

# EFTA or the EU

Hugo van Randwyck



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## About the Author

**Hugo van Randwyck** has many years of experience in manufacturing as an implementation consultant and as a project manager in engineering as well as working in distribution and energy businesses. He researched the various relationships that Britain can have with other European countries once we are outside of the EU. Areas that he has studied include bi-lateral trade agreements with the EU, the European Economic Area and the European Free Trade Association (EFTA).

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# Executive Summary

More jobs are needed and switching to membership of the European Free Trade Association (EFTA) is the easiest option for creating 1 million new jobs. Membership of EFTA will also allow for the UK to become more democratic.

EFTA is the European Free Trade Association, established in 1960, with Britain as a founding member, as a simple free trade area, where decisions are made by consensus, involving simple rules, and allowing each country to run its own affairs. Britain left EFTA in 1972 to join the EEC (European Economic Community), which went on to become the EU (European Union). EFTA is still going, and going strong.

EFTA countries include, Norway, Switzerland, Iceland and Lichtenstein, and they all have good trading relations with countries in the EU, and in fact are involved in 'decision shaping' in the EU. The unemployment rates of the EFTA states have been around 2% to 4%, even during the recession. EFTA states Norway and Switzerland have given their people a say, through referenda on whether to join the EU or keep their current arrangements. On all occasions the EU was rejected.

There are two options for being a member of EFTA and trading freely with the countries in the EU. The first is EFTA/EEA. EEA is the European Economic Area, which gives members, free movement of: goods, services, capital and people. The EEA is economic not political. Britain is already in the EEA. The other option is an EFTA/bi-lateral agreement, which Switzerland has, which is a series of agreements covering goods, services, capital and people movement, and took from 1992 to 2002 to negotiate and then implement.

This paper favours the EFTA/EEA option as the option that would give the most benefits in the shortest possible time, and likely get the most votes in a referendum, and be the easiest to implement, since Britain is already in the EEA it would only take weeks to implement.

What would be the benefits of joining EFTA?

The changes would include:

- New regulations per year: EFTA = 300, EU = 1000+
- Financial Contributions: EFTA = £3.9 bn, EU = £6 billion and rising
- Running own farming again, i.e. No Common Agricultural Policy

- Running own fisheries, i.e. No Common Fisheries Policy and return of the UK's fishing waters
- Full responsibility for Justice and Home Affairs

So how would the new jobs be created? A reduction from 1000 to 300 regulations per year, is a 70% reduction. Since EU regulations are estimated at 5% of GDP, this would be comparable to a massive tax cut on business, equivalent to about 3.5% of GDP for businesses and other organisations; thus making exporters competitive in more sectors.

This paper suggests a referendum on Britain's future; should the UK remain in the uncompetitive and costly EU, or should it join the more dynamic and democratic European Free Trade Association.

# Introduction

An option called EFTA/EEA exists that can help unemployment to fall from 7.8% to 3.7%, so creating over 1 million new jobs, and can be implemented in weeks of a successful referendum.

## **So what are the problems with the EU?**

**Money:** the existing system with the EU means that Britain gives a 'net' contribution of funding to the EU. The amount is significant, in the £ billions, in fact this year, 2010/11, it is estimated to be over £6bn – and it is estimated it will rise in future years. So what does 'net' contribution mean? Using this year as an example, the UK will be transferring £15 billion 'gross' to the EU, of which £9 billion is returned with strings attached, i.e. the money is spent in areas the EU decides. When Britain originally joined the EU, they were told it would mean 'free trade', however paying £6 billion a year is another form of tariff, and a significant one.

**Jobs:** in 2009 Britain had a trade deficit in goods with other EU states of £38 billion. In other words Britain was exporting manufacturing jobs to other EU countries. In more detail, Britain had a deficit in goods and services in October 2010 of £4 billion with the rest of the world. The following breakdown shows a surplus in 'services' of £4.6 billion and deficit in trade in 'goods' of £8.6 billion. Figures show that exports to the EU were £12.8 billion and imports were £16.2 billion, a deficit of £3.4 billion. So if the UK had a trade balance in 'goods' with other EU countries, then it would be closer to a trade balance, and no longer exporting jobs. So how many jobs could be created if the UK achieved a trade balance? If £20 billion of the £38 billion is for hourly paid and monthly paid in manufacturing, then using £40,000 and £20,000 as an average wage, this would amount to 500,000 to 1 million new jobs. In addition, these businesses would also need to buy from suppliers and other services, so creating a virtuous circle of more employment. So what EU policies are causing this trade deficit? One answer is the huge regulatory burden placed on business, estimated by some to be 5% of GDP, or over £50 billion. Any reduction in these regulations would be like a tax cut to businesses. So what about other countries in the EU and these regulations? Studies have shown that Britain has a better track record in honestly implementing laws and obeying them – other countries less so.

**Sovereignty and democracy:** democracy is where one can: partake in the system by which laws are made, amended or repealed. As more and more areas of laws are controlled by the EU Britain is less of a democracy. In addition the British public were not asked if they agreed with this, nor have they been given an opportunity

to re-implement law-making by their own MPs, who they can employ, re-employ or sack at general elections. These people and groups who are looking for a simpler alternative to the EU, are in fact also pro-democracy advocates.

**Excessive regulations:** the excessive amount of regulations is strangling British business. At least 50% to 70% of all new regulations originate from the EU.

**High staffing levels and costs:** the EU has massive staff costs, associated with paying over 30,000 people. The EU's administrative costs alone amount to nearly €7 billion per year.

**EU regulations hurting small and medium sized enterprises:** another problem is that as more law making has become centralised with more and more central planning, and micro-management of countries, the large corporations have behaved like cartels to get laws passed which suit them, an example is the EU Herbal Supplements Directive which means herbal supplements, which have been around for years, and happily used, need to go through expensive trials in laboratories. Many providers of these remedies do not have those facilities and nor have the users of the supplements asked for these tests of, what are for them proven remedies. The EU system gets abused. Also for a successful economic system it is beneficial for all suppliers in the supply chain – not just the retailer – to make a good income, so they can invest in research and development, training, maintenance and pay their staff a reasonable wage. The EU decision making process has been infiltrated by special interest groups, at the expense of the majority.

**Higher taxes:** due to Britain's payments to the EU and the damage to the economy caused through excessive EU regulation taxes are significantly higher than they otherwise should be a Bruges Group study on the costs of the EU found that freeing the UK from EU red-tape would boost the economy and thus increase tax revenue. And when this is combined with ceasing to hand over billions of taxpayers money each year it would allow for a 6p in the pound cut in the basic rate of income tax.

**Mismanagement:** the EU accounts have not been signed off by the auditors for over 15 years, and for good reason – they have been unable to find where certain funds have been spent. It is not good to have a law making body, responsible for over 50% of laws in your country, which is financially untrustworthy.

**Win-lose:** the EU has not been a win-win agreement, for many countries, especially Eastern European countries. Since Eastern European countries joined the EU there has been a huge flow of people to western EU countries, indeed some estimates show that 1 million people from Poland have moved to the UK. These migrants tend to have certain characteristics: highly motivated, highly skilled and happy to start



new businesses. So how does it benefit Eastern European countries by having all these people leave their states? It doesn't. Asset stripping Eastern Europe of skilled people has not been to their, or our, advantage. The influx of people to the UK has meant higher rents and house prices, especially for low income people and it has depressed wages.

**The law of unintended consequences:** far too many EU policies cause economic distress to poorer countries and take years to fix. An example is when EU produced food was sold, under cost, to African countries. This resulted in local farmers losing income and even going out of business. The result is financial and economic problems. So what happens? The skilled migrate and people become refugees, or 'hunger refugees', from a deliberate EU policy. These policies lead to failed states and aid money supposed to be used to advance local economies are instead needed to be diverted to clean up the mess caused by EU policies. There are examples where EU policies are similar to it acting like a global arsonist.

**Duplication:** the EU would like to have a defence force. There is absolutely no need. There already is a defence alliance called NATO (the North Atlantic Treaty Organisation), which has kept the peace in Europe for over 60 years. It works, there is no need to waste money on trying to copy a far more successful organisation. The EU is an artificial organisation and seems to keep wanting to create more artificial branches.

**Sheer incompetence and vanity:** The EU has offices in Brussels... and also in Strasbourg.... and also in Luxembourg. Why in 3 countries? Because of politics, not about sensible decision making and doing what is best for the public. 1 week out of 4, Members of the European Parliament move from Brussels in Belgium to Strasbourg in France, to do exactly the same job they did in Brussels. Why? Because French politicians want EU laws also made in France – a complete waste of time and money. This is also a good example of how decisions are made – expensive and with no added value.

**Groupthink:** groupthink refers to faulty decision making in a group. Some of the things that happen with groupthink: examining few alternatives, not being critical of each other's ideas, not examining early alternatives, not seeking expert opinion, being highly selective in gathering information and not having contingency plans. Some of the symptoms of groupthink: having an illusion of invulnerability, rationalising poor decisions, believing in the group's morality, sharing stereotypes which guide the decision, exercising direct pressure on others, not expressing your true feelings, maintaining an illusion of unanimity, using mindguards to protect the

group against negative information. This is very much alive in the EU and a good example is the Euro.

**Lack of Competition:** since more and more laws are made centrally, this reduces experimentation in each country with policies and also modifying and innovating policies. The EU structure reduces the competition of ideas, so lowering performance. The one-size-fits-all approach doesn't work in business or even in not-for-profit organisations, flexibility is needed to address local issues.

**Diverting MPs time:** with so many laws made in Brussels, MPs have less and less time to listen to people living in the UK, to assess regulations, make, amend and repeal failing policies and regulations. So a change to less laws made in Brussels, would lead to better performing MPs and thus better policies.

## Options and alternatives to the EU, EFTA and the EEA

So what are the alternatives to the current EU agreements? There is the complete re-negotiation option which could take years to negotiate while still sending £ billions to Brussels. There is the Swiss option of EFTA/bi-lateral, which took 10 years, from negotiation to implementation. Also there is the Norway option of EFTA/EEA, which can be implemented within weeks of a successful referendum. All members of the EU are also EEA members. The EEA allows for free movement of: goods, services, capital and people, i.e. it is the 'economic' part. EFTA members run their own internal affairs as they see fit, while the EEA regulates trade 'between' countries in the EU, not what happens inside each individual country.

What criteria can help decide which alternative is best for a referendum? It is better to adopt a business like, practical approach, i.e. which option will get the most votes in a referendum, or the largest 'market share'. The current approach of allowing the politicians to decide: which alternative will be on the ballot paper, how the question will be put, and the timing of the referendum, could lead to a result that they want. An approach which starts with an alternative that the majority of British people will prefer is a better option.

This paper argues that the EFTA/EEA option would get the most votes in a referendum. It may not be the best, so an analogy could be when videos came out, the public had a choice between VHS and Betamax, Betamax was technically better, however VHS was good enough and had around 70-80% market share. Also with satellite navigation, drivers have a choice: shortest distance or shortest time – maybe it is time to shift from shortest distance to shortest time? Switching to EFTA/EEA would lead to a fall in new regulations a year from 1000+ to 300, a 70% reduction. 70% of something is better than 100% of nothing. The 'in or out' approach has led to no referendum, and higher unemployment.

**'70% of something is better than 100% of nothing'**

## What is EFTA?

EFTA is the European Free Trade Association, which Britain helped set up in 1960, as a simple free trade area, with minimal bureaucracy, and had no financial contribution expectations. Countries in EFTA are: Norway, Switzerland, Iceland and Lichtenstein. The EEA is the European Economic Area. This is something Britain is already part of, and includes: free movement of people, goods, capital and services – some feel that the free movement of people from Eastern Europe could have been phased differently, however keeping the EEA is a fast track to creating jobs, while eliminating the interference of the EU in other areas, e.g. agriculture and fisheries and justice and home affairs.

The EEA came into force in 1994, and allows EFTA members to join without the political controls of the EU.

### **What the EEA does NOT cover:**

- Agriculture
- Fisheries
- Justice and Home Affairs
- Single Currency
- Common Foreign Policy

All the above remain the sovereignty of each individual country. In addition this is an important benefit of EFTA/EEA, there is a massive reduction in new regulations. Currently the EU produces over 1000 new regulations a year, with EFTA this falls to just 300 a year, a 70% reduction. Since EU regulations are estimated to cost the UK economy 5% of GDP, this 70% reduction in regulations, by switching to EFTA/EEA, would be like a tax cut, equivalent to 3.5% of GDP, or over £50 billion a year.

Estimates for the proportion of all regulations in the UK come from the EU vary. Some estimates are that 50% to 70% of all new laws originate in Brussels. There have been studies done in Germany that puts the figure at over 80% of new laws coming from the EU, this would also include Euro regulations, which the UK is not a part of. So using the 70% reduction, by switching to EFTA/EEA, the approximate overall reduction in regulations would lead to only 15% to 21% of new regulations coming from Brussels – a huge difference, and free up a lot of MPs time to listen to the British electorate instead.

EFTA allows members to work together in putting forward suggestions to the EU, in making improvements, as a group proposal. It also gives opportunities to approach other countries and trade groups and negotiate free trade agreements. By having offices in Brussels and Geneva and also Luxembourg, they can be up to date on EU developments, with only a small staff of around 90 people, compare that with the tens of thousands who work for the EU.

## Which countries are in EFTA, and does it work, and how do they work with the EU?

Of the four EFTA countries, Norway, Iceland and Lichtenstein are in the EEA (European Economic Area), with Switzerland having negotiated a bi-lateral agreement, starting in 1992 and implemented in 2002. The EFTA countries are well integrated into the world economy, ranking 10<sup>th</sup> in world merchandise trade and 5<sup>th</sup> in world commercial services trade in 2008. The EFTA States have one of the largest networks of Free Trade Agreements (FTAs), spanning over 50 countries and territories. A Free Trade Agreement covers trade in goods and services and removes any tariffs. It does not cover the free movement of people, as these are implemented on a separate bi-lateral basis, for example, easy visa arrangements, or increasing quotas of people who can visit and work, and other examples.

**Switzerland and Lichtenstein** have successful industries in: finance, machinery, pharmaceuticals and chemicals – similar to the UK

**Iceland and Norway** have successful industries in: oil, gas, electricity and fish, and other service sectors – similar to the UK. (source: EFTA website).

EFTA originally began in 1960, with seven founding members: Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom. So a successful referendum switching to EFTA, would be like saying ‘ we tried the EU experiment, it had more minuses than pluses, so we’ll re-implement what worked better before, EFTA’ – more jobs.

**EFTA membership activities:** EFTA states lobby the EU for any improvements in the EEA. Since they are well managed countries, people listen. EFTA also gives a platform for signing Free Trade Agreements with other countries, so facilitating job creation. EFTA also gives each country opportunities to share what they have been trying and how it could benefit other countries – who can freely choose to develop something similar in their own country.

**EFTA and EU good relations:** some people may feel relations with EU countries could be impaired by switching to EFTA/EEA. This doesn’t fit with the facts of other EFTA countries. The more prosperous EFTA countries are treated well, and their opinions respected and valued. In fact EFTA and the EU have a close trading relationship.

**The European Court of Justice and EFTA/EEA:** switching to EFTA/EEA means less influence from the European Court of Justice (ECJ) since home affairs and

justice can no longer be over-ruled by the ECJ. Since around 300 EEA regulations are added a year vs 1000+ with the EU, over 5 years this would be 1,500 vs 5,000. So by switching, an opportunity arises, not only reduce future regulations, but to eliminate past regulations, so reducing costs on businesses.

**EEA** – there are a set of common institutions: a ministerial-level EEA Council and the EEA Joint Committee of senior officials, and also sub-committees and working groups of officials and experts. There are also EFTA institutions: EFTA Surveillance Authority (ESA), which monitors adherence to EEA rules by the EEA/EFTA states, and the EFTA Court, which only deals with issues that relate to trade.

**Influence** – The EEA Agreement allows for input from the EFTA countries before any new legislation is adopted. This process can be by EFTA experts in EU sub-committees or the submission of EFTA comments – these are ‘decision shaping’ mechanisms. EFTA states, however, do not participate in the voting in Council. As the EU has an increasing number of areas which are decided by Qualified Majority Voting - i.e. no need for universal agreement – it does not matter if Britain is an EFTA or EU member, it can still be ignored and out voted, however by switching to EFTA membership there are £ billions of savings to be made and less regulatory costs, affecting UK employment.

**Decision Shaping:** EEA/EFTA experts and representatives participate in over 500 committees and expert groups, and is a valuable and appreciated opportunity for acquiring information and contributing to new legislative proposals at the earliest stages of policy formation.

**Financial contributions:** a Financial Mechanism office (FMO) has been set up to handle EEA contributions. The annual EFTA/EEA states contributions, for 2009-2014, is €357.7 million, with Norway contributing the bulk.

**FTAs** – EFTA has signed Free Trade Agreements with, in chronological order: Turkey, Israel, Morocco, the Palestinian Authority, Macedonia, Mexico, Jordan, Croatia, Singapore, Chile, Lebanon, Tunisia, Republic of Korea, SACU (Botswana, Lesotho, Namibia, South Africa, Swaziland), Egypt, Canada, Colombia, the Gulf Cooperation council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates), Albania and Serbia.

**FTA negotiations** – these include: Algeria, Hong Kong, China, India, Thailand and Ukraine.

**Exploratory talks** – these include: Russia, Indonesia, Malaysia and Vietnam.

**WTO** – all the EFTA states are members of the World Trade Organisation. The WTO is an international organisation that aims to reduce tariffs paid on trade, so helping increase commerce, create more jobs and increase living standards.

**Australia, New Zealand, Canada:** EFTA has a Free Trade Agreement with Canada. The EEA, with EFTA, has mutual recognition agreements with Australia and New Zealand. These cover conformity assessment, certificates and markings between Norway, Lichtenstein, Iceland and Australia and New Zealand.

**Joint Declaration of Cooperation:** MERCOSUR (Brazil, Paraguay, Argentina, Uruguay), Panama, Mongolia.

**EEA legal acts:** when the EEA was setup in 1992, there were 1500 acts to begin with, since then, more than 5000 acts have been incorporated, roughly 300 a year, compared to the over 1000 a year with the EU and EEA combined. In 2009 just 283 legal acts were incorporated into the EEA Agreement.

**Competitiveness** – according to the World Economic Forum's *Global Competitiveness Report 2009/2010* the EFTA economies are consistently high performers in competitiveness, ranking among the top 30 most competitive economies in the world.

**EEA Council** – this meets twice a year. The EU is represented by the foreign minister of the rotating EU Council Presidency, the European Commissioner for External Relations and the High Representative for the EU's Common Foreign and Security Policy. EFTA members send individual country representatives.

**EEA Seminar** – this takes place twice a year, the EFTA Secretariat organises an EEA Seminar in Brussels, providing professionals, in the public and private sector, an overview of how the EEA Agreements work in practice, including structure and procedures.

**EFTA Council** – the council manages relations between the EFTA States under the EFTA Convention. This is where member states can: consult, negotiate and act together. The Council normally meets at Ministerial level twice a year.

**EFTA Head Office:** Geneva, this deals with the management and negotiation of free trade agreements with non-EU countries, and assists the EFTA Council.

**EFTA Secretariat:** Brussels, this provides support for the management of the EEA Agreement and assists member states in the preparation of new legislation for integration into the EEA Agreement – also aiding member states input into EU decision making.



**EFTA Statistical Office:** Luxembourg, this contributes to the development of the European Statistical System.

**Total EFTA Secretariat costs:** for year 2010 = 25,010,000 Swiss Francs, or just £16,250,000, compared to the EU's administration costs of nearly €7 billion.

In summary, Britain is currently in EU meetings with EFTA states in Brussels, and upon joining EFTA the UK would change it's name card from UK-EU to UK-EFTA and sit with the EFTA states, and carry on much as normal, but without needing to implement EU regulations and costs. At the same time, EFTA is already working and is a successful and streamlined organisation.

2008 figures, (source: This is EFTA, 50 years)

Country	Iceland	Lichtenstein	Norway	Switzerland	EU27
Population	319,000	35,500	4.8 million	7.7 million	450 m
Currency	Icelandic krona	Swiss Franc	Norwegian krone	Swiss Franc	Euro (17 states)
GDP per Capita	€30,000	€38,500	€47,600	€35,500	€25,100
Unemployment	3 %	2.3 %	2.5 %	3.5 %	7.0 %
Trade balance	-285	n.a.	59,248	38,156	39,035

# Benefits of switching from EU/EEA to EFTA/EEA

There are many benefits:

- **Financial: i)** Switching from EU/EEA to EFTA/EEA means a reduction in financial contributions from £6 billion+ to around £3.9 billion a year. The EU contributions are expected to rise, whereas Norway, an EFTA/EEA member, has agreed a fixed annual contribution. This in effect, is a reduction in the ‘tariff’ the UK needs to pay for free movement of goods/services/capital and people.
- **Financial: ii)** Since Britain sends £15 billion to the EU and £9 billion is returned, and spent according to EU guidelines, this spending would now be determined by Westminster MPs.
- **Employment:** There would also be a reduction in regulations from 1000+ a year, to around 300 a year with EFTA. Reducing regulations is similar to a tax cut for businesses, so helping job creation. A move to employment rates at EFTA levels would result, providing sensible economic policies are also followed, in an additional 500,000 to 1 million jobs.
- **Improved fishing and agriculture policies:** fishing quotas/policies would be sensible to maximise the income of fishermen and maintain fish stocks, with a massive reduction in fish thrown away. Agriculture policies would similarly benefit from UK oriented policies.
- **Re-implementing democracy:** policies in other areas are designed and modified to suit UK citizens, and help to return respect for our political process.
- **Lower taxes:** with faster economic growth and rising employment, the government will receive more revenue from income tax, corporation tax etc. thus helping pay off the deficit.
- **Reducing income gaps:** help with reducing the gaps between high income and low income, allowing low income people the dignity of paying their way, with less need for benefits.
- **Better MP performance:** Other benefits not so obvious, include, since around 50% of regulations come from the EU, a 70% reduction would mean 85% of regulations originate in the UK, and that MPs in Westminster have

more time to listen to voters here, and have less distractions and will be overruled by Brussels less.

- **Quicker evaluation of policies and fixing:** since more policy areas will be UK run, any problems can be quickly addressed and new ideas tried.
- **Using what works/reducing duplication:** no need to waste resources on a European Army, when there is already the UK Armed Forces and NATO.
- **More integrity:** EFTA accounts are signed off annually, so taxpayers have the assurance that their funds are being used transparently.
- **Low staff costs:** EFTA has only around 90 people on its payroll, which is significantly less than the 30,000+ of the EU.
- **Releasing value and energy:** by freeing organisations from central planning, the entrepreneurial spirit is released, so allowing better team working and performance, thus helping job creation.
- **Liberty and pro-democracy:** justice would be from UK legislation, without being overridden from other legal systems. Also, currently at general elections politicians can only speak for half the regulations that will be implemented, since the other half are made in Brussels – these overseas regulations would fall by 70% if we joined EFTA. You live in a democracy when you can: make, amend and repeal laws – switching to EFTA is a pro-democracy change.

# Referendum choice: EFTA or EU

EU = European Union. EFTA = European Free Trade Association. EEA = European Economic Area.

	Re-negotiate all	EFTA/bi-lateral	EFTA/EEA	EU/EEA
New regulations per year	none	little/none	300	1000+
Financial contributions to EU	£0 bn	£2 bn	£3.9 bn	£6 bn
Accounts signed off	Every year	Every year	Every year	Not for 15 yrs
Employees	few	90	90	30,000+
Control over fisheries	UK	UK	UK	EU
Control over agriculture	UK	UK	UK	EU
Influence over Justice and Home Affairs	UK	UK	UK	EU
Free movement in EU of People	Yes	Yes	Yes	Yes
Free movement in EU of Goods	Yes	Yes	Yes	Yes
Free movement in EU of Services	Yes	Yes	Yes	Yes
Free movement in EU of Capital	Yes	Yes	Yes	Yes
Member of EEA	No	No	Yes	Yes
Office in Brussels	Embassy	Yes	Yes	Yes
Member of NATO security alliance	Yes	Yes	Yes	Yes
Free trade with Canada	?	Yes	Yes	No
Key legal document	New	Bi-lateral	Convention	Treaty
Pages in key legal document	?	N/A	30	200+
Countries currently	?	Switzerland	Norway	UK
Unemployment rate	?	3.7%	3.2%	7.8%
Time to switch from EU/EEA	Years	10 yrs approx	Weeks	N/A

## Current tariffs with the EU

Britain has 'free movement' of goods and services with other EU countries. This is not the same as 'free trade', since Britain pays £6 billion to Brussels, so in effect paying £6 billion in tariffs. To put this into perspective, in 2009, Britain exported £120 billion to the EU countries, so £6 billion is equivalent to a 5% tariff on goods exported, so any reduction in contributions is a reduction in the 'EU tariff'.

## How could 1 million jobs be created by switching to EFTA from EU membership?

There are 2 ways:

**From a trade deficit to trade balance:** in 2009 Britain had a trade deficit with the EU of £38 billion. A reduction in regulations will result in an effective tax cut for businesses, if £20 billion is labour, i.e. direct manufacturing labour costs, indirect labour, and also office staff, then using £20,000 a salary that would amount to 1 million jobs being created. If £40,000 is taken as an average salary that would be the equivalent of creating 500,000 new jobs. In addition, each business would need suppliers for their export products and the newly employed people will spend money in the economy so generating other jobs. So one million could be a conservative estimate.

**From 7.8% unemployment to 3.7%:** this would generate about 1.3 million jobs. 3.7% is Switzerland's unemployment rate, Norway's is 3.2% – and these countries have been through the worst recession in 60 years.

**How the £6 billion a year to £3.9 billion change in EU Contributions is calculated:** using Norway's annual contribution of €347 million, and using their population of 4.8 million, gives €72.20 per person. Then using €1.10 = £1 this is equivalent to £65.70 per person and multiplying this by UK population of 60 million = £3.9 billion annually. This figure is a high figure and something that the UK could negotiate – a lot easier after a positive vote in a referendum on joining EFTA. Revised figures show that the financial contribution for 2010/11 could be £7.7 billion – so the savings could get even bigger in the years ahead if we were to join EFTA/EEA.

# How do you implement a transition from EU/EEA to EFTA/EEA in weeks?

**EEA:** since Britain is already in the EEA upon leaving the EU and becoming part of EFTA/EEA our trading relationship carries on as normal, i.e. with the free movement of: goods, services, people and capital. The paperwork is the same.

**EU Regulations:** the EEA regulations are to do with what happens 'between' countries and not 'within' them. As such there would be a big fall in regulations. About 10% of the economy is involved in exporting to other EU countries, so the other 90% would no longer need to apply EU regulations, a big improvement. Each Ministry has a list of regulations as they come into force, and will be able to separate out those with 'text with EEA relevance' and those which are EU. Sending a list of unnecessary regulations to every organisation is easy, since the system is set up to send any new ones, additions and modifications, in this case it will be reductions. The Civil Service will find a switch to EFTA/EEA easier than a complete re-negotiation.

**EEA regulations:** what if countries want to change EEA regulations? This already happens, and if the British public feel a change would be beneficial, another referendum is always an option.

**Other regulations:** Even with an elimination of regulations there could well be a need for other simpler ones. Norway may not implement EU regulations, however, it sometimes makes similar ones, however they make them themselves, they are relevant to Norway, can be amended or repealed at any time, or simplified according to what is best for Norway. It could be that some regulations may take longer than others to eliminate, for this, the 80/20 rule could apply. 80% of EU regulations could be easily eliminated, the other 20% could need more time and simplification.

Options after a successful referendum for EFTA/EEA:

## **Week 1:**

- Pass legislation repealing any European Acts, replacing them with EEA legislation.
- The Civil Service compiles a list of regulations that are no longer relevant, using guideline that any EU law with 'text with EEA relevance' will still continue to be used in the UK and everything else is surplus to requirements and unnecessary.

- Also contact EFTA and ask for high level meetings to discuss joining EFTA.
- UK representatives in embassies around the world contact relevant people, informing of changes and keeping those concerned up-to-date.
- Government departments contact relevant departments in other EFTA countries, e.g. Norway, for ideas on how to better manage fishing policy.
- Treasury considers proposals to reduce the tax burden.
- The Parliamentary European Scrutiny Committees becomes the EFTA/EEA Scrutiny Committees
- UK MEPs (Members of the European Parliament) will clear their desks in Brussels and Strasbourg and return to the UK and seek other employment.

### **Week 2:**

- Lists of unnecessary EU regulations will go to relevant organisations, also showing which EFTA/EEA regulations are still applicable.
- The Civil Service sets up a helpline and online resources for handling any queries.
- Fisheries and British territorial waters are run by Britain, and meetings to discuss new quotas with EU countries started.
- Invitation to UK fisheries organisations for priorities for improving fishing policy.
- Import and export and government assistance to agriculture is decided by UK MPs in discussion with farmers.
- Invitation to UK agricultural organisations for priorities for improving agriculture.
- Justice and Home Affairs are once more decided by MPs in the UK.
- Invitation to Judicial bodies on 'how to' and priorities for undoing previous EU laws influence on UK laws, perhaps looking at: easy, moderate, need more time to consider options.
- On-going discussions with EFTA members of joining, and transition options.

### **Week 3:**

- The UK phases out its handing money over to the EU.
- On-going discussions with EFTA members.

### **What work has already been done on a transition?**

So, have any MPs made a start on this? No.

Does the OPSI (Office of Public Sector Information) website have headings with 'UK', 'EEA' and 'EU' regulations, so that it is easy to print out the ones to keep, and ones no longer necessary? No.

Are there any All Party Parliamentary Groups (APPG) looking at EFTA? No. However there are APPGs for: European Union, betting and gaming, bridge, greyhound and philately. So, with the worst recession in 60 years, MPs have no time to work on a simple treaty change which could generate 1 million+ jobs, but enough time for bridge! In addition MPs are happy to organise a referendum on voting reform, to see who rubber stamps regulations made in Brussels. So if the Westminster MPs won't help, what other options are available?



## Referendum: Opinion polls

An opinion poll, conducted by YouGov in 2010, asked people which they had heard of:

EFTA = 37%

EU = 95%

Amazing, 17 years after the Maastricht Treaty, with a majority of British people wanting something simpler, so few had heard of EFTA!

The next question in the opinion poll asked which people would prefer:

EFTA = 39%

EU = 36%

Don't Know = 25%

So here is an opportunity. If 95% have heard of the EU and only 36% want it, there is an opportunity.

I would also add that the opinion poll question did not include the new regulations difference, i.e. EFTA = 300, EU = 1000, and also other important differences, so with more awareness of the differences, the EFTA figure would likely go much higher. For example:

### Unemployment:

EU/EEA member: UK = 7.8%

EFTA/EEA member: Norway = 3.2%

EFTA/bi-lateral member: Switzerland = 3.7%

If someone is looking for a job, knows someone who is looking for a job, or is worried about job security, how do you feel they would vote in a referendum? For the low unemployment option, or the high unemployment option? More jobs also means more tax revenue, which means less cuts in vital frontline public services.

## **Referendum language**

This then leads to the 'language' that people use in the 'EU debate'. Currently there is the: I want to leave the EU, give us our money back, withdrawal from the EU, etc. We should change the language to;

- Instead of withdrawal, it is about expanding exports to the EU from a trade deficit to a trade balance
- Instead of leaving the EU, we are simply switching treaties. From a complicated treaty that exports jobs, to one which is simpler and will create jobs
- Instead of being anti-EU, we can present ourselves as being pro-EFTA.

## Organising a referendum

**National:** MPs in Westminster can organise a referendum. There are examples of this, yet here they show the gulf between MPs and the public. A referendum is planned for voting reform at Westminster elections and not a positive alternative to the EU. It is extraordinary that MPs seem to find it more important who rubber stamps EU laws than who actually makes the laws in the UK, which an EFTA referendum would resolve.

**Organisations:** Organisations can organise their own referendums for their members, by post, at conferences, Annual General Meetings, or other ways. So showing the desire for a national referendum. A possible question could be: Q. Would you like a referendum giving people a choice: EFTA/EEA or EU/EEA? The results could be made easily available to the public.

**Opinion polls:** Opinion polls can be conducted asking people which party they would likely vote for in a general election, then if one of the parties offered the EFTA or EU referendum as a policy. This could show that each party would get more votes than the others by adopting the EFTA referendum option.

# Summary

A simple off-the-shelf working alternative to the EU called EFTA/EEA is available. This alternative has immediate benefits, in terms of job creation, better performance of MPs, financial savings, pro-democracy and public support.

The opportunity for the UK to run it's own: agriculture, fisheries, Home Affairs, and more, is available within weeks of a successful referendum. In addition, a huge tax cut, equivalent to around 3.5% of GDP, is available by reducing new regulations a year from 1000 to 300, from Brussels. This regulatory reduction will help give UK exporters a level playing field in international markets and help expand job creation, particularly in manufacturing. Moving from a trade deficit to a trade balance means moving from exporting jobs abroad to creating jobs at home. With the added benefit of higher tax revenues, which gives the government the option of providing more services or reducing taxation, or a combination of the two.

Britain is already in the European Economic Area, and would continue to be so. The change to EFTA/EEA would not be so much about 'leaving' the EU, but more about 'expanding' exports into the EU countries, and creating jobs – in addition to exports to other countries around the world. UK representatives would continue to remain in many of the EU meetings they are currently sitting in, with a simple change to EFTA, and continue discussing ideas with other EU and EFTA countries.

The same benefit of more jobs and lifting the national spirit, similar to what happened when Britain left the European Exchange Rate Mechanism (ERM) in 1992, is available to the UK. We have the Civil Service who can easily implement the EFTA/EEA alternative, we have the public looking for a better alternative to the EU, we have businesses that would like less regulations, we now need to let the British people know that there is a simple alternative to EU membership and give them a voice through a referendum so that they can determine their own future.

The public is ready for a referendum that looks like this:

## REFERENDUM

Which would you prefer for the UK?

	Tick 1 only
EFTA/EEA	_____
EU/EEA	_____

## THE BRUGES GROUP

The Bruges Group is an independent all-party think tank. Set up in February 1989, its aim was to promote the idea of a less centralised European structure than that emerging in Brussels. Its inspiration was Margaret Thatcher's Bruges speech in September 1988, in which she remarked that "We have not successfully rolled back the frontiers of the state in Britain, only to see them re-imposed at a European level...". The Bruges Group has had a major effect on public opinion and forged links with Members of Parliament as well as with similarly minded groups in other countries. The Bruges Group spearheads the intellectual battle against the notion of "ever-closer Union" in Europe. Through its ground-breaking publications and wide-ranging discussions it will continue its fight against further integration and, above all, against British involvement in a single European state.

## WHO WE ARE

**Honorary President:** The Rt. Hon the Baroness Thatcher of Kesteven, LG OM FRS

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## BRUGES GROUP MEETINGS

The Bruges Group holds regular high-profile public meetings, seminars, debates and conferences. These enable influential speakers to contribute to the European debate. Speakers are selected purely by the contribution they can make to enhance the debate.

For further information about the Bruges Group, to attend our meetings, or join and receive our publications, please see the membership form at the end of this paper. Alternatively, you can visit our website [www.brugesgroup.com](http://www.brugesgroup.com) or contact us at [info@brugesgroup.com](mailto:info@brugesgroup.com).

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