

Brexit: Claims that EU rules holding UK back 'not supported by facts'

Written by **Martin Banks** on 24 May 2016

Claims that EU rules are holding Britain back or that they prevent the UK from dealing more with fast-growing Asia 'are not supported by facts'.



This is according to the 2016 Euro Plus Monitor Spring Update, published on Monday.

The Brexit debate, it says, suggests that the UK thinks of itself as "a place apart, different and aloof from the Eurozone."

In an analysis of the impact of a Brexit, it concludes that Britain, despite "gripes about meddling" from Brussels, "can shine within the EU even more than it does already".

The report was drafted by the Lisbon Council, a think tank, and Berenberg, a leading international bank.

On 23 June British voters will decide whether their country will stay in or leave the EU.

The report says that those in favour of a British exit often argue that supposedly excessive EU regulations are holding Britain back. In an evaluation it cites the example of another major EU member, Germany.

"Fifteen years ago, Germany was the sick man of Europe, blighted by excessive regulations and wage costs that drove jobs abroad. The freshly reunited country was slowly heading for disaster."

Due to some "courageous" reforms, the Lisbon Council and Berenberg say Germany today is arguably the strongest of all major economies in the advanced world, enjoying full employment, solid gains in real incomes and pensions, price stability, a fiscal surplus and a rapidly declining public debt burden.

It adds, "In real life, it does not get much better than that."

The report says few countries have linked their economies so closely to the most dynamic markets in the world. For example, Germany exports three times more than the UK to China.

The report asks, "What does this have to do with Brexit? A lot. It proves a major political point: within the EU, a member remains free to choose. If it gets its domestic policies right, it can use the EU as a springboard to success. If it gets its policies wrong, as Germany did in the 1990s, it can end up at the bottom of the pile instead."

The detailed assessment says that "within the framework of the EU, countries remain the master of their own fate."

"The common rules and regulations that underpin the common market are far from optimal. Some regulations may be almost as damaging as Britain's own regulations of its land and housing markets.

"But claims that EU rules are holding Britain back decisively or that they

prevent the UK from dealing more with fast-growing Asia are not supported by the facts."

The report goes on, "Judging by the tone of its domestic debate, the UK sees itself as a place apart, different and aloof from the Eurozone." The data presented in the Euro Plus Monitor "does not back up this view," it argues.

"Indeed, few countries in the survey have overall results that are closer to the Eurozone average than the non-euro UK."

In terms of the fundamental health of its economy, **as assessed in the Euro Plus Monitor, the UK scores 5.5, somewhat below the Eurozone average of 5.8.**

The fact that the UK with its flexible labour market and light-touch regulatory regime in many markets for goods and services has a growth potential above that of the Eurozone average mitigates the impact, it notes. "But it does not suffice to fully close the gap to the Eurozone average in terms of fundamental economic health."

The report concludes, "In terms of microeconomics, the common EU regulations still give the UK ample room to set its own policies and shine despite the occasional gripes about meddling from Brussels."

Britain, it says, gets top marks for its microeconomics, notably for its growth-friendly rules in product, services and labour markets.

"The UK's problems," it adds, "lie in the macroeconomic sphere, especially on the fiscal side, on which Brussels has virtually no influence at all.

Instead, Britain's problems are in areas over which the country as an EU member has full discretion such as fiscal policy and its housing market. "If it gets its domestic policy choices right, Britain can shine within the EU even more than it does already. Ejecting itself from its major market does not sound like a strategy to improve Britain's economic outlook or raise the rankings for fundamental health or adjustment progress."

About the author

Martin Banks is a journalist for the Parliament Magazine