Strengths, Weaknesses, Opportunities, Threats of the UK's membership of the EU

The **UK** in a
Changing Europe

Contents

No one said it would be easy. While many people wanted a chance to vote on Britain's EU membership, actually preparing to do so has proven rather complicated. While some bemoan the absence of facts, others note that we are inundated with reports, analyses, blogs and op-eds purporting to lay out the 'truth' about our EU membership. It is hard to know whether the problem is too much information or too little.

No one, moreover, seems happy with the way the campaign is unfolding. Given the often hysterical nature of the debate, it is increasingly difficult for interested citizens to come to an informed judgement. Both Leave and Remain campaigns increasingly give the impression of being more interested in firing up their own supporters and ensuring they turn out to vote than in convincing the wavering and the undecided.

As part of our continuing efforts to inform the public in the run up to the referendum, we at the UK in a Changing Europe were keen to find a way to illustrate the impact of membership and potential impact of non-membership on key aspects of public life. To do so, we decided to draw on a methodology that has long been used as a planning device by businesses.

SWOT analyses – structured round an investigation of Strengths, Weaknesses, Opportunities and Threats – represent a useful way of weighing up the pros and cons of UK relations with the EU and of thinking about how they might develop in the future. We felt that such an approach would allow us to produce a balanced assessessment of the pros and cons of both membership and of both remaining and leaving.

As ever, our role is not to persuade but to inform. Each of the analyses that follow attempts, based on the best and most up to date social scientific research, to assess the nature of the UK's relationship with the EU, the impact the EU has upon us and how that situation may changed whether we remain in or leave it.

Two clarifications are necessary here. By 'the future,' we mean not the immediate aftermath of a decision to leave the EU, but, rather, the longer term implications of such a choice. Moreover, there are, of course, no facts about the future. Our assessments of opportunities and threats, therefore, is necessarily cautious. Unlike many of those campaigning for one side or the other, we do not want to imply certainty where none exists.

This analysis is the result of a collaboration between a number of our team. I'd like to express my immense gratitude to Angus Armstrong, Professor Catherine Barnard, Iain Begg, Damian Chalmers, Sarah Hagemann, Simon Hix, Jo Hunt, Hussein Kassim, Jonathan Portes, Dr Simon Usherwood and Richard Whitman for providing their analyses and dealing with a number of – doubtless irritating – comments, queries and suggestions once they had done so.

Most importantly, I very much hope that the outcome of all this work will be of use to you in making what might be the most important political decision of your life. The fact that the full implications of a decision to stay or leave cannot be known does not mean that there is no information out there can help inform our choice on 23 June. If this short analysis contributes to providing this, we will have achieved our objective.

Anand Menon
Director, UK in a Changing Europe

Consumers and citizens

Strengths

Because the UK is a member of the EU, UK citizens have the rights to move, work, live and invest in other EU countries. They also enjoy the right to vote and stand in municipal and European Parliament elections if they live in other member states. Equally, citizens of other EU countries can do this in the UK. And if British citizens ever need to seek consular protection abroad where Britain does not have a consulate, they can do so from other member states.

The EU has also granted British citizens many protections as consumers that they previously did not have. This includes greater protection from unfair contracts, unsafe goods and doorstep selling. EU law has also been very successful at limiting restrictive practices and combatting monopolies on subjects as diverse as roaming charges and internet search engines.

Opportunities

There is a good chance that EU consumer protection laws will continue to extend, protecting British consumers even more if the UK remains in the EU.

One opportunity that may arise in the event of Britain leaving the EU is that British judges might be able to re-establish English laws on consumer and citizen rights and protections more firmly than they are now established under EU laws.

Weaknesses

EU citizenship is often seen as undermining national citizenship. Many resent the idea that somebody who has worked part-time for a couple of weeks can secure the same benefits as British citizens.

Similarly, EU consumer protection and competition law is seen by some as intrusive, generating greater uncertainty about when contracts are enforceable or not. And some national consumer protection laws have been struck down on the grounds that they violate free movement of goods, such as labelling laws that the Court of Justice thinks are overzealous, or procedures for authorising new food products that are considered too cumbersome.

Threats

If the UK remains in the EU, it will remain subject to EU law. EU competition and consumer protection law are fields where the European Court of Justice might give unexpected and unwelcome judgments in the future.

If the UK votes to leave the EU, its consumers might not be able to enjoy the same rights and protections as they currently do, especially when living in the remaining EU countries.

There is also a possibility that EU consumer protection law might be rolled back. But British industry might still be exposed to EU competition law in the event of a ‘Brexit’ – the EU has often aggressively applied its competition laws to companies in non-EU countries when they operate in the EU.

Democracy

Strengths

EU membership has given British citizens a say on a number of issues over which they would otherwise have no influence. Via the EU, it is possible for them to have an input into laws which for instance, prevent pollution from foreign ships or factories, or make it harder for foreign criminals to enter British territory. UK nationals also have a voice in agreeing projects with other EU member states which might benefit everyone, such as common transport systems or markets.

British citizens are represented in the making of EU laws through the UK Parliament, which has the right to look at any suggestions for new EU laws. They are also represented via the European Parliament and its nationally elected MEPs, have the right to veto some 80% of proposed EU laws. British citizens and companies also have the right to lobby all EU institutions, and several do. There are about 9,100 registered lobbyists attached to the EU. Citizens can also petition EU law-makers to put forward, amend or repeal EU laws.

Opportunities

If the UK remained a member, the deal struck by David Cameron means that the UK Parliament together with other national parliaments, would be in a stronger position to influence and shape the future development of the EU as well to amend or block laws it did not like. If the UK left the EU, it would no longer have to accept that EU law came before British law, although it would still be bound by other, non-EU, international commitments. Some British interest groups with little clout in Brussels might have more influence within the British institutions, and be better able to shape policy, though equally others might lose influence.

Weaknesses

The EU is often accused of being undemocratic. And this matters because the laws the EU makes apply in the UK. Whenever there is a conflict between EU law and UK law, British courts have to apply EU law. Many EU decisions are taken by majority vote, which may mean the UK government has to implement legislation it voted against. While this is rare, it happens more to the UK than to other member states. And even though citizens can lobby the EU institutions, about two thirds of those lobbying are businesses. The EU institutions themselves are also often criticised. For example, the European Commission proposes EU legislation but is unelected – it is appointed by national leaders and the European Parliament and many think the process behind recruitment to the Commission is too unclear, unfamiliar or remote.

Decision-making in the Council of the European Union is secretive – the UK Parliament, the media and the public are not able to see the positions governments adopt. It is also not clear to what extent the views of the UK Parliament are taken into account. And as far as the European Parliament is concerned, many people do not know what it does and across the EU there is a low turn-out for European Parliament elections.

Threats

The 'special relationship' David Cameron negotiated for the UK might make other member states less willing to invest in closer relations with the UK – this would weaken its ability to shape legislation and influence the future direction of the EU. Moreover, the European Central Bank (ECB) is becoming ever more important to the economies in the Eurozone. The UK does not have a seat on its Governing Council, as it is not a member of the Eurozone.

If the UK remains within the EU, the economic policies the ECB pursues are likely to affect it. But if the UK left the EU, the UK may have to accept EU rules to access the single market without having much of a voice or any vote on these rules. This would depend on the agreement that was signed with the EU after a British exit.

Environment

Strengths

Most member states had weak environmental protections in place before adopting EU standards. EU law has driven up water and air quality as well as standards related to waste disposal, car emissions and beach cleanliness. It has helped ensure the provision of habitats allowing animal species to survive, including those that migrate seasonally.

EU membership allows member states to address environmental problems such as airborne pollution and climate change, which do not respect national boundaries.

Minimum EU-wide environmental standards mean that an EU country cannot roll back its environmental standards so as to make it possible for its businesses to produce more cheaply than businesses in other EU countries. This stops countries gaining an unfair competitive advantage. And EU environmental standards have an impact globally – anyone outside the EU who wants to sell their products within the single market must meet EU standards in order to be able to do so. East Asian countries, for example, have to apply EU chemicals laws.

Opportunities

If the UK were to remain in the EU under the settlement negotiated by David Cameron, there is an agreement to work to reduce the burden of regulation – including environmental regulation. On the other hand, if the UK were to leave, it would be free to remove some EU environmental laws to reduce costs and the burden of current environmental laws. However, if the UK leaves the EU and becomes an EEA state (like Norway) it would still be bound by the majority of these measures. And if not, while the UK may have greater flexibility to reduce the burden of environmental laws, it would still be bound by international commitments, including international climate change targets and habitat protection agreements.

Weaknesses

Not all EU environmental laws deal with problems that cross state boundaries. Some matters may be better dealt with at home. Complying with environmental standards can impose significant costs on countries and businesses and may be very costly for small and medium sized enterprises (SMEs). In some cases, compliance costs may be out of proportion with the environmental benefits achieved. In other instances, member states have not applied EU law well – especially in the fields of car emissions, waste and water quality law.

Threats

If the UK stays in the EU, some environmental protections may still be rolled back as there is a commitment at the EU level to make the EU more competitive. EU expansion (and particularly the new, poorer member states) may make it harder to secure consensus on environmental protection in the future. This is already happening as some central and eastern European member states are putting pressure on the EU to be less active in combatting climate change.

As climate change is a global issue, this means Britain will have limited influence over countries like China or India whether it leaves or remains in the EU. If the UK left the EU, EU environmental law incorporated into UK law might be either amended or replaced. This will be controversial and complex – it could lead to lower levels of environmental protection and would not necessarily lead to a better outcome for either UK citizens or businesses. Moreover, because of devolution, different standards might apply in different parts of the UK, causing problems for businesses.

'Brexit' might lead to the EU using alleged British non-compliance with EU environmental laws as a reason for denying UK goods unhindered access to the single market. British companies may well be subject to stricter testing procedures to secure this access.

Financial services and the City

Strengths

Because of EU membership, UK financial services firms can set up and carry out business anywhere in the EU. EU rules account for the majority of financial regulation in the UK. However, these must conform to global regulations.

To create a level playing field across the EU, there is a 'single rulebook' for banks and insurance companies. Even though the UK is not part of the Eurozone, it has an agreement with the European Central Bank to make euros available if there is a shortage in the system. This makes it easier for the UK to host a global financial centre.

Britain also has a permanent opt-out from joining the single currency and the European Banking Union. This means that the UK will not have to adopt the euro unless it wants to. If decisions which discriminate against UK interests are made, the UK can appeal to the European Court of Justice.

Opportunities

If the UK remains within the EU, the City might benefit from the capital markets union currently being negotiated and which might open up European capital markets to British based financial institutions.

Leaving the EU may allow greater flexibility in setting financial regulations. However, as the UK has the largest global financial sector, it must still be aligned to global regulations. Outside the EU, the UK may be granted access to the single market because it is considered to have 'equivalent' regulation to those already in place in the EU markets. The financial services sector is also likely to shrink if the UK left the EU. This may be one way to reduce the risk to tax payers if the system fails again. There is also a school of thought that the size and influence of financial services prevents a more balanced UK economy. For example, it attracts the best talent rather than other sectors of the economy. Leaving the EU may have the indirect effect of reducing this influence.

Weaknesses

Although access to other EU markets has probably added to the size of the UK financial sector and brings economic benefits, it also makes the UK more vulnerable to adverse economic events in the rest of the EU. The cost of having to accept inappropriate regulations may be far greater than for states with smaller financial sectors. Regulations under the 'single rulebook' may therefore not be equally suitable for all member states. Some EU regulations, for example on hedge funds and bankers' bonuses, have been criticised for hurting the City disproportionately. And because Eurozone countries have enough votes in the Council of European Union, if voting together, they can pass legislation without the UK's agreement. This opens up the possibility of the UK having to accept regulations decided by and for Eurozone countries.

Threats

If the UK remained in the EU, it would continue to confront the danger of states in the euro acting in their own interests and that of their currency by passing laws that harm UK financial services. If the UK were to leave the EU and not join the European Economic Area, banks would no longer have direct access to the payments system of the Eurozone. However, many large UK banks already have offices in continental Europe to gain access to euro funds. But foreign banks may decide to move their European headquarters somewhere else – this would reduce tax revenues.

The UK might also see a reduction in financial sector exports, making the current account deficit worse. Eurozone countries might introduce regulations discriminating against the UK, with the UK having no protections against this under EU law. And even though a smaller financial sector may pose a smaller risk to the UK tax payer, it is likely to have knock-on effects on other sectors, including law, accountancy, IT and engineering.

Food

Strengths
The EU has helped improve food standards. EU rules require that food is safe along the whole food chain – 'from farm to fork'. By the time they reach the shop, all food products must meet labelling requirements so that consumers are properly informed about the food they buy.

Having a single set of rules across the EU makes it easier to trade between EU countries – and consumers know that the food will be safe no matter where they buy it. EU food law has led to a significant increase in the variety of goods sold in our shops with benefits for consumer choice and health. And having common rules makes it is easier for national regulators to work with each other across borders. If food at one site is leading to food poisoning elsewhere in the EU, it is possible to identify the source quickly and make sure it does not spread further. EU laws also protect the names of certain traditional products, like Cornish pasties and Welsh lamb. This ensures that consumers are not misled and producers' reputations are protected.

Weaknesses
The Common Agricultural Policy (CAP) is costly and inefficient in many ways. It pushes up prices to consumers, disadvantages farmers in developing countries and is not always environmentally friendly. For example, the 'farm to fork' system of food safety may discriminate against small businesses that cannot control what happens to food across the product cycle. EU rules tend to promote integrated food chains controlled by large retailers and distributors.

These longer supply chains – the different steps in taking food from 'farm to fork' – reach across many countries inside (and outside) the EU's single market. Because of this, it may be more difficult to discover food fraud, such as the horsemeat scandal. EU food safety law has historically focussed more on preventing food poisoning than on the nutritional content of food. And as the EU food market remains protected, this means that consumers sometimes have to pay for more expensive products from other EU countries instead of cheaper non-EU alternatives.

Opportunities
Over the past 15 years, the CAP has become less expensive and more market-friendly. Subsidies are no longer linked to the level of production, which in the past led to overproduction, resulting in butter mountains and wine lakes. British food safety regulators have been at the centre of food safety developments within the EU, contributing to the overall improvement of food in Britain and the rest of the EU. If Britain remained in the EU, this work can continue.

If Britain left the EU, it would be able to reassess its regulations on animal health and welfare, food, labelling and standards. Having national laws replacing the current ones set at EU level could result in less costly and burdensome rules. There might also be an opportunity to explore more innovative methods in food production, including genetically modified organisms and other new foods.

Threats
If the UK stays in the EU, the emphasis on competitiveness, partly brought about by David Cameron's renegotiation, may put a downward pressure on food quality and food safety standards. If the UK leaves the EU, food produced in the UK to be sold in the EU would still have to meet EU product standard and labelling requirements, which might make it more expensive to produce. If the UK becomes a part of the EEA, it could feed into these standard-setting processes, but would not be able to vote on them. A 'Brexit' could also make the UK more vulnerable to pressure from the United States to lower food standards, something which the EU has resisted for two decades.

Global trade

Strengths

The EU is arguably the most powerful player in the World Trade Organisation, the main organisation governing world trade, and has been central to writing the rules of world trade. Membership of the EU has arguably allowed the UK to wield influence which economies of larger or similar size, such as Japan or Brazil, do not have. And the EU is in the process of negotiating trade deals with a number of countries, such as the United States.

Membership does not hamper the ability of the UK to trade with the rest of the world. In fact, UK exports to non-EU countries have been growing significantly faster than exports to other EU countries and faster than the UK economy overall. A far greater proportion of UK trade is with non-EU countries, which is not the case for any other member state. The UK is particularly strong in some service sectors, such as higher education and financial services, which are likely to represent a greater proportion of trade in future and are less dependent on geographical proximity.

Weaknesses

UK exports to the largest emerging markets, while growing, are still small compared to its trade with the EU – the UK still exports considerably more to Ireland than to China or India. And although the UK is strong in the service sector, barriers to trade in services in the EU – either direct or indirect – are much higher than in the goods sector. In addition, the EU can be slow when it comes to negotiating trade agreements with third countries – agreements with the US and India have stalled, and there is little prospect of one with China.

Opportunities

Non-EU markets, especially emerging markets, are likely to grow significantly faster than the EU for the foreseeable future. Since EU membership does not stop the UK from trading with non-EU markets, taking advantage of this opportunity – in or out – will be vital. If it remains a member of the EU, the UK would continue its participation in the process of negotiating free trade agreements with a number of large countries, notably the United States (the proposed Transatlantic Trade and Investment Partnership, TTIP).

If it votes to leave, the UK will be able to negotiate its own trade deals with major non-EU markets, including fast growing markets like China and India. The UK could also set its own tariffs for goods from non-EU countries, meaning that some goods could be cheaper if lower tariffs were imposed, and more vulnerable British industries, such as steel, could be better protected.

Threats

If it leaves the EU, the UK might miss out on the trade deal with the US and would therefore have to make a deal on its own. On the other hand, TTIP is likely to take many years before coming to fruition. So, if it votes to leave the EU, the UK might be able to secure a trade deal with the US quicker than it would have as part of the EU bloc. However, outside the EU, the UK's negotiating position would be far weaker in such negotiations. Brexit could therefore result in the UK securing a quick, but rather weak, trade deal with the US, China and other major economies. These countries have, however, made it very clear that negotiating a trade deal with the UK as a non-EU member would not be a high priority – the UK would be well down their list of priorities – though it is unclear how credible a threat this is. And a 'Brexit' would not necessarily make the difficult issues involved in these trade deals any easier to resolve. For example, the slow progress of the EU-India deal is often cited by proponents of a UK exit. However, this is to a very large extent the UK's own fault as it does not want to give access to mobile Indian workers. The current debate about steel and alleged Chinese 'dumping' does not suggest that it would be easy for the UK to work out a deal with China that was acceptable to both sides.

Immigration and free movement

Strengths

Recent high levels of immigration, both from elsewhere in the EU and beyond, have boosted economic growth. They have therefore also been positive for the public finances. The demographic impacts of immigration mean the UK is less exposed to the impacts of population ageing than many other EU countries, and will make it easier to finance the welfare state and public services in the long run. Immigration to the UK is relatively high skilled compared both to the native population and migrants to other countries. Britain is an attractive place for other EU nationals to come to because of its flexible labour market – it is easy and relatively cheap for employers to hire and fire, which leads to relatively high levels of job creation. And just as other EU nationals can come to Britain, Britsh citizens can move freely within the EU and have the opportunity to work, live and retire in Spain, France or elsewhere.

Opportunities

If the UK votes to remain a member of the EU, then the UK public will have definitively and unambiguously endorsed the principle of free movement, which will have been put beyond doubt. It might allow the political debate to switch to other issues, such as integration and the planning of public service provision and housing. If Britain left the EU, the UK could, in principle, restructure the immigration system to make no distinction between EU and non-EU migrants. This would be fairer and perhaps more efficient in attracting the most skilled workers. The current system for skilled workers from outside the EU could be extended to EU nationals. This would allow the current numerical limit for skilled workers to be increased. Overall, this could mean that on average, migrants to the UK were even more skilled than they are now. Alternatively, if post-Brexit the UK chooses to negotiate an arrangement with the EU that looks like that of Norway or Switzerland, then some form of free movement is likely to continue, with the associated advantages and disadvantages. However, this would at least reflect a positive decision on the part of the UK government. It might also be possible to deal with other issues like benefit entitlement in a more flexible way.

Weaknesses

The UK is relatively densely populated, especially in the south-east, and the dysfunctional nature of the housing market means population increases do not lead immediately to corresponding increases in supply. Non-discrimination rules mean that EU migrants are entitled to various UK benefits and public services on the same terms as UK nationals.

Whilst the fiscal balance is positive overall, it does mean that low-paid migrants do have immediate eligibility for the UK in-work benefit system – which is not based on contributions (either for nationals or migrants). Although UK immigration is mostly high skilled, most migrants from the EU's newer member states, such as Poland or other central and eastern European countries, work in relatively low skilled, low paid jobs. This, in turn, has meant that any negative impacts on native workers have focused on low paid workers. And free movement means that the government essentially has no control over the scale and timing of EU migrant flows. So planning the provision of public services is difficult at a local level. The government has reacted to this by imposing stricter controls on skilled and family migration from outside the EU. This has made it more difficult for businesses in some sectors to recruit skilled workers, and has probably already done some damage to productivity and competitiveness.

Threats

If the UK votes to remain, the government may impose even stricter restrictions on non-EU migration. The UK government and the European Commission will seek to implement the renegotiation deal on welfare benefits for EU migrants. This could, however, be significantly amended (by the European Parliament) or overturned in part (by the ECJ). Either might result in a further political crisis.

There is no assurance that leaving the EU would lead to a more efficient system. It is possible that it will simply result in reduced migrant flows from the EU, with no compensating increase from outside the EU. This would likely do considerable economic damage, particularly in sectors which rely heavily on EU nationals. Because of the legal and administrative difficulties which may result from a vote to leave, this might be damaging for individuals, both EU nationals in the UK and UK nationals in other EU countries, and potentially the wider economy.

Peace and security

Strengths

Working together gives the UK and other EU countries greater international influence and impact. For example, member states have imposed sanctions on countries such as Russia and Iran, which have greater weight when imposed collectively.

The EU favours using international institutions to tackle international problems. It differs from the major powers in wanting to strengthen organisations, such as the United Nations and to restrict when countries use force to get their own way. Thus it has promoted tougher international agreements on climate change which the US, China and Russia oppose. Through integration between member states and enlargement, the EU has created a peaceful, prosperous and united continent. The EU uses diplomacy and its peace-keeping forces to contribute to stability in areas such as the Balkans and North Africa. The UK is a recognised leader on foreign policy issues within the EU – the UK successfully argued for the EU to put diplomatic pressure on Burma to support the transition from dictatorship to democracy.

Weaknesses

For the UK, being part of a large organisation can be restricting. When Britain wanted to send its own arms to support Syrian forces fighting President Assad, it could not do so because of the EU's arms embargo on the country. Because the EU is heavily reliant on working through international organisations like the UN, this can result in an inability to act decisively. Similarly, because the EU takes foreign policy decisions unanimously, decisions are made slowly, if at all. And the EU and NATO, the two key institutions in European security, are not always able to work together effectively because not all members of the EU are members of NATO and vice versa. Moreover, the European Parliament has influence over EU foreign policy which may not reflect the views of UK citizens.

The Parliament keeps trying to increase its powers to determine the issues it thinks are important for EU foreign policy. As the EU emphasises values such as human rights, democracy and the rule of law, this can preclude working effectively with key regimes such as Russia and Saudi Arabia which may not share these values. The EU's protectionist nature, especially on trade in areas such as agriculture means it does not want free trade in areas where developing countries would benefit from having access to the EU market.

Opportunities

If the UK remains a member of the EU, it may be more effective in combating the major security challenges of the 21st century. Some issues are too complicated for any country to tackle on its own, such as dealing with North Korea's desire for nuclear weapons or supporting failed states like Libya.

Staying in the EU may also allow the UK to have a louder voice in foreign policy and could make other EU countries follow its lead on international issues such as Burma. The EU is the world's largest trading bloc, so membership would help Britain better preserve the open and free international trade it has supported since the second world war.

The EU also has greater leverage over its neighbouring countries than the UK would have on its own – it can influence its neighbours to adopt EU rules in return for greater access to a larger market. Leaving the EU would mean that the UK is freer to decide which countries it would like to deepen its relationships with, without having to bear in mind what other EU countries want. A vote to leave could allow the UK to decide to put its national interests in trade and security ahead of human rights and other values the EU has as conditions on deepening relationships with other countries.

Threats

If the UK remains in the EU its own national security interests may be diluted because of the need to act collectively with 27 other countries. The UK might favour a focus on Russia, whereas other member states may want to give more attention to North Africa. Continued membership might mean the UK has to contribute to deeper involvement in Libya, Mali or Chad, where other EU countries have sent military personnel. And the EU's attempts to deepen its relationship with its neighbours could have damaging consequences. For example, the EU risks antagonising Russia by expanding its membership further east to countries considered to be within a 'Russian sphere of influence'.

If the UK votes to leave, other countries may view it as much less influential as Britain would lose its ability to set the agenda for a bloc of 28 countries. Leaving the EU might also limit the UK's influence in terms of security because EU countries might collaborate further on defence issues which may undermine NATO.

Public finances

Strengths

Most economic studies suggest the UK economy has benefited from EU membership. In turn, membership has contributed to public finances by way of tax revenue. According to the latest public expenditure plans published in November by the Chancellor, George Osborne, the UK's payment to the EU will be of similar size to its spending on overseas development, but bigger than the transport budget. However, interest on public debt will cost the Exchequer some four times as much as the EU budget.

In terms of the money the UK pays to be a member of the EU, Margaret Thatcher negotiated a 'rebate' for the UK, meaning that the UK gets money back and effectively pays less into the EU budget – 0.7% of UK GDP. After the rebate, the UK's gross contribution is the lowest (relative to GDP) in the EU. Large amounts of money also flow from Brussels to groups in the UK, such as farmers, local authorities, businesses and universities. The amounts received for these groups differ from year to year, but have recently amounted to around £6 billion a year. And some of the spending by the EU in other EU countries finds its way back indirectly to the UK through public contracts, for example to design and build major infrastructure projects.

Opportunities

If it votes to stay in the EU, the UK may be able to use its influence to shape the size and nature of the EU budget to make sure spending is targeted in areas closer to UK priorities. However, if it leaves the EU, spending could be tailored to fit better with British priorities. An immediate benefit to the UK public finances would be to end the direct payment to the EU budget. Savings could be used for other policy priorities decided by the British government.

Weaknesses

Although the UK's contribution is small in terms of GDP in comparison to other EU countries, it is a net contributor to the EU budget.

Only Germany pays more than the UK. This means that the amount of money the UK has to pay to be a member of the EU is larger than the sum of money that the UK receives from the various EU spending programmes. And whilst the UK does gets money back from the EU budget via these programmes, this money is not always spent as the British government might want to spend it. And despite the rebate, the UK nevertheless contributes a significant amount to the EU budget.

The payment varies from year to year – it was as high as £14.46 billion (£278 million per week) in 2013 but only £8.74 billion (£168 million per week) in 2009.

Threats

If the UK votes to stay in the EU, the fact that member states enjoy a veto over budget negotiations means that it may be difficult to reform the way the EU budget is spent. And if the Eurozone integrates further in an attempt to prevent future crises, this could have significant implications for non-euro states.

The creation of a separate budget for the Eurozone would clearly impact directly on the politics of the EU budget in ways that are difficult to predict. However, non-Eurozone states would clearly have less influence over the way money is spent within the EU.

The main direct impact of leaving the EU would be that the UK would no longer receive money from EU programmes. Current recipients of these programmes would have to lobby for the loss of income to be compensated by domestic spending programmes. Farmers, for example, are subsidised in all rich economies. It is therefore likely that a UK exit from the Common Agricultural Policy would lead to the establishment of a national mechanism costing much the same, if not more, than now. It is also likely that if the UK wants to keep its access to the single market it would have to make some kind of financial contribution to the EU budget, like Norway does. If a vote to leave results in a loss of several per cent of GDP, which many economists suggest, the impact on public sector revenue would be substantial. Based on the current share of revenue in GDP, a reduction in GDP of 4-5%, as the CBI suggests, would translate into a revenue loss of about £30 billion – more than double what the UK currently pays into the EU budget. Focusing only on the direct transactions between the UK and the EU budget, therefore, may miss the real effects on public finances.

Regulations and red tape

Strengths

All societies and economies need rules, and the EU is no exception. All EU countries need to apply rules, many of which provide important protections for workers, consumers, internet users and the environment.

A single set of rules also makes it easier for companies doing business in other EU countries. It means that companies in one country can't be undercut by those in another. And the combination of EU rules and the UK's own regulatory framework means the UK does a good job of protecting consumers and workers – for example, the UK has an excellent record on health and safety at work. EU-wide regulations can be very detailed, which can be useful for businesses as they know exactly what they need to do to comply. Some regulations, on the other hand, can be interpreted to have more flexibility, such as the Working Time Directive. Protections contained in EU regulations and directives will be compulsory rather than voluntary, and can be enforced in national courts.

The costs of EU regulation can also stimulate investment. Of the twelve economies ranked as the most competitive in the world in 2015 by the World Economic Forum, eight were either in the EU or largely applied EU regulation (i.e. Norway and Switzerland). Some EU regulatory standards have been followed around the world. Brazil and India, for example, have adopted EU car automobile regulation, China and Japan have adopted EU chemicals regulation and South East Asian countries have adopted EU cosmetics regulation. EU regulatory standards can therefore be very influential.

Opportunities

It is recognised across the EU that the area of regulations and 'red tape' needs improvement. There are therefore a number of opportunities regarding this.

There is a trend underway to reduce the number of laws made at EU level, making sure that EU action is taken only when necessary.

Many proposals have already been withdrawn. And if the UK stays in the EU, according to the UK's renegotiation deal the EU should become more competitive and reduce the costs of regulation, particularly on SMEs. The UK can continue to be a rule maker as part of the EU. However, if the UK leaves the EU, and does not adopt the so-called Norway option, it will be able to reform and reduce some regulations to meet its own needs.

Weaknesses

Some EU regulations may be overly prescriptive or burdensome, reducing EU competitiveness and pushing up prices for consumers. And if the regulation is unnecessary, costly or generates unwanted consequences, changing it can be difficult. EU regulations may also affect small and medium enterprises (SMEs) negatively – EU laws are often made with export-oriented businesses in mind, which perhaps is not the case for SMEs; EU standards are therefore often unsuitable for SMEs.

The process of EU regulation means lobbyists can have significant influence over the outcome, which may advantage big businesses at the expense of consumers or SMEs. But since national regulation is still permitted in some areas, EU regulation does not necessarily mean companies will avoid the burden of complying with different regulations if they want to sell to different EU countries. Another weakness can be addressed to the UK government, which is often accused of 'gold-plating,' EU regulations – or going even further than they require – when incorporating them into national law, placing a greater burden on British businesses than necessary.

Threats

If the UK remains in the EU, it will remain subject to EU law. EU competition and consumer protection law are fields where the European Court of Justice might give unexpected and unwelcomed judgments in the future.

If the UK votes to leave the EU, its consumers might not be able to enjoy the same rights and protections as they currently do, especially when living in the remaining EU countries. There is also a possibility that EU consumer protection law might be rolled back. But British industry might still be exposed to EU competition law in the event of a 'Brexit' – the EU has often aggressively applied its competition laws to companies in non-EU countries when they are operating in any way in the EU.

Trade with the EU

Strengths

As a member of the EU, the UK is part of one of the two largest free trade areas in the world. The other is the North American Free Trade Agreement (NAFTA) area. Unlike NAFTA, the single market is more than just a free trade area – it covers a wide range of goods and services facilitating trade to a greater extent than a simple free trade area does.

As a result, trade with the EU makes up a much greater proportion of UK trade than we would expect based on the EU's economic weight and proximity to the UK. Although the EU represents less than a fifth of the world economy, it makes up nearly half of the UK's trade. There is a consensus that membership has benefited the UK's economy overall.

Economists estimate that the EU may have boosted the size of the UK economy by around 8-10%, mostly because of the increase in trade with the EU. By having access to the EU market, UK companies can import and export goods and services to and from other member states more easily. However, UK companies do not only import and export – they often supply goods and services to other companies as part of larger 'supply chains'. This means that even companies that do not export directly to the EU may be dependent on others that do. The car industry is one of the British industries that has benefited from these integrated European supply chains.

Opportunities

If the UK remains in the EU, removing barriers to trade in services, which are very high in comparison to trade in goods, could give a significant boost to intra-EU trade and particularly benefit the UK. The UK would be able to push for this to happen.

If the UK voted to leave the EU, without the burden of EU regulation, UK companies might become more competitive compared to those in EU countries. This might mean the UK could export more (and import less), reducing the trade deficit. In addition, it could be relatively easy to negotiate some form of free trade deal with the remaining EU since it would essentially involve perpetuating the status quo – exporters in other EU countries would want to preserve the current relationship they have with the UK. Moreover, non-EU members Norway and Switzerland export more to the EU than the UK does proportionally (i.e. in relation to GDP and their total exports).

Weaknesses

Although UK consumers benefit from buying goods from elsewhere in the EU, the UK runs a very large trade deficit with the rest of the EU. This suggests that membership may have benefited EU companies exporting to the UK more than UK companies exporting to the EU. In fact, this trade deficit accounts for the UK's entire overall deficit, which is running at historically very high levels. It could also potentially have negative economic consequences. And despite the single market, there are still significant barriers to trade in services within the EU, such as professional and digital services – areas in which the UK is very strong. For example, pharmacists like Boots or Superdrug find it difficult to expand in some other EU countries because of national restrictions. Moreover, EU growth overall has been very weak since the crisis. This has in turn reduced demand for imports in other EU countries, hurting UK exports. Therefore, arguably, the UK is too dependent on trade with an area that may be stuck in a prolonged period of low growth.

Threats

If the UK decides to stay in the EU, it is possible that the progress on the single market in services will continue to be very slow. And if the Eurozone presses ahead with much closer economic integration, the UK may find itself with less and less influence over the rules governing intra-EU trade. If the UK decides to leave the EU, proponents of 'Brexit' suggest that the UK could negotiate some form of continued free trade deal.

Even if securing EEA membership (like Norway) or having bilateral agreements (like Switzerland), the evidence is that EU membership per se has provided a large boost to trade above and beyond that produced by EEA membership – this boost might be partially reversed. And such a deal is by no means guaranteed. Negotiations – which will have to cover the entire spectrum of post-Brexit UK-EU relations – are likely to be difficult and contentious, with no guarantee of success. And the UK is likely to be at a considerable disadvantage during such negotiations. UK exports to the EU represent about 13% of UK output. EU exports to the UK represent about 3% of EU output, so the UK is significantly less important as a market for the EU than vice versa. Meanwhile, an extended period of uncertainty is likely to reduce trade with the EU and harm existing exporters and importers. It may also mean that foreign investors are more reluctant to invest in the UK. A UK exit would likely exclude the UK to a great extent from future benefits of the single market in services.

Travel

Strengths

Being a member of the EU has made travel easier. EU nationals do not have to get visas to travel to other EU countries and flights have become much cheaper because of ‘low cost’ airlines. Under EU law consumers now enjoy protection if their flight is cancelled or delayed. They also enjoy financial protection for package holidays, for example, if the travel company fails or if the consumer wants to cancel the holiday.

Not only do Brits travel more often to Europe than before, the British tourism industry has also benefited from this – the direct contribution of travel and tourism to the UK economy was about £60 billion (3.5% of total GDP) in 2014. Tourism has also supported nearly 2 million jobs (5.7%) in the UK. And according to the Office of National Statistics, tourism from EU states to the UK is more than double that from the rest of the world.

Using your mobile phone abroad has become cheaper and from June 2017 there will be no difference in cost using your phone at home or in other EU states. When in another EU member state, EU law allows EU travellers non-discriminatory access to services such as museums, galleries and theatres so EU travellers enjoy the same price of entry as locals. The Services Directive also requires shops, hotels, restaurants and the like not to discriminate against service recipients (i.e. EU tourists). And if Brits injure themselves on holiday, they get emergency health care for free with the European Health Insurance Card (EHIC).

Opportunities

The tourist industry is expected to expand with opportunities for the UK economy to grow. According to the World Travel and Tourism Council (WTTC), tourism is forecast to rise by 3.7% in 2015, and to rise by 3.2% pa, from 2015-2025, to £88.2bn (3.7% of total GDP) in 2025. However, these figures assume continued EU membership. Travel and tourism is also a way of helping to ensure that visitors understand Britain and its culture. If Britain were to leave the EU and does not enter a special arrangement with the EU, the UK will be free to enter into negotiations with other states which may include free movement. As such, the danger of other EU nationals coming over here without jobs or sufficient private resources would be eliminated.

Weaknesses

The environment has been hit– nearly 70% of passengers come to the UK by plane. Tourism also places a burden on UK infrastructure, such as roads and the UK’s heritage infrastructure such as National Trust properties. As the UK is outside the Schengen zone, but non-EU nationals only need a single visa to travel as tourists within the Schengen zone and need an additional visa to visit the UK, there is a risk that non-EU tourists do not visit the UK. This could be a potential loss to the UK tourism industry.

Some argue that freer travel means that it may be easier for those who want to harm the UK enter as tourists. Under EU law, all EU nationals have the right to come to the UK for up to three months without having to work or prove that they have enough money to live on – this can potentially cause several problems: some may overstay and could claim benefits or enter the black economy. Free movement also contributes to the burden on health services – it is estimated that it costs the NHS £260 million per year to care for visitors and non-permanent residents from the European Economic Area (EEA).

Threats

If the UK leaves the EU, the tourism industry may be affected. There is the possibility that fewer EU nationals will come to the UK depending on the nature of the post-Brexit deal. However, US and Asian tourist figures are not expected to drop. Similarly, Brits may find it harder to travel to other EU countries.

There may be longer delays at the Channel as the French government may not protect carriers from being boarded by irregular migrants. This may leader to lengthier checks either in the UK or by ferry operators. Security threats and increased migration from non-EU states may result in the UK further reinforcing its borders. If no deal is reached, UK nationals may need visas to travel to EU countries, and EU nationals may require visas to come to the UK. It may also become more expensive, as low cost airlines might not be granted the same access to landing rights at EU airports, the principle of non-discrimination and reduced roaming costs may not apply to British citizens and Brits may have to pay for emergency healthcare in other EU countries.

UK influence in the EU

Strengths

The UK is one of the most powerful member states in the EU because of its economy, standing on the global stage and diplomatic strength. It has helped shape many of the EU's policies – it played a key part in the launch of the single market, the expansion of the EU to new member states and EU initiatives in defence.

The UK has also been able to secure opt-outs from policies that it does not support, including the euro, the Schengen Agreement and elements of justice and home affairs. In addition, UK nationals have held several senior posts in the EU institutions. Catherine Ashton was the EU's first foreign affairs chief, Rob Wainwright is the head of Europol and Lord Hill is the Commissioner for Financial Services.

Weaknesses

Despite its power, the UK's stock is in decline. The renegotiation of Britain's membership distracted and preoccupied the UK's partners at a time when they needed to be focussed on addressing the migration crisis and problems in the Eurozone. And although Brits have held or hold senior positions within the EU, the UK government has not prioritised representation in the EU institutions, which limits its ability to shape policy.

The UK is underrepresented in the European Commission, having the lowest proportion of officials of any of the large EU countries. Partly, this is because so few British people meet the requirement of being able to speak two EU languages. In the European Parliament, UK MEPs rarely write reports, chair key policy committees or coordinate the political groups. And whilst the UK has opt-outs in areas they do not support, it means that the UK has little influence over the Eurozone or Schengen. Although the UK argues that it should not be discriminated against, it is difficult to imagine that Eurozone member states will always safeguard the interests of non-members, particularly if the future of the currency is at stake.

Opportunities

Regardless of the outcome of the referendum, it will be a defining moment for the UK's influence. If the UK decides to stay in the EU, the UK may be able to renew and improve its alliances with like-minded states on, for example, the economy.

A vote to stay may also strengthen the UK's position as one of the larger member states. Germany and France are hit hard by the refugee crisis and the poor performance of the Eurozone – their current governments must also win elections in 2017 to remain in power. Further, remaining in the EU might allow the UK to reinvent itself as a more positive EU member state and to play the kind of leadership role that some people think it should adopt. But deciding to leave the EU will offer the UK the chance to re-evaluate its trade, foreign policy and regulatory priorities. And a vote to leave would not prevent the UK from building strong bilateral relationships with EU member states, such as the close cooperation that already happens with France over defence.

Threats

Europe and the EU face important challenges. The effects of the migrant and economic crises on the continent will be felt in the UK, regardless of EU membership. But depending on the outcome of the referendum, the UK will face different challenges. If the UK decides to remain in the EU by a narrow margin, uncertainty about its relationship with the EU is likely to persist. Although it will present an opportunity to adopt a more positive approach to the EU, this is unlikely to happen.

The Remain campaign has not put forward many positive arguments for membership. And because the EU will continue to be an issue in domestic and party politics, it is difficult to see this happening. There will be costs if the UK remains inside the EU but fails to make common cause with its partners. If the UK is outside the EU, resolving problems will become more difficult. It will be an 'outsider' with limited influence over EU priorities – the precise degree of influence will be determined by the deal reached between the UK and the EU. Negotiations will be complex and time-consuming – and once agreed, it will take time for any new relationship to settle.

Workers' rights

Strengths

The EU has done several things to strengthen workers' rights. EU law represents a floor of rights – member states can improve on the rights provided by EU law but cannot reduce the protection below the EU floor. EU law on workers' rights builds on national law. So some of the rights apply to 'employees', a term which is defined in national law. EU law therefore complements protections provided by national law.

The EU has increased employment rights for all workers. For example, EU laws requires equal treatment for fixed-term, part-time and agency workers. The EU has also introduced standards for health and safety, including the need for employers to provide 4 weeks paid annual leave as part of the Working Time Directive. UK employers are now under more extensive obligations to inform and consult workers than previously. EU law also prohibits discrimination on grounds of sexual orientation, religion, belief and age.

Opportunities

If the UK remained in the EU, it could help it to use to the full the powers of the EU to legislate over workers' rights. This, of course, would presuppose the UK having a government that wanted to do so. There are opportunities for further EU activity, provided there is sufficient political will. Leaving the EU would create the possibility of repealing all UK law implementing EU directives and allowing the UK to introduce its own rules (unless the UK joined the European Economic Area in which case EU rules continue to apply). However, even if the UK left and did not negotiate a Norway-type deal, it may not repeal all legislation implementing EU employment directives. For example, it would be hard for any government to reverse equality law protection. The Working Time Directive and Agency Work Directive, are more likely to be repealed. It is, however, not necessarily the case that leaving the EU would damage social rights. In fact, the UK has higher rights than imposed by the EU in some areas. It insists that employers provide 5.6 weeks paid annual leave, while the EU minimum is 4 weeks. So 'Brexit' would give the UK Parliament greater freedom to determine the level and content of employment rights.

Weaknesses

Although these protections cover a lot, EU protection is not comprehensive. It does not cover, for example, protection against unfair dismissal and redundancy. These are the areas where the UK government has reduced employment protection in recent years. Because the EU has not legislated in these areas, the government has been free to introduce the reforms it wants. For trade unions, which have increasingly looked to EU law as a bulwark against such reforms, the absence of EU legislation in these fields is a serious weakness. For example, there is an expressed exclusion of EU 'competence' in the field of strikes, pay and lock-outs. For some, this is a positive feature of EU law because it shows the EU has only limited powers – key matters are still left to the member states to decide. For others, this limits the effectiveness of EU law. Even where EU law applies, it does not always protect British workers.

The Working Time Directive allows British employers to ask their workers to opt-out of the 48-hour-a-week limit on working time. Businesses often argue that EU law adds to their costs. This is particularly so in respect of the Working Time Directive and the Agency Work Directive, both of which, it is argued, interfere with the operation of the flexible British labour market. Decisions of the Court of Justice have made the Working Time Directive difficult to operate in some sectors, especially healthcare. For example, the Court has ruled that the definition of on-call time includes time spent on the employer's premises but asleep. Moreover, EU rules on workers temporarily posted to another state only grant a limited number of rights to these. Trade union lawyers argue that this is unfair. Many business leaders, on the other hand, welcome such limits to EU law. Employers' organisations also argue that EU law is too cumbersome and not sufficiently flexible to accommodate the needs of small businesses.

Open Europe claims that EU employment regulation introduced since 1998 has cost the UK economy £38.9 billion. It is not, however, clear whether, in the absence of direction from the EU, the UK governments might have introduced similar legislation itself.

Threats

If the UK decides to remain in the EU, it is possible that the EU will not continue to protect social and employment rights. The European Court of Justice (ECJ) has viewed collective action against out of state companies as an impediment to their rights and so limited such action. There is also concern among trade unions that the ECJ's interpretation of the Charter of Fundamental Rights has favoured the removal of social and employment regulation. The annual review by the EU of national economic and social policies also requires member states to remove employment protection which is seen as out-dated. If the UK were to leave the EU, the floor of EU social rights may be lost unless the Norwegian model was adopted, in which case the social rules will continue to apply to the UK, but not the Charter of Fundamental Rights. If this model is not chosen, the UK would be free to adopt its own rules.

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