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**Closing speech from Howard Rosen, Chairman, COBCOE Public Affairs Committee**

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Ladies and Gentlemen,

The great advantage of being the final speaker at a conference is that you have the last word. But the big disadvantage is that you are following a group of distinguished speakers who have commented eloquently on this debate, far better than I can ever hope to do. There are benefits and there are drawbacks. It is a question of balance.

No-one pretends that the EU is perfect, any more than the British, American or other European political and economic systems are. We put up with these systems, often complaining, because we believe, on balance, that this is the right way to go, and also because we have the confidence, and the optimism, that we can change things for the better within the existing system.

COBCOE is a neutral and representative voice for business, and our members look at this debate, without ideology, in a non-partisan, pragmatic way. The poll we published last week showed overwhelmingly that our members believe that it’s in Britain’s interest, on balance, to stay within the EU although it’s clear that there’s much frustration with the way parts of the EU operate. The EU, say our members, has to change in the way that it listens to business (as we showed in our earlier Evolving Europe survey) and is very much “work in progress”. In addition, 85% of our member chambers thought that Brexit would hinder British trade with the rest of Europe. These are not just the opinions of the big business elites nor of wide-eyed politically naïve idealists, but those of enterprises, big and small, who are our commercial friends, working at the “coal face” of international trade, investing in and engaging with the UK, often as part of a complex supply network.

Put aside the fact that no state has ever left the EU in the way that the UK would if it voted to leave in June. Yes it would be messy, but Britain would survive. But any sensible analysis must look realistically at the scenarios that could play out both from staying in and leaving. And to be clear, what our members are telling us is that the status quo is not acceptable from as business perspective. So the difficulty we all face is that we are weighing up not one but two speculative positions.

Let me explore this in a little more detail. Any analysis of Britain’s future course regarding the EU has to look at the alternatives. This is not “project fear”. It is a logical assessment of what will ultimately bring the best economic results for the UK, and create and maintain jobs in a brutally competitive global market. What will produce the wealth needed to support the social services, schools, hospitals and the needy? A lot has been said about the alternatives: the Norwegian example of standing in the European Economic Area but outside of the EU, the Swiss example of bilateral treaties; or the Canadian example of a free trade agreement with the EU. People who want to stay in the EU argue that none of these are acceptable alternatives. The ‘outers’ consider that all these are viable options that would be better than the current situation.

We need to look past the rhetoric on both sides and get to the facts, remembering that both these positions are being taken from the perspective of the UK. So one interesting way of analysing this problem is to ask the people who are living in the countries concerned. Accordingly, over the last few days I have been speaking to our chambers in Switzerland and Norway, and our colleagues in Canada. What do they think about Britain emulating them in their relationship with the EU?

Take Norway first. The head of the British Norwegian Chamber told me last week that there is no way that Norway could be seen as an effective model for Britain to follow. As a member of the European Economic Area, it is bound by most of the EU directives and regulations, and “free movement of people” is an essential condition of membership. It often adopts directives faster than many EU states, and it has to accept that it has no say in the development of this legislation. Its net contribution to the EU, per head of population, is somewhere in the region of 90% of the British net contribution. There is a complex bureaucratic system for adjudicating on any disputes. On this basis alone, moving to the outer ring, where access to the single European market seems to offer little net benefits seems unattractive - and does not even resolve one of the continuing concerns of the outers: EU immigration. But most importantly, the economies of Britain and Norway are not comparable. Norway is an exporter of oil, metals and fish to the EU. All primary products. Its inflow from the EU is dominated by manufactured products. Oil represents 22% of Norwegian GDP and 67% of its exports. But it’s outside of the EU Customs Union, which is less of a problem when there’s no manufacturing supply chain to worry about. It also has a sovereign wealth fund estimated to be worth about one trillion dollars.

Now take Switzerland, a country I know rather well since I have been living there for the past 33 years. Switzerland narrowly rejected following the same path as Norway in 1992, and instead of joining the European Economic Area, spent over 10 years negotiating a whole series of bilateral agreements with the EU. Switzerland has to painstakingly transpose EU legislation into Swiss law in order to have access to the single market in goods, but it does not have significant access to the market in terms of services. As a result, a lot of the big Swiss banks have set up major operations in London. Where will they go, I wonder, if Britain leaves the EU? And then again, as part of the deal, the Swiss have to accept free movement of people and pay close to £1 billion per year into the EU budget (about 76% of the net UK contribution per person in 2014, and 88% of the net contribution per person in 2015). Its attempt to restrict, in a limited way, free movement of people has created a crisis with the EU, where already areas of co-operation have been suspended, and the latent threat is that certain key bilateral treaties including those covering air transport, road traffic and agriculture, would be abrogated by the EU. And there are two further problems. Our president of the British-Swiss Chamber says that the Swiss relationship with the EU would be impossible to replicate, as it was produced *ad hoc*, it was negotiated with an EU very different to what it is now and the EU surely would not wish to negotiate 120 bilateral agreements with the UK. Moreover, there is also a real and serious issue that people do not often talk about, namely that there is no system for regulating disputes between the EU and Switzerland on implementation of EU legislation. Sooner or later, Switzerland will have to accept the jurisdiction of the European Court of Justice, even though it has no say in its appointments and will have no judge on the tribunal.

The Canadian model is the only one that allows the partner to be outside the EU legislative system, but the Comprehensive Economic and Trade Agreement (or CETA as it is known) essentially deals with the lifting of tariffs on the export and import of goods between Canada and the EU. It hardly deals with services (a key area for the UK where close to 80% of our GDP is in services) and it does not deal with any right of establishment of EU nationals or companies in Canada, or vice versa (only temporary assignments). On the other hand, any European goods exported to Canada must still comply with Canadian law and vice versa. And look at this in context. In 2014, Canada was the EU’s 12th most important trading partner, accounting only for 1.7% of the EU’s total external trade. For Canada, the EU 28 represented 9.4% of Canadian exports, as its trading relationships are dominated by the giant next door. EU bilateral trade in goods and services was about € 87 billion in 2014. Compare that with the UK, where its 2014 trade relationship accounted for about £ 520 billion or, at current exchange rates, about € 650 billion. Our affiliate colleagues in the British chamber in Canada tell me that it’s not even clear yet how CETA will be implemented in Canadian law, and it has a very low profile locally.

And for those opposed to more bureaucracy and red tape, CETA, which stretches to an unbelievable 1,598 pages, is not for you. Moreover, going back to the immigration debate, if we followed the Canadian model, would every one of the 2 million EU citizens in the UK require work permits? With Britain then being outside of the EU customs union, probably there would be a prohibitively heavy bureaucratic burden for the UK when shipping goods in and out of the EU under such a system.

Aside from the obvious problems arising from each of these routes, the UK would no longer be a guaranteed jumping-off point for access to the EU single market. What this means is that in relation to foreign investors looking at the UK from outside the EU, representing well over £ 500 billion in 2014, there’s a real risk that part of their investment could be withdrawn. Furthermore, some evidence suggests it is the UK’s vocational skills shortage that is drawing in migrants. We must address the immigration question with adequate skills training locally.

But the issue is also one of time and therefore uncertainty – something business hates. To emulate Norway, Britain would have to accede to the EEA treaty. Any variations would be next to impossible without long drawn-out negotiations, and even then they would need to be ratified by all 30 EU and EEA states. Switzerland took 10 years to negotiate its main bilateral treaties with the EU, with all their limitations. CETA took 7 years to put together, and is still not yet through the EU approval system. If Britain leaves the EU, it also leaves the free trade agreements already in place covering 53 markets. How long will it take to reinstate these relationships with other states only grudgingly negotiating on the other side of the table? But Article 50 of the Treaty on European Union makes it clear that, absent a universal and highly unlikely consensus to extend the period, we’re out on the pavement after 2 years.

And let me add this. The idea that the EU needs the UK more that the UK needs the EU, and therefore the British government could achieve an exit settlement better than that currently on offer after Mr Cameron’s intensive negotiations over the past year, is frankly delusional. The remaining member states are hardly likely to create a favourable precedent for other countries thinking of leaving. Also, the EU accounts for 48% of all foreign direct investment in the UK. Close to half of UK trade overseas is with other EU states. So if there are mutual customs tariffs, sure BMWs might be more expensive in the UK and the German car industry sells about 20% of its production to the UK, but the UK car industry, exporting about 57% of its production to the EU, will suffer most. And around that negotiating table everyone will know that. Moreover with us on the other side of the table, there could be a turn away from the British mercantilist, free market approach, which is currently a strong strand within the EU. We will not be arguing with the same EU as is there now.

But the EU has to reform. In many respects, Britain’s decision represents a crossroads for the EU as much as it does for the UK. If we stay on board we will have to work hard to fight our corner, to open out the single market, especially in services where there remains considerable internal resistance, to expand the network of free trade agreements, to get rid of some of the barmy red tape, and to deal with the changes needed to make Europe much more competitive going forward. “Business as usual” in the EU is not acceptable. If the UK leaves, there is a real risk that the EU will become even less dynamic and will struggle economically. Not that we are there to save the EU from its own folly. But as 45% of our exports still go to the EU, this is self-interest. If the European economy deteriorates, so do the export opportunities for UK businesses. If Britain decides to stay within the EU, this is just the beginning. We have to be confident and optimistic that the force of our arguments will prevail. This is a good time to work to capture the hearts and minds of our friends across Europe.

But it remains a question of balance. I am reminded of the famous retort that “old age isn’t so bad when you consider the alternative.” Not only will there be no real benefit for the UK of running away from the self-evident problems within the EU, but it is unrealistic. On balance, the alternatives are worse. What our members, those friends over there potentially cut off in “Europe”, representing over 8,000 businesses actively involved in commerce with the UK, are politely suggesting is this. The UK should consider its options carefully and pragmatically. Life is a compromise. But most importantly, the UK should not be frightened of staying in and fighting its ground, playing a critical role in ensuring that the EU evolves in a way which, in a tough global market, will underwrite prosperity for decades to come, both in Europe, and, yes, in the UK.