendum.
- Some costs - like staff salaries - are not included, but other overheads are.
- You should be aware that spending money on materials before the referendum period will still count if those materials are used during the referendum period.
- The cost of activities such as sending email communications, issuing press releases and speaking at third-party events are low and so are unlikely to contribute much towards the £10,000 limit. However if an organisation is required to register as a permitted participant then it will nevertheless need to record all of its referendum spending, even on such low cost items.
- Organising events or releasing new publications could feasibly cost thousands and so planning should take account of these restrictions.
- If you intend to spend more than £10,000 on referendum-related activities, you should seek legal advice and you may also want to speak to the Electoral Commission. If you are not going to spend more than this amount in the period then these regulations are unlikely to affect you.
- Spending more than £10,000 without registering with the Electoral Commission is a criminal offence for both organisation itself, and the individual(s) that authorises the spending above the limit.

The CBI cannot give legal advice but we can offer informal guidance on activities you are planning and what the implications of this might be. Please contact us if you want to talk through anything in relation to this.

Note on your CBI membership

The referendum does not have any legal impact upon your membership of the CBI, regardless of what activity the CBI undertakes. Subscriptions to trade bodies like the CBI are not categorised as political donations, according to the Companies Act 2006, Section 375, and therefore do not require any form of shareholder approval. This holds true even if the CBI itself registers with the Electoral Commission as a permitted participant in the referendum, in order to undertake its business as usual.

Currently, the CBI does not intend to register. We feel that we can undertake the necessary activity to represent members' views prior to the registration period and within the spending limits during the regulated period. If we feel it is not possible to conduct day-to-day activities within that framework we will reconsider the need to register at a later date.

Further information

The relevant legislation for the forthcoming EU referendum is on the statute book[2] but, as of early February 2016, only limited guidance has been issued by the Electoral Commission. The Electoral Commission is expected to publish more detailed guidance on issues such as campaign spending before the beginning of the referendum period. When the the updated guidance for the EU referendum is provided, we will update members. Please email EUref@cbi.org.uk to ensure you are on the mailing list for these updates.

Prior to the issuance of that further guidance, the Electoral Commission's guidance issued for the Scottish independence referendum of 2014 can be taken as a reasonable indicator of what to expect. This can be found on the Electoral Commission website where you can also sign up for updates related to the EU referendum - http://www.electoralcommission.org.uk.

More useful links:

- European Union Referendum Act 2015 - http://www.legislation.gov.uk/ukpga/2015/36/contents/enacted
- The Political Parties and Referendums Act 2000 - http://www.legislation.gov.uk/ukpga/2000/41/contents
- Companies Act – section 375 - http://www.legislation.gov.uk/ukpga/2006/46/section/375
- The Electoral Commission EU referendum page - http://www.electoralcommission.org.uk/find-information-by-subject/elections-and-referendums/upcoming-elections-and-referendums/eu-referendum

Suggested actions:

12. Think about any activities that you might like to undertake in relation to the referendum and consider timing with the "referendum period" in mind

13. Review any other existing activities that you have planned and see if there are any considerations relating to the regulations surrounding the referendum

14. Review information from the Electoral Commission and seek legal advice if you think you may spend more than £10,000 on referendum-related activities in the regulated "referendum period"

[2] *Political Parties, Elections and Referendums Act 2000* (plus updating acts) and the *European Union Referendum Act 2015*

7. Summary of suggested actions

The suggested actions from the previous four sections are brought together here:

Suggested actions

1. Appoint a person or team to act as lead to gather information and share with all relevant internal parties
2. Review your 2016 activities where the referendum may be a factor, and your governance calendar
3. Schedule discussion of the referendum and potential impacts on the agenda for board meetings as soon as possible
4. Be aware of the potential implications of engaging in referendum-related activities during the referendum period, and ensure that you've taken appropriate steps before the period begins
5. Assess the information and analysis available at board level and in other relevant teams/individuals
6. Come to an agreed internal position on whether the UK remaining in or leaving the EU is best for your organisation, or whether you think there would be no impact
7. Put together a plan for communication to employees covering how and when you would want to do this (proactively or reactively), taking into account the restrictions that apply during the referendum period
8. Assess whether there are other stakeholders that you might wish to communicate with on this issue and work out how and when you might do so
9. Decide whether or not to communicate your position publicly
10. If you decide to communicate your view publicly, devise a plan for how and when you would want to do this
11. If you decide not to communicate your view publicly, prepare your lines to media and have a contingency plan in place should external events disrupt your plans
12. Think about any activities that you might like to undertake in relation to the referendum and consider timing with the "referendum period" in mind
13. Review any other existing activities that you have planned and see if there are any considerations relating to the regulations surrounding the referendum
14. Review information from the Electoral Commission and seek legal advice if you think you may spend more than £10,000 on referendum-related activities in the regulated "referendum period"

8. ANNEX

The materials in this annex have been compiled to help CBI member organisations assess the implications of the referendum and understand the arguments on both sides to the debate as it relates to business.

Contents

A. Checklist: Considering implications for your business

The below lists areas and issues that CBI member organisations might want to consider when evaluating the potential consequences of a change in Britain's relationship with the EU following the referendum.

1. The impact of uncertainty following a vote to leave

If Britain votes to leave the EU, there will be a transitionary period where the UK negotiates its new position in Europe and in the world.

- What could the consequences be for your business and its associated supply chains if the business environment is uncertain for a period of time?

2. Change in access to the EU single market

If Britain votes to leave the EU, there are a variety of alternative single market access arrangements that Britain could seek to secure. It is unclear what forms of arrangement would be up for consideration by the UK Government and the EU.

- What have the consequences been for your business and its associated supply chains of access to the EU single market?
- What could the consequences be for your business and its associated supply chains if tariffs were introduced? Comparing with arrangements presently in place with the US can give a guide.

3. Change in access to global markets

At present, the UK's global trade deals are secured through the European Union. If Britain votes to leave, it is likely that the UK will have to renegotiate favourable trade arrangements with 56 countries simultaneously (see a full list of EU trade deals in the annex of this document). These will take time to secure and may differ to the arrangements in place now.

- What have the consequences been for your business and its associated supply chains of the EU's favourable trade arrangements with third countries, such as South Korea and Mexico?
- What could the consequences be for your business and its associated supply chains if the favourable trade arrangements currently in place cease to apply for Britain for a period, or change as a result of the UK negotiating on its own behalf?

4. Change in regulation

If Britain votes to leave, the EU rules which have been made British law are likely to be reviewed by the UK Government. It is unclear which might be repealed, weakened or strengthened. Businesses exporting internationally will still have to comply with standards set by destination countries on goods and services entering their market.

- Which EU regulations have had a negative impact on your business? Is there likely to be political pressure to repeal, weaken or strengthen these?
- Which EU regulations have had a positive impact on your business? Is there likely to be political pressure to repeal, weaken or strengthen these?
- What could the consequences be for your business if you had to operate under different regulatory regimes for the EU and UK markets?

5. Change in influence over EU rules

If Britain votes to leave the EU, its position of influence within the European Union would change. The UK would no longer have a vote at the European Parliament or European Council on many issues which could still impact British business.

- Which, if any, European Union authorities currently have legislative input over your industry?
- What have the consequences been for your industry of Britain's membership of these authorities?
- What could the consequences be for your industry if Britain is no longer represented in EU legislature?

6. Change in influence over international rules

If Britain votes to leave the EU, its position of influence within a number of international authorities would change. The UK would no longer be a formal part of co-ordinated voting with other members of the European Union within international authorities such as the United Nations. The UK would be directly represented on the World Trade Organization.

- Which, if any, international authorities currently have legislative input over your industry?
- What have the consequences been for your industry of Britain's membership of these authorities as part of the EU?
- What could the consequences be for your industry if the form of Britain's participation on these authorities changes?

7. Change in UK investment environment

Global companies considering investment decisions may consider destination countries' membership of international organisations like the European Union as a factor.

- What have the consequences been for your business and associated supply chains of investment by global companies?
- What factors have featured in the decisions of global companies making investment relevant to your business and associated supply chains? Is Britain's EU membership one of the relevant factors?
- What could the consequences be for your business and associated supply chains if global investment decisions are delayed for a period of time?

8. Change in access to EU funding

If Britain votes to leave the EU, sources of direct funding by the European Union may be less easily available. The UK Government would have to decide which sources of funding to restore using funds from HM Treasury.

- What sources of funding from the European Union are relevant to your business and its interests?
- Are those benefits derived from funding streams allocated specifically for EU nations?

9. Change in access to labour

If Britain votes to leave the EU, the UK Government would have to negotiate with the European Union over the future of existing EU migrants in Britain and British migrants in Europe. They would also have to discuss the future of migration policy.

- What have the consequences been for your business of EU citizens' free movement to Britain?
- What have the consequences been for your business of British citizens' free movement in the EU?
- What could the consequences be for your employees from the EU if Britain's relationship with the European Union changes, and for your future labour supply?

10. Potential for further devolution

If Britain as a whole votes to leave the EU, but any of the devolved nations vote to stay, there could be an increase in political tension between the devolved nations and the rest of Britain. This may result in further referendums for independence.

- What could the consequences be for your business if any of the devolved nations consider independence in order to remain in the European Union?

B. Arguments for and against the UK's European Union membership

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

	Arguments for remaining	Arguments for leaving	CBI assessment
Access to markets	• The EU gives easy access through the single market to the UK's largest trading partner – 45% of UK exports in 2014 were to the EU. • This amounts to £227 billion worth of goods and services each year.[3] • Today, the European Union remains a growing global market and important partner for the UK - 7 of the UK's top trading partners are EU countries.[4] • Britain continues to increase its exports *by value* to the EU, rising on average by 3.6% each year since 1999.[5]	• While the *value* of UK exports to the EU is growing, the percentage *share* of UK exports going to the EU is declining as we increase our trade with countries outside of the EU. • Some argue that global growth is being driven outside of the EU and that the EU is holding us back in boosting trade with emerging economies.	The European Union remains a growing global market and will remain an important market for the UK given that 80% of British businesses that trade overseas do so with the EU.[6] Similarly small businesses often look to trade with the EU when exporting for the first time. Preserving access to the Single Market is thus essential. British business should of course look to maximise new opportunities to grow globally but this shouldn't be at the expense of current strengths. It is not an either/or choice. Countries like Germany have successfully boosted trade with China as members of the EU – there's no reason the UK can't do the same.

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

International trade	• The EU facilitates global trade providing the UK with privileged access to over 50 markets outside of the EU through trade deals. • As an economy worth £11.8 trillion with a 500 million person market, the clout of the EU enables the UK to secure more and higher quality trade deals than it may be able to if negotiating alone.	• Some argue the EU restricts the ability of the UK to trade with the rest of the world as we cannot sign our own trade deals. • The UK will be able to increase global trade outside of the EU by negotiating trade deals independently and will be able to do it quicker than as part of a 28 country bloc.	The EU has provided easier access to global markets through trade deals. If the UK left the EU, it would aim to negotiate deals with countries across the world to replicate and go further than the access we currently have. But, the UK would be starting from scratch – losing the access it currently has. Trade deals are long and complex to negotiate and it cannot be guaranteed that other countries would see negotiating a trade deal with the UK as a priority. The quality of a trade deal is as important as the number. The EU has greater negotiation power as a market worth £11.8 trillion. So while it can sometimes take longer to secure these deals, they are usually more comprehensive in scope when via the EU.[7]
EU regulation	• Harmonisation of EU rules and standards has made it easier for businesses to enter new markets. • With one set of standards across the EU, a business in the UK can trade across 27 other countries more simply than if outside and operating under a different set of rules. • There is some cost to EU regulation and, at the lower end, the Department for Business Innovation and Skills has calculated this as somewhere between £8.6-9.4bn. But, many of these	• It is argued by some that EU regulations are an unnecessary burden and costly for businesses to implement. At the upper end, Open Europe estimate the cost of EU regulation at £33.3 billion. [8] • The EU also gets involved in regulating areas that are best left to national governments. For example, the working time directive goes too far in regulating issues that are best left to member states. Only by leaving can the UK end this 'mission creep' by the EU institutions.	The total cost of EU regulation is complex and contested. There is disagreement as to the cost of EU regulation. The Department of Business, Innovation and Skills has calculated the cost as somewhere between £8.6-9.4 billion and Open Europe have estimated it at £33.3 billion.[9] There are of course costs to some EU regulation but the Open Europe figure is calculated from adding up the costs taken from impact assessments of EU directives and regulations. This is a misleading assessment of the overall regulatory impact and does not take into consideration the benefit of some EU

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

	regulations have positive economic, social and environmental impacts.		regulation or the likelihood of comparable domestic regulation being introduced in its place. When designed well, these rules can make it easier for businesses to trade and operate across the EU. However, regulation must be fit for purpose, and make it easier to trade and grow and the EU must continue reforming the process of formulating legislation to ensure this is the case. It clearly does not always get this right at present. Further, the principle of subsidiarity must be better observed. A one-size-fits-all approach across the diverse range of labour markets has had a negative impact for some businesses.
UK influence	• By being around the table in the EU institutions, the UK helps to set the EU legislative agenda. • The UK has been successful in influencing EU rules such as in the creation of the single market itself. • For example, the UK, working with Germany, the Netherlands and Ireland, has been influential in shaping European defined benefit pensions regulations to avoid unnecessary regulatory costs.[10] • Whether a member or not, UK business will continue to trade and	• It is often argued that the EU does not represent the interests of the UK. • In particular, in the wake of the financial crisis, this has been particularly true in terms of some legislation governing financial services, an area critical to the UK economy. The UK has been outvoted on some of the rules it has to implement. • Also, as the EU has expanded, our relative voting power inside EU institutions has decreased.	The EU, as a Union of 28 countries, means there has to be compromise. The balances of votes do not always fall in the UK's interests. But, the UK has had, and continues to have, significant formal and informal influence in Brussels and has leveraged its ability to build alliances and use British expertise to help shape the agenda. This includes securing opt-outs from EU legislation, such as Shengen, the Euro itself or the Working Time Directive, or amending legislation such as pension or environmental rules. It is important that the UK continues to engage in Brussels and help to shape EU rules to enhance the competitiveness of UK

[10] CBI Mercer, Pensions Survey, October 2015

	operate across the EU, and having a representative around the table helps protect the UK's interests.		business.
International investment	• As part of the EU, businesses in the UK have open access to the single market for their exports, which is an important factor for many international companies. • 72% of investors cite the single market as important to the UK's attractiveness as a place to invest.[11]	• The UK's natural competitive conditions, such as flexible labour markets, time zone and language, make the UK an attractive destination for international investment. • With or without the single market, it is argued that the UK would continue to attract similar levels of investment.	Business has been clear that continued access to the single market is an important factor when making the next investment decisions. The UK would still be an attractive place to invest outside the EU, but UK membership is a key factor when these decisions are being made.
Access to labour	• Access to skilled workers is a rising concern for business with 55% of CBI members fearing they will not be able to hire enough skilled workers. • The free movement of people provides employers with a wider pool to source the skills needed to keep their business running and protect the jobs they create in Britain. • Free movement also allows British citizens to work abroad with approximately 1.8 million UK nationals living and working in the EU.	• Immigration has been especially concentrated in some local areas giving rise to legitimate concerns about the pressure on public services like the health and education systems. • It is also a criticism that as long as the UK is part of the EU, it will have no control over immigration from the EU which means restrictions on more skilled migrants from outside of the EU. • Many also think that the UK should plug skills gaps from the domestic labour force within our borders.	Continued access to labour from across the EU is important for business in being able to fill skills gaps. But, the freedom to move must be a freedom to work and not a freedom to access welfare payments. The CBI supports the government in tackling abuse of that system, which should help to maintain support for the principle of free movement of people. In the long term, employers must also work with government to improve skill levels in the UK workforce.
Eurozone integration	• A stable and growing Eurozone is in Britain's interest. The Euro area is the UK's largest trading partner – accounting for around two-fifths of the UK's exports.	• Some argue that as the Eurozone countries continue to work more closely together, the UK is becoming side-lined in decision making which adversely affects the single market.	There is little evidence so far of the Eurozone acting collectively in a way that negatively affects the single market as a whole. The Eurozone countries are not a homogenous bloc and do not vote as such. The EU has

[11] Ibid

	• It is therefore positive for the UK if Eurozone countries take the steps needed to integrate further and strengthen the Eurozone. • The UK leaving would destabilise its key allies and trading partners at a time when they are already vulnerable.	• It could be argued then that if the UK doesn't leave it will eventually be subsumed in a European super-state and have no choice but to adopt the Euro.	sought to protect the interests of non-Eurozone countries and the Prime Minister is aiming to enshrine this in his renegotiation with the EU recognising itself as a multi-currency union.
Direct budgetary cost	• As a member of the EU, the UK contributes to the EU budget which gives access not only to the single market but also to collaboration on research programmes, agricultural support and regional funding.	• In 2014, UK government gross contributions after the rebate were £14.3billion. Some content that this is money that would be better spent domestically and could be used to mitigate the negative impact of leaving the EU.	There is a direct budgetary cost to EU membership but this is not as high as often stated. In 2014, UK government gross contributions after the rebate were £14.3billion. After the UK rebate (£4.9billion) and other public sector receipts, the UK government's net contribution to the EU was £9.8billion. The EU therefore costs HMT a net total of £9.8 billion a year. The EU also makes payments directly to the UK's private sector, totalling approximately £800million in 2013 – innovation funding and Horizon2020 payments to SMEs for example.
Overall impact on the UK economy	• The various benefits of EU membership produce an overall positive impact for the UK economy despite the membership fee. Open and easy trade with the EU, continuing foreign direct investment, the ability to access skills, and the breaking down of barriers to global markets through EU trade deals all enable British business to grow and create jobs.	• Some argue that, the UK overpays for membership of the EU by billions every year. • The benefit of no tariffs is no longer significant to the UK due to the declining global level of tariff costs. • The UK's budgetary contribution to the EU could be put to better use by being spent domestically.	The CBI conducted a comprehensive literature review of analyses of the overall economic impact to give a cumulative estimate, removing any overlaps. As an estimate, the net benefit of EU membership may be in the region of 4-5% of UK GDP and that the average household may benefit in the region of £2,700 - £3,300 a year.

[12] HM Treasury, European Union Finances 2014, December 2014
[13] Ibid

The immediate aftermath of the referendum	• The UK economy has stabilised and is growing. Some argue that this means a vote to remain would allow the UK to continue along the path of recovery towards prosperity. • In the short term, a vote to leave the EU would cause uncertainty for business, the economy and the currency.	• The UK economy is doing well and this is unlikely to change overnight if the UK voted to leave the EU. • Some argue that any period of economic disruption will be outweighed by the long-term benefits of removing EU regulations and gaining the ability to independently sign trade deals.	The process of departing the EU is complex and unprecedented and could be lengthy. The dislocation created following a vote to leave would be harmful to UK business and to the UK economy. While ultimately the UK could negotiate an agreement to retain some level of access to the single market, this would require a trade-off between following EU rules with no influence over them and the level of access granted. There is huge uncertainty over what arrangements the UK would negotiate with the EU. Depending on the relationship, it is highly likely that most EU regulations would be kept. If the UK joined Norway in the European Economic Area, Open Europe have estimated that 93 of the 100 most costly EU regulations would remain in UK law.[14] Currently 60% of UK trade is covered by the EU and EU trade deals. Following an exit the UK would lose this preferential access to global markets and have to begin negotiating new agreements, which could take many years.

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

C. Business group surveys

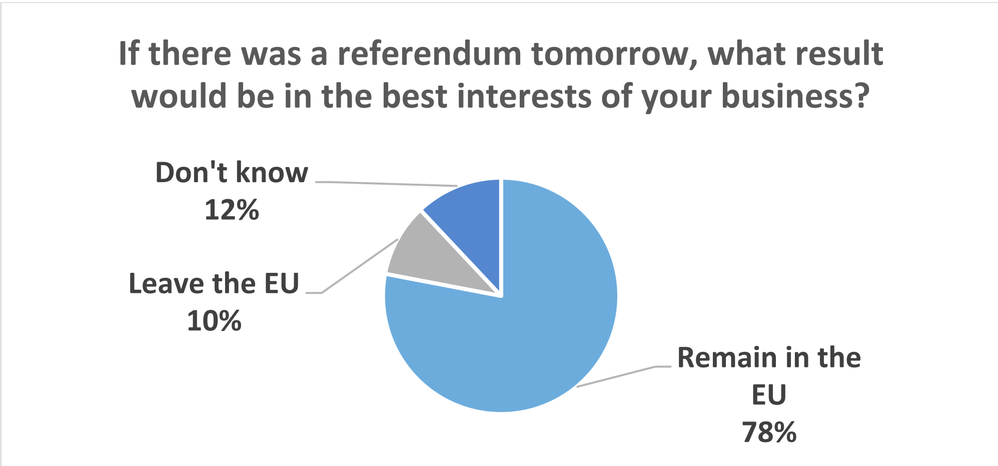
Confederation of British Industry

In 2013, the CBI worked with YouGov to survey its members for their opinions on the UK's EU membership as part of a wider consultation. The majority of CBI member businesses – though not all – told us that being in the European Union is better for their business: better for jobs, better for growth and better for prosperity.

Being in the EU means we are part of a single market of 500 million consumers providing UK businesses with easy access to the most valuable community of consumers in the world, the EU, without paying costly tariffs or custom charges, meaning UK businesses can invest more in jobs, innovation and low prices. Only by being in can we influence the future of this market so it works even better for us.

The size of the Single Market also means the EU has real clout when negotiating free trade agreements around the world, giving UK businesses advantages we couldn't secure alone and this has a real and immediate impact on our prosperity: our literature review shows that the overall benefit is approximately £2,700-£3,300 a year per household.[15]

The EU is not perfect though and we have consistently called for reform and await the outcome of the UK's renegotiation of its arrangement. The key results of the survey are[16]:



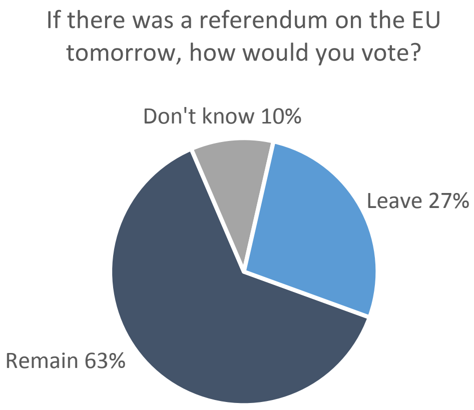
- 71% said the UK's membership had a positive or very positive impact on their businesses, with 16% stating it had no impact and 13% that the impact was negative
- Among the SMEs surveyed, 67% said membership of the EU had a positive impact (16% no impact, 16% negative)
- When asked to rank their priorities for reform, 46% wanted an end to 'gold-plating' of EU legislation and 39% wanted to see EU rules applied evenly across all member states. Other priorities for reform include reducing regulation (39%) and making structural reforms for a more competitive EU (36%)
- 75% said leaving the EU would have a negative impact on the overall level of foreign direct investment in the UK – 9% thought it would increase investment. 35% warned they would be likely to reduce their own business investment in the event of an EU exit, compared to 51% saying there would be no impact and only 6% who stated they would boost investment
- 86% believed that leaving the EU would have a negative impact on UK firms' access to EU markets (11% thought it would have no impact and only 1% a positive impact)
- 59% thought that an EU exit would reduce the international competitiveness of the UK as a whole, with 15% believing the UK would be unaffected and 23% that there would be a positive impact.

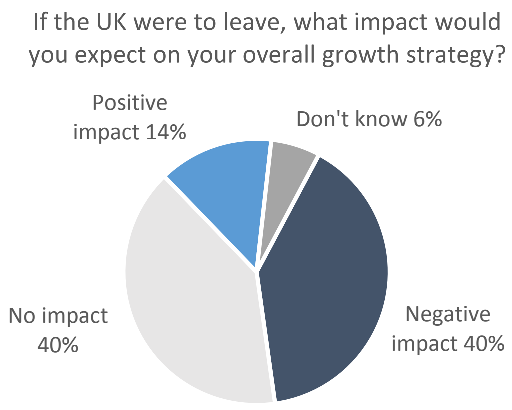
[15] CBI Literature review of the impact of EU membership on the UK economy, February 2016
[16] Full details of this survey can be found on YouGov's website

The CBI cannot speak for other business groups but many have conducted polls of their members on this issue. Below are the most recent by the other major cross-sectoral business organisations:

The British Chambers of Commerce

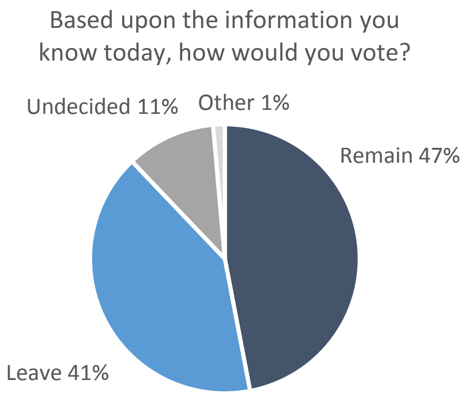
The BCC conducted a survey of 2000 business people in August 2015. Key results:

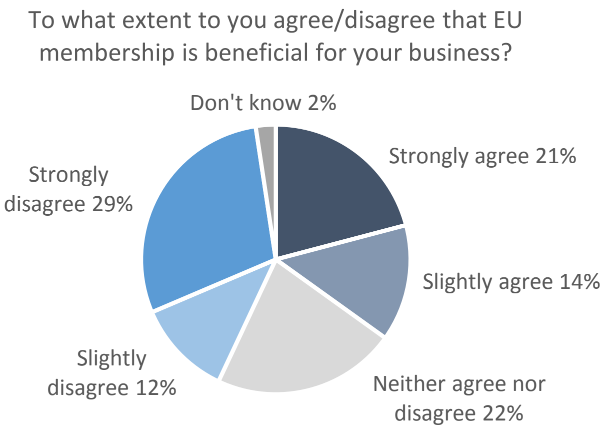




The Federation of Small Businesses

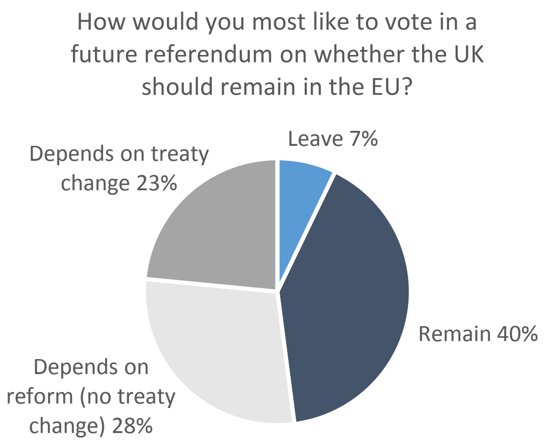
The FSB released results surveying 6,263 of its members in October 2015. The key results:

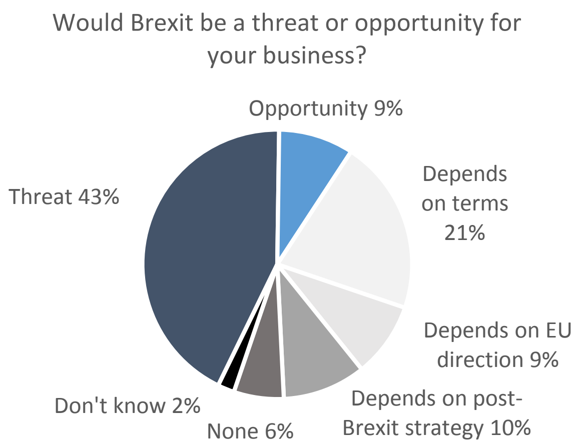




The Institute of Directors

The Institute of Directors (IOD) released polling results of 1,259 of their members in September 2015:



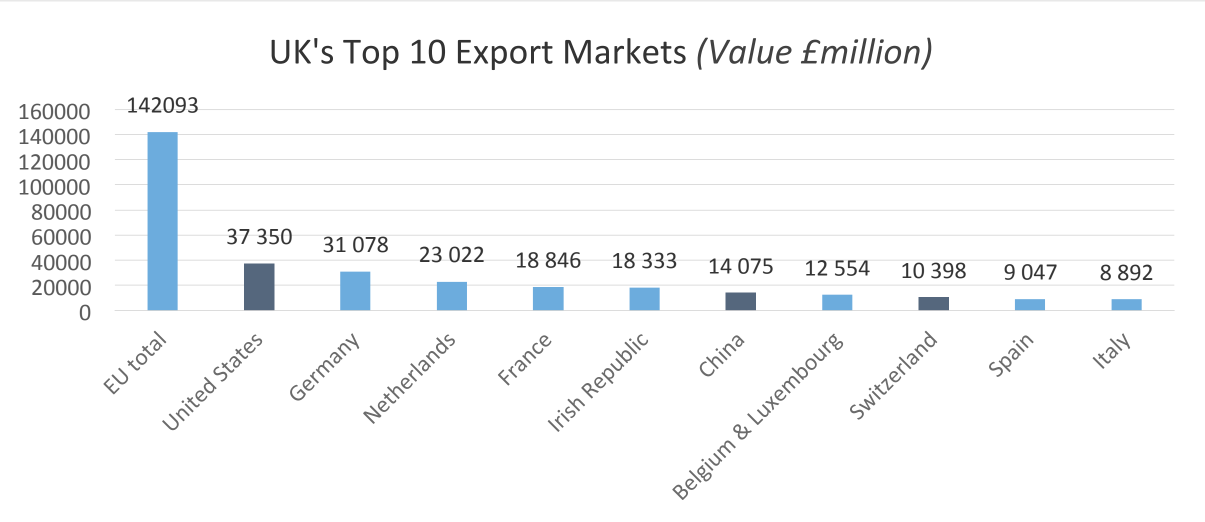


D. Trade: Facts & figures

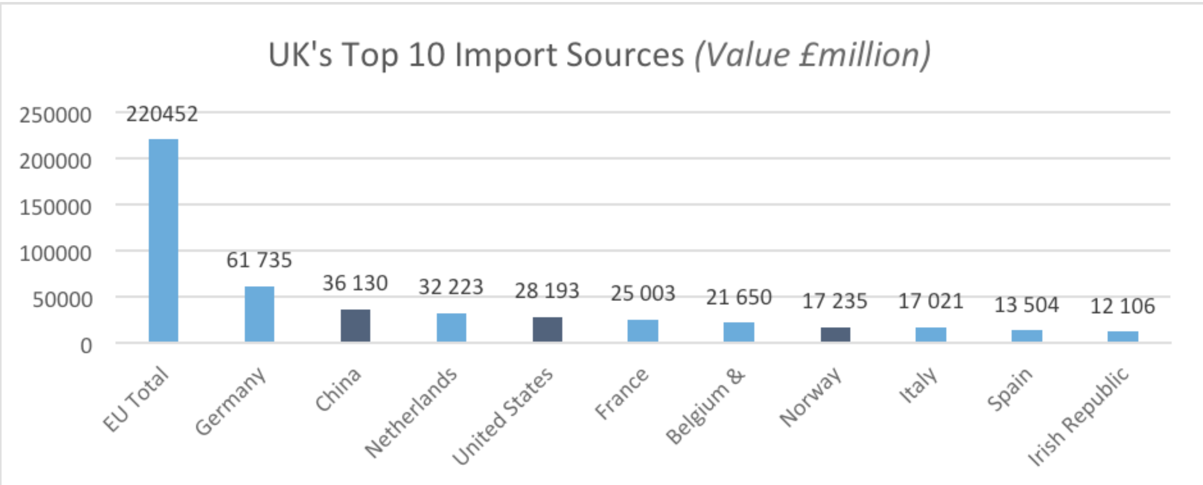
There are many facts and figures that could help shape your thinking in this debate. Below is information on the UK's top import and export markets:

UK-EU trade statistics

44.6% of Britain's exports in 2014 were to the European Union[17], and 7 of the UK's top export markets are in the European Union[18]



53.2% of Britain's imports in 2014 were to the European Union[19], and 7 of the UK's top import markets are in the European Union[20]



[17] ONS, 9 October 2015, UK Trade
[18] ONS, 9 September 2015, UK Trade
[19] ONS, 9 October 2015, UK Trade
[20] ONS, 9 September 2015, UK Trade

Regional exports and imports[21]

Listed below are regional figures for EU exports and imports showing absolute quantities, the share of trade with Europe and the most common categories, destinations and sources.

Region	EU exports	EU imports	Top exports (2014)	Top imports
East of England	£11.3bn (53.2% of total exports)	£29.2bn (64.6% of total imports)	Machinery and transport equipment, chemicals (particularly pharmaceuticals) and manufacturing (particularly scientific machines and furniture). **Top destinations:** Germany, USA, the Netherlands, Ireland, France.	Machinery and transport equipment (particularly automotives), chemicals (particularly pharmaceuticals and organic chemicals) and manufactured goods (particularly clothing). **Top sources:** Germany, the Netherlands, USA, France, China
East Midlands	£8.5bn (43.8% of total exports)	£10.8bn (49.3% of total imports)	Machinery and transport equipment (particularly appliances and automotives) and other manufactured goods (particularly clothing and metals). **Top destinations:** USA, Germany, Belgium, Ireland, Singapore.	Machinery and transport equipment (particularly power generating machinery) and manufactured goods (particularly metals and clothing). **Top sources:** Germany, China, USA, Japan, France, the Netherlands.
London	£12.3bn (38.3% of total exports)	£28bn (40.9% of total imports)	Manufacturing (particularly clothing), mineral fuels (particularly petroleum) and machinery (particularly telecoms equipment). **Top destinations:** USA, Switzerland, Germany, Ireland, France.	Manufactured goods (particularly clothing), mineral fuels (particularly petrol and gas) and machinery and transport equipment (particularly telecoms). **Top sources:** China, USA, France, Germany, the Netherlands.
North East	£7bn (56.5% of total exports)	£5bn (57.6% of total imports)	Machinery and transport equipment (particularly automotives), chemicals (particularly pharmaceuticals, organic chemicals and essential oils) and manufacturing (particularly iron). **Top destinations:** the Netherlands,	Chemicals (particularly pharmaceuticals and organic chemicals), machinery and transport equipment (particularly automotives), and manufactured goods (particularly clothing and shoes). **Top sources:** Germany, Japan, France, USA,

[21] HRMC, UK Trade Info (12 months Q1-3 2015, Q4 2014)

			USA, Belgium, Spain, and Italy.	China and Spain.
North West	£11.9bn (47.5% of total exports)	£13.6bn (56.7% of total imports)	Machinery and transport equipment (particularly automotives), chemicals (particularly pharmaceuticals) and manufacturing (particularly paper and textiles). **Top destinations:** USA, Germany, the Netherlands, France, China.	Chemicals (particularly pharmaceuticals and organic chemicals), machinery and transport equipment (particularly automotives), and manufactured goods (particularly clothing). **Top sources:** Germany, China, Belgium, the Netherlands, Sweden.
South East	£19.2bn (47.1% of total exports)	£57.6bn (63.6% of total imports)	Machinery and transport equipment (particularly automotives) and manufacturing (particularly scientific equipment). **Top destinations:** USA, Germany, France, the Netherlands, Belgium.	Chemicals (particularly petrol and plastics), machinery and transport equipment (particularly automotives), and manufactured goods (particularly scientific machines. **Top sources:** Germany, the Netherlands and Belgium, USA, China.
South West	£9.2bn (61.7% of total exports)	£8.2bn (40.4% of total imports)	Machinery and transport equipment (particularly aviation) and manufacturing (particularly scientific machines). **Top destinations:** Germany, France, USA, Ireland, the Netherlands.	Machinery and transport equipment and manufactured goods (particularly metals and clothing). **Top sources:** USA, China, the Netherlands, Germany and France.
West Midlands	£11.8bn (40.7% of total exports)	£19.9bn (59.0% of total imports)	Machinery and transport equipment (particularly automotives) and manufacturing (particularly scientific machines, rubber and metals). **Top destinations:** China, USA, Germany, France, Northern Ireland.	Machinery and transport equipment (particularly automotives), manufactured goods (particularly metals and rubber) and mineral fuels (particularly petrol). **Top sources:** Germany, Norway, China, France and the Netherlands.
Yorkshire and Humber	£8.1bn (47.7% of total exports)	£12.1bn (54.9% of total imports)	Machinery (particularly industrial equipment), manufacturing (particularly iron and other metals) and mineral fuels (particularly petroleum).	Chemicals (particularly pharmaceuticals and organic chemicals), machinery and transport equipment (particularly electrical appliances), and manufactured goods (particularly clothing).

			Top destinations: USA, the Netherlands, Germany, Ireland, France.	**Top sources:** The Netherlands, China, Germany, USA, Italy.
Northern Ireland	£3.5bn (55.5% of total exports)	£3.3bn (54.3% of total imports)	Food and live animals (meat and dairy), machinery (particularly specialised industrial equipment) and manufacturing (particularly scientific equipment). **Top destinations:** Ireland, USA, Canada, Germany and France.	Machinery and transport equipment (particularly automotives and industrial equipment) and manufactured goods (particularly textiles, clothing and metals). **Top sources:** Ireland, China, USA, Germany, Netherlands
Scotland	£7.1bn (39.1% of total exports)	£5bn (36.4% of total imports)	Machinery (particularly industrial machines and power-generating machinery), manufacturing (particularly minerals) and beverages. **Top destinations:** USA, France, the Netherlands, Belgium, Germany.	Machinery and transport equipment (particularly power generating machinery) and manufactured goods (particularly clothing, paper and metals). **Top sources:** USA, China, Norway, Nigeria, the Netherlands, Germany, France.
Wales	£5.1bn (40.7% of total exports)	£3.6bn (50.0% of total imports)	Machinery (particularly power generating machinery), manufacturing (particularly iron) and mineral fuels (particularly petroleum). **Top destinations:** USA, UAE, Ireland, Germany, France.	Manufactured goods (particularly metals), machinery and transport equipment (particularly automotives) and chemicals (particularly essential oils and perfume). **Top sources:** Germany, France, China, USA, Canada and the Netherlands

EU trade deals which cover the UK

Listed below are the trade deals with other countries and regions that the UK has access to through its membership of the EU. If your organisation currently does business with or within these countries, it may be affected by a UK departure from the EU.

Country	Type of deal
Colombia and Peru	Free Trade Agreement
Faroe Islands	Free Trade Agreement
South Africa	Free Trade Agreement
South Korea	Free Trade Agreement
Mexico	Free Trade Agreement - *in line for upgrade*
Canada	Free Trade Agreement – *awaiting ratification*
Ecuador	Free Trade Agreement – *awaiting ratification*
Singapore	Free Trade Agreement – *awaiting ratification*
Vietnam	Free Trade Agreement – *awaiting ratification*
Albania	Association Agreement
Central America - Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama	Association Agreement
Chile	Association Agreement
Iceland	Association Agreement
Mediterranean Area – Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority, Tunisia	Association Agreement
Montenegro	Association Agreement
Norway	Association Agreement
Switzerland	Association Agreement
Ukraine	Association Agreement
CARIFORUM – Antigua and Barbuda, the Commonwealth of the Bahamas, Barbados, Belize, the Commonwealth of Dominica, Grenada, The Republic of Guyana, the Republic of Haiti, Jamaica, St Christopher and Nevis, St Lucia, St Vincent and the Grenadines, the Republic of Suriname and the Republic of Trinidad and Tobago	Economic Partnership Agreement
Papua New Guinea and Fiji	Economic Partnership Agreement
Zimbabwe, Mauritius, Madagascar and the Seychelles	Economic Partnership Agreement
Bosnia and Herzegovina	Interim Agreement
Central Africa	Interim Agreement
Serbia	Interim Agreement
Syria	Co-operation Agreement
Iraq	Partnership and Cooperation Agreement
Andorra	Customs Union
San Marino	Customs Union
Turkey	Customs Union

E. The “Brexit” process & alternative arrangements

In the event of a vote to leave, the UK would most likely follow the process set out in Article 50 of the Lisbon Treaty to withdraw from the EU:

- In this scenario, the UK would notify the European Council of its intention to withdraw. The European Council would draw up guidelines for the negotiation and subsequently offer an agreement to the UK – the ‘departing’ state. The UK could then accept or reject the agreement.
- The UK does not need permission from the other member states to withdraw from the EU and would automatically leave two years after notifying the European Council.
- Negotiating an alternative relationship to retain access to the single market could, but does not necessarily have to, form part of this process. The responsibility for this lies with the European Commission, separate from the European Council.

No agreement - WTO rules

If after two years from the point of notification no arrangement has been reached, the UK would automatically withdraw from EU arrangements. Trade with the European Union would fall under the rules of the World Trade Organization. It is possible to extend the 2 year timetable of Article 50 to avoid this, but only if the remaining member states agree unanimously.

Trading under the rules of the WTO would mean the return of tariffs on trade with the EU. The average of the EU Most Favoured Nation (MFN) tariffs has fallen over time from 3.6% in 1988 to 1% in 2008, but around 90% of UK exports to the EU by value would face these tariffs. In particular, key UK export sectors would be vulnerable to disruption - facing high tariffs and reduced access. UK automotive exports to the EU may be subject to a 10% tariff whilst food, drink and tobacco would face an average export tariff of 20%.[22]

Imports from the EU would also be affected by tariffs. For example, a 32% tariff could be levied on imports of wine. While the UK can unilaterally remove or reduce the tariffs it places on imports, WTO rules mean it has to offer these terms to all trading partners.

The return of tariff barriers alone could be very disruptive to UK trade, but there would also be knock-on economic consequences of operating under WTO rules. The extent of these is difficult to predict as a result of the many years of close association the UK has had with Europe.

One perceived advantage of withdrawing from EU membership would be the return to the UK of the ability to sign its own bespoke global trade deals. This would be the case if the UK operated under WTO rules or any alternative arrangement. However, trade deals are complex and require significant time and resource from both parties, and the UK would lose preferential access to the numerous trade deals it is a part of already as a result of EU membership (see Annex D). This would result in a period of economic dislocation from these countries. An initial obstacle would be UK civil service resource to negotiate these deals - having not done this for over 40 years, the capability would need to be re-grown.

The appetite and resources of other countries to negotiate with the UK will also need to be considered. As an indicator of this, the United States government has stated that signing a Free Trade Agreement with the UK outside the European Union would not be a priority.

When the EU negotiates trade deals on the behalf of all its member states, it has the upper hand. Even without the UK, its economy is worth $15.5trilllion (China’s economy is worth $10.4trillion). This increases its attractiveness as a bloc to negotiate with, and increases its clout during negotiations. This results in a greater number of high quality trade deals than the UK could negotiate alone.

---

[22] Open Europe, The impact of Brexit on the UK’s key export sectors, 2015

Alternatives to full EU membership

If the UK votes to leave the European Union, an alternative arrangement to full membership will likely be sought to avoid the barriers of trading under WTO rules. There are examples of other countries that have arrangements other than full EU membership.

Each alternative arrangement with the EU has specific considerations related to trade, other than Free Trade Agreements, including free movement, budgetary contributions and more:

1. Countries like Norway are linked with the EU through the EEA

Joining the European Economic Area (EEA) along with Norway, Iceland and Lichtenstein could be an option for the UK if it wished to retain close to full access to the EU single market. Access to the single market in goods, services and capital is comprehensive for EEA countries, although companies exporting to the EU face VAT and additional paperwork in order to meet rules of origin requirements as they are not in the EU customs union.

In exchange for access to the single market, Norway accepts 75% of EU laws. Some of this originates through EEA adoption of EU legislation covering the single market, and some through its 74 bilateral agreements with the EU.[23] However, Norway does not have a formal role in writing the EU legislation it adopts: it has no European Commissioner, no Members of the European Parliament and does not participate in the European Council.

Norway's arrangement is updated over time, but the EEA can only adopt EU legislation by unanimity and not before the slowest EU state. This creates a delay which can result in temporarily reduced market access for Norwegian business.

Free movement of people operates between the EU and Norway, and Norway contributes to the EU budget through EFTA in return for market access and participation in EU programmes. It is the 10th highest contributor to the EU budget[24]. Norway does not participate in the Common Agricultural Policy, or in EU Free Trade Deals. The majority of Norway's Free Trade Deals are negotiated through EFTA. Norway does have the freedom to negotiate trade deals bilaterally, but it is often the smaller economy in the negotiation. This is reflected in the quality of the deals it can secure.

For the UK to join the EEA, all current members would have to agree unanimously to its joining.

In summary this would mean:

- Full access to the single market for UK goods and services
- Continued free movement of people
- Free Trade Agreements made through EFTA and some independently
- Continued contributions to the EU budget and to EFTA
- Continued requirement to implement EU regulations
- Loss of formal influence over the design of EU regulations
- Updated relationship over time

2. Switzerland is linked with the EU through bilateral agreements

Switzerland is a member of the European Free Trade Association (EFTA). It has limited access to the EU single market in goods through 17 treaties and over 120 bilateral agreements, managed through 27 Joint Committees. The first tranche of these bilateral agreements took 9 years to negotiate and implement. This framework gives Switzerland a certain degree of flexibility to make agreements with the EU only in certain sectors. However, Switzerland does not have access to the single market in services and does not participate in the Common Agricultural Policy.

[23] Policy Network, What would 'out' look like?, November 2015
[24] CBI, Doing Things by Halves, 2013

In the sectors in which Switzerland has bilateral agreements, it must implement equivalent legislation to that in the EU, or accept literal adoption of EU law. Its bilateral agreements are static and can quickly become outdated and divergent from EU rules, but Switzerland attempts to follow the development of EU regulations and adopts them swiftly to maintain access. Switzerland has no formal influence over the creation of the EU laws it adopts, with no European Commissioner, no Members of the European Parliament and no participation in the European Council. It does, however, participate in some EU expert groups.

Whilst Switzerland does not contribute directly to the EU budget, it contributes funds to enable it to participate in specific programmes. Access to these programmes is given by the EU in exchange for Swiss acceptance of other measures, such as free movement of people.

Switzerland benefits from Free Trade Deals negotiated through EFTA and the flexibility to negotiate its own trade deals bilaterally with third countries, although it has a disadvantage when negotiating with much larger trading blocs.

In summary this would mean:

- Partial access to the single market for UK goods
- No access to the single market for UK services
- Continued free movement of people
- Free Trade Agreements made through EFTA and some independently
- Monetary contributions to the EU for specific projects, and to EFTA
- Some requirement to implement EU regulations
- Loss formal influence over the design of EU regulations
- Updated relationship over time

3. Turkey is inside the EU Customs Union

Turkey is not part of the single market, but has a customs union arrangement with the EU, offered as part of preparations for it to join as a member state. This means that Turkey faces no taxes or duties on most of the goods it trades with the EU. It removes the need for complex rules of origin, and establishes common procedures on warehousing and rules on customs transit. This arrangement is limited to trade in industrial goods with the European Union and does not address agriculture, services or public procurement. Turkey must increasingly implement EU regulation relating to the free movement of goods, competition and state aid relating to trade in industrial goods, although it has no votes in the Council, Commission or Parliament. It has no obligation to implement EU regulations outside this area, contribute to the EU budget or allow free movement.

With a customs union arrangement, Turkey is able to negotiate its own Free Trade Agreements. It has 19 deals of its own, including with EFTA, Israel, Korea, Morocco, Georgia and Albania. However, third countries with which the EU has Free Trade Agreements have preferential access to the EU customs union, and therefore Turkey's market with no obligation to permit reciprocal access.

In summary this would mean:

- Partial access to the single market for UK goods
- No access to the single market for UK services
- No free movement of people
- Free Trade Agreements made independently
- No contributions to the EU budget
- Requirement to implement EU regulations
- Loss of formal influence over the design of EU regulations
- Updated relationship over time

4. Many countries are linked to the EU through Free Trade Agreements

Numerous countries have Free Trade Agreements with the EU. New Generation Trade Agreements such as those in place for South Korea are comprehensive, covering trade in goods and some services. However, they do not provide the same full access to the single market as EU membership. There are exemptions to zero-tariff trading, and a range of non-tariff barriers remain. The differences are significant: the Single Market is calculated to have boosted UK trade by almost twice as much as a Free Trade Agreement.[25]

As countries outside the European Union, those with Free Trade Agreements can make their own laws independently. However, most EU New Generation deals require third countries to adopt or retain EU regulations and standards, which they have had no influence over the formation of. The EU is able to set the rules and standards for trade due to its sheer size.

Free Trade Agreements are 'frozen' from the moment of their signing, and regulatory divergence between partner countries tends to increase over time as a result. Free Trade Agreements cannot be rapidly updated to take into account the emerging needs of businesses, which has a particular impact on service and digital businesses.

Outside of the European Union, free trade partner countries do not have to contribute to the EU budget. They can negotiate their own Free Trade Agreements beyond the European Union. There is no free movement between those third countries and the European Union.

All EU member states have to agree unanimously to the content of Free Trade Agreements before completion, and they take many years to negotiate.

In summary this would mean:

- Partial access to the single market for UK goods
- Partial access to the single market for UK services
- No free movement of people
- Free Trade Agreements made independently
- No contributions to the EU budget
- Requirement to implement EU regulations
- Loss of formal influence over the design of EU regulations
- Updated relationship over time

[25] Europe Economics, Optimal Integration in the Single Market: A Synoptic Review, April 2013

CBI
THE VOICE OF BUSINESS

For further information on this report, or
for a copy in large text format contact:

Andy Bagnall
Director of Campaigns
T: +44 (0)20 7395 8100
E: andy.bagnall@cbi.org.uk

Anthony Robinson
Principal Campaigns &
Communications Adviser
T: +44 (0)20 7395 8042
E: anthony.robinson@cbi.org.uk

CBI members can also contact our
email helpline: EUref@cbi.org.uk

INVESTORS IN PEOPLE

RECYCLED
Paper made from recycled material
FSC® C007570
FSC
www.fsc.org

Printed by Duncanprint on Amadeus 100 pure white silk, containing 100% recovered fibre certified by the FSC®. Duncanprint is certified to ISO 14001 and registered to EMAS environmental management systems NEZ052.

Product code: 11360