

Global Vision Perspective

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A new trading relationship for Britain with the EU

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Introduction

The UK, as a full member of the EU, is currently a member of both the EU's customs union and the single market (or internal market). It is frequently argued, if not assumed, that membership of the customs union and, especially, the single market is a requirement for trade to flourish between the UK and the EU. In this Perspective, we challenge this viewpoint and conclude that membership of neither the customs union nor the single market is essential for a thriving trading relationship between the UK and the EU.

It should also be noted that membership of the EU's customs union has negative ramifications for our trading relationships with the rest of the world and membership of the heavily regulated single market has implications for our international economic competitiveness. These issues are discussed further below.

The EU's customs union

As any customs union, the EU's customs union has no internal tariffs but has a common external tariff (CET), or common customs tariff (CCT), on goods from third countries.¹ In order to apply its trade policy instruments with third countries (including duties and anti-dumping) the EU has a system of complex rules to determine the origin of goods. (See Annex 1 for further details on the rules of origin.)

A free trade area, similarly, has no internal tariffs but it has no common external tariff either. In a free trade area the members, therefore, retain the right to decide their own tariffs against third countries whilst in a customs union they do not. Moreover, and crucially, members of a free trade area retain the ability to negotiate their own bilateral deals with third countries and have direct representation in the World Trade Organisation (WTO), whilst members of the EU's customs union do not.

The EU's Trade Commissioner negotiates the trade deals and has a seat in the WTO on behalf of all the EU Member States including the UK. If we shared the same interests as other EU members, it could be argued – and often is – that this adds weight to our negotiating position in international organisations. In reality, however, other EU countries are inclined to pursue a much more protectionist agenda (especially regarding agriculture) which can act as a block to the EU as a whole agreeing to the kind of open market arrangements which the UK would favour.

The UK, despite the fact that it is the 5th biggest economy and the 3rd largest trading nation with unparalleled international links, is therefore unable to negotiate bilateral deals with the US (the UK's single biggest trading partner), China, India or any other country of special significance to Britain. In an age (arguably) of increasing bilateralism in trade deals and the resurgence of the Chinese and Indian economies the current situation is clearly sub-optimal for Britain.

The EU's tendency towards protectionism (especially in agriculture) is not only disadvantageous to the UK (which has a very small agricultural sector), but it can also damage the trading prospects of developing countries and, therefore, their ability to prosper.

Membership of the EU's customs union was probably economically positive for the UK in the mid-20th Century, when tariffs were high. In the rapidly changing global economy of the 21st century when tariffs are low, it is probably not.² It is, therefore, preferable for the UK to be outside the EU's customs union.

The single market

The 1957 Treaty of Rome set out the 'four freedoms' which are at the very heart of the single market:^{3, 4}

- The free movement of goods.
- The freedom to provide services.
- The free movement of capital.
- The free movement of persons (including the freedom of establishment, the right to practise a trade or profession).

The 1986 Single European Act, which aimed to complete the single market by 1992, sought to eliminate the physical barriers, the technical barriers (including different product standards) and the fiscal barriers (principally concerning the harmonisation of indirect taxes) to trade.

By the Lisbon Summit (March 2000) it was, however, clear that there were still problems with the functioning of the single market. These problems fell into three groups:

- EU Member States' failure to respect single market rules. This is a perennial problem.
- The market was not 'complete' – for example in the areas of telecoms, energy, financial services and general services (not elsewhere included). Since this Lisbon Summit, there has been some progress towards a single market in these areas. But problems remain in, for example, the area of energy policy where attempts to reform Europe's energy market seem to be losing out to protectionism. In addition, the Services Directive was eventually passed in 2006 after the original proposals to open markets were diluted at French, protectionist, insistence.
- The market was over-regulated and the regulations were costly.⁵

Following a review of the functioning of the single market, the Commission set out a package of initiatives aimed at modernisation in November 2007.⁶ The initiatives included the strengthening of consumer rights and helping small businesses, with an emphasis on a strong social dimension. It is difficult at this stage to see how these initiatives will fundamentally improve the working of the single market or indeed help the EU's international competitiveness.

This is all the more disappointing as the British Government's contribution to the EU single market review made some positive suggestions for reinvigorating the market.⁷ In particular, they noted:

- For Europe to rise to the new challenges and benefit from globalisation, it needed to adopt a new, modern and more flexible approach to the single market.
- The traditional model for the single market – one that seeks to achieve integration through legislation and harmonisation of rules – needed to be rethought.
- There needed to be an increasing use of pro-active competition policy instead of relying simply on regulation.
- And where there was need for further regulation, better regulation principles were needed which were risk-based, showed greater flexibility and employed lighter-touch alternatives.

The single market: regulations

The regulations and other restrictions associated with membership of the single market, directly or indirectly, cover a very wide range of policy areas. Many of these regulations reflect the social market model favoured on the continent that believes free trade needs to be balanced by 'concessions' to employees in the form of social protection, as well as favouring a high level of other harmonised regulation to ensure every market carries the same regulatory burdens with no country having a regulatory advantage.

Some selected key developments emanating and originating from the EU include:

- The Financial Services Action Plan (FSAP).⁸ According to Open Europe, the measures under the FSAP will cost the UK at least £14bn.⁹ But the benefits are uncertain. The FSAP is a crucial policy area for the UK, given the significance of the City of London, which it should probably opt out of.
- Legislation on social policy: where the UK has persistently been at odds with the other EU Member States over, for example, rights for temporary workers and the UK opt-out of the 48 hour week.
- Legislation on environmental protection, consumer protection and company law.
- Further fiscal harmonisation.

It is, however, important to note that many of the technical regulations which emanate from the EU do not actually originate with the EU. They are instead negotiated through various international bodies of which the UK is a member in its own right. These bodies produce technical standards on, for example,

transport safety and food safety which the EU adopts with the Commission acting as the middle-man. Annex 2 lists some of these relevant international bodies.

The European Economic Area (EEA)

The single market operates not just in the 27 EU member states, but also in the three EFTA countries that are also members of the EEA: Norway, Iceland and Liechtenstein.^{10,11} Switzerland, the fourth EFTA country, is not in the EEA but has a series of bilateral agreements with the EU.^{12,13}

The EEA Agreement came into force in 1994. All the relevant Community legislation in the field of the internal (single) market has been integrated into the Agreement and the implementation rates in the EEA EFTA states of this legislation are comparable to those of the EU member states.¹⁴

For the EEA EFTA states the 'four freedoms' (goods, services, capital and labour) are promoted and safeguarded by a range of "horizontal measures" that ensure the long-term viability of the internal market. These include the EU's competition rules, restriction of the use of state aid and public procurement policies. The EEA Agreement includes 'horizontal provisions'. These constitute the legal basis for incorporating Community legislation on social policy (including health and safety at work, labour law and equal treatment of men and women), consumer protection, the environment, statistics and company law into the EEA Agreement. In addition, the EEA Agreement also covers cooperation outside the 'four freedoms' in 'flanking areas'. These areas are: R&D, information services, the environment, education, training and youth, social policy, consumer protection, tourism, culture, energy, employment, public health and statistics.¹⁵

As a result of the EEA Agreement, there is no question that EEA membership carries with it effective membership of the single market and all its regulatory costs. Whereas EFTA, which is strictly a free trade area, is outside these rules. Norway, as a member of the EEA, trades with the EU under EEA rules, whereas Switzerland's relationship with the EU is based on EFTA rules.

Costs and benefits of the single market

Current estimates of the costs and benefits of the single market for EU Member States are available from EU Commission sources. Günter Verheugen (Vice-President of the European Commission, responsible for enterprise and industry) has estimated the cost of complying with EU regulations at as much as €600 billion a year.¹⁶ This estimate is equivalent to 5.5% of EU GDP – equivalent to the size of the Dutch economy.

Meanwhile the benefits are much lower than the costs. According to the Commission:¹⁷

“Over the last 15 years the single market has increased the EU's prosperity by 2.15% of GDP. In 2006 alone this meant an overall increase of €240 billion – or €518 for every EU citizen – compared to a situation without the single market.”

An alternative Commission estimate of a boost to prosperity of €225bn in 2006 was quoted by the Treasury and the DTI in their 2007 analysis of the single market.¹⁸ But whichever figure is taken, it is clear that the costs comfortably outweigh the benefits by a factor of about 2 ½ to 1.

The single market: future UK policy

Even though there are benefits for the UK to remain within the single market, it is apparent that the costs outweigh the benefits. The Financial Services Action Plan specifically risks burdening the City of London with inflexible, costly and prescriptive legislation. And the conflicts between the UK and EU partners over employment and social regulations are likely to endure, threatening the relative flexibility of the British labour market. These will be increasingly crucial factors in the hotly competitive 21st century global economy, when the winners will be businesses that can act freely and flexibly, unencumbered with heavy regulation.

Moreover, it is now clear that British business is unhappy with the heavy regulatory burden associated with the single market. In a poll of 1,000 Chief Executives conducted for Open Europe, 54% thought that EU over-regulation ‘outweighed’ the benefits of the single market and 60% thought that the UK should renegotiate to reduce its involvement in the EU to one of free trade only.¹⁹

The way forward for the UK is to renegotiate a new, free trade, relationship with the EU which does not commit the UK to adopting any further single market legislation. In other words, the new relationship would be outside the single market. This statement should, however, be qualified in several ways:

- The current single market legislation on, for example, social and employment matters would remain in British law, until the point when/if the British Government chooses to propose its amendment or repeal. There would be no urgent need – possibly no need at all in some cases – to fundamentally change such legislation.
- The UK would continue to comply with changing technical standards as agreed in international bodies such as the United Nations Economic Commission for Europe (UNECE) and the Codex Alimentarius Commission (CAC).

- The UK would continue to comply with the decisions made under the UN Framework Convention on Climate Change (UNFCCC) and subsequent protocols, if it wished.
- Concerning the freedom of movement of labour, for example, a bilateral agreement could be negotiated along the lines of the Swiss one, if the UK wished.
- The British Government could adopt any new EU single market legislation it considered helpful. But it would have the powers not to adopt any measures that it considered damaging.

A new relationship: benefits outweigh the costs

Such proposals have been met with the criticism that the EU will only trade with the UK if we are a full member of the EU (including the single market). The 'privilege' of access to EU markets would be denied to us if we sought a looser relationship. But this ignores some basic realities:

- The UK has a huge visible trade deficit with the other members of the EU. In 2007, the UK had a deficit of £40bn with the EU27, of which £19bn was with Germany.²⁰ It can fairly be concluded that the other EU states "need us more than we need them".
- In 2007 imports of goods from the EU were nearly 30% higher than British exports of goods to the EU. If it is true that 3 million British jobs depend on visible trade with the EU then, as a crude rule of thumb, nearly 4 million jobs in the EU must depend on their trade with the UK. No EU exporter (or EU Government) would wish to see a cessation, or even a disruption, of UK-EU trade.
- German businesses, for example, trade with the USA and China, even though the latter are clearly not members of the EU (or its single market). And trade is conducted under the rules of the World Trade Organisation (WTO).

There are variations on the above criticism. The first is that "the EU would only trade with us if we complied with the single market rules. We would, therefore, be forced to adopt all single market rules". The second, following on from the first, is that "as we would be forced to adopt the single market rules, we should remain a full member of the EU so that we can influence the rules whereas we couldn't if we weren't". The position of the EEA countries in having to accept the rules 'by fax' and without 'influence' is frequently quoted in support of this variation.

Again these assertions seem to ignore some basic realities:

- The fact that EU countries trade quite openly now with non-single market countries clearly refutes the first. There are no signs that the USA or China feel they have to adopt the EU's social legislation associated with the single market, for example, in order to trade with France or Germany. Of course these countries have to meet the product specifications of EU countries – if they wish to trade with them – but as many of these are determined internationally this is a limited imposition. And for their domestic trade there is absolutely no need to conform with EU, or indeed international, specifications at all.
- The UK's current influence in the EU, in both its general direction and its legislative programme, is frequently grossly exaggerated. As an example, it is often said that “the EU is going Britain's way.” But this is erroneous. All too frequently, the opposite is true and the UK is in a minority – sometimes of one. The Lisbon Treaty, for example, is a hugely integrationist document which surely scotches any notion that the EU is “going Britain's way” and becoming a loose block of nation states as many in Britain would like to see.
- It is worth noting that the UK has currently just 8½% of the votes in the Council of Ministers for influencing legislation passed by QMV. Under the Lisbon Treaty QMV will become the ‘normal procedure’ in all areas with more than 60 further national vetoes disappearing.²¹ The UK's ability to block legislation is weak now and will get weaker.
- The UK's influence in the EU is therefore remarkably modest, given that it is the 5th biggest economy in the world, the 3rd biggest trading nation with a unique set of international links.

There is also the issue of Foreign Direct Investment (FDI) into the UK and the suggestion that this would be seriously adversely affected if we were to negotiate a new trading relationship with the EU. But again the evidence seems paltry for this assertion and ignores basic realities:

- The British Government's trade and investment promotion body, UK Trade and Investment, quotes “20 reasons to do business in the UK”.²² They are listed in Annex 3. The “springboard to Europe” and the single market is just number 14. And provided that trade access is fully maintained, which it almost certainly will be, a looser trading relationship would not significantly damage Britain's attractiveness for inward investment. Deteriorations in Britain's relative tax and labour market attractiveness are far more serious threats.
- Further evidence of the relative insignificance of the single market (or indeed the customs union) is provided by a recent report from Ernst and Young, which confirmed the UK as “Europe's favourite investment destination”.²³ The reasons for this were, according to Ernst and Young, “a skilled workforce, a world-class services sector, location and language” and there was a need, looking forward, to “investing appropriately in training and infrastructure and

by having an appropriate level of regulation". There was no specific reference to membership of the EU.

Conclusion

If the UK were to negotiate a new, looser relationship, outside both the customs union and the single market, there would be much to gain in terms of flexibility and little, if anything, to lose. Trade would continue to thrive with the EU, not least of all because it benefits EU economies, whilst British trading relationships with the rest of the world could develop – free of the restrictions of the EU's customs union – and British business could avoid the competitiveness-damaging regulations associated with the single market.

References

1. Global Vision Fact Sheet number 6.1, *EU external trade policy or Common Commercial Policy*, www.global-vision.net
2. See Global Vision Fact Sheet 6.1 which states “the current average CET is in the range of 1.5% to 3% and expected to decline further”.
3. Global Vision Fact Sheet number 7.2, *Single Market: introduction*, www.global-vision.net
4. European Union (Amendment) Bill Briefing on the Single Market, www.global-vision.net
5. Mutual recognition, the principle that goods and services are as acceptable in other member states’ markets as in the originating domestic market, is arguably still important for the operation of the single market. It is still applicable for, for example, some product standards and for professional qualifications. But the principle of mutual recognition, and its reputed importance, has not prevented the rapid growth of EU regulations.
6. “Commission unveils its vision for a single market for all”, press release, IP/07/1728, 20 November 2007. Available from <http://europa.eu>.
7. HM Treasury and DTI, *The Single Market: a vision for the 21st century*, January 2007.
8. Global Vision Fact Sheet number 7.3, *Single Market: financial services*, www.global-vision.net
9. Keith Boyfield, *Selling the City Short?*, Open Europe, December 2006.
10. The EEA Agreement was signed in 1992 between the then EU12 and the remaining EFTA members (Austria, Sweden, Finland, Norway, Iceland, Switzerland and Liechtenstein). The EEA Agreement came into force in 1994, excluding Switzerland and Liechtenstein (Liechtenstein joined the EEA in 1995).
11. Austria, Sweden and Finland joined the EU in 1995, leaving EFTA with just 4 members: Norway, Iceland, Liechtenstein and Switzerland.
12. Ruth Lea et al, *Defining a new relationship with Europe*, www.global-vision.net
13. Global Vision Fact Sheet number 1.5, *The EEA and Switzerland*, www.global-vision.net
14. EFTA fact sheet on the EEA, available from www.efta.int
15. EFTA fact sheet on the EEA, available from www.efta.int
16. “Single market blues”, *Economist*, 10 November 2006.
17. Available from www.ec.europa.eu/internal_market/
18. HM Treasury and DTI, *The Single Market: a vision for the 21st century*, January 2007.
19. ICM surveyed 1,000 Chief Executives for Open Europe in September 2006. Open Europe’s website is www.openeurope.org.uk
20. ONS, “UK trade first release: December 2007”, 11 February 2008.
21. Lord Blackwell, *Why the EU Reform Treaty Matters*, Global Vision, 2008, www.global-vision.net
22. UK Trade & Investment’s website is www.ukinvest.gov.uk
23. Ernst and Young European Investment Monitor, 5 November 2007, www.ey.com

Annex 1

European Community: Rules of Origin

Origin rules are used to determine the national/territorial provenance of goods for trade purposes. It is, however, no longer a straightforward matter to when raw materials and parts criss-cross the globe to be used as inputs in scattered manufacturing plants. Rules of origin are important in implementing such trade policy instruments as anti-dumping and countervailing duties, origin marking, and safeguard measures. The Community has two types: non-preferential and preferential.

Non-preferential rules

These define the origin of a good for the purpose of such matters as trade defence, trade statistics and import quotas. Such rules are important when trade measures, for example anti-dumping or quantitative restrictions, apply to goods imported from one country but not another. The rules must be applied objectively and in a non-discriminatory way since the origin of goods is essentially a matter of fact.

The non-preferential rules provide for origin to be obtained in one of two ways. First, goods can be "wholly obtained or produced" in a country. Second, in cases where goods are the product of two or more countries, they are deemed to originate in the country where they underwent "their last, substantial, economically justified working or processing in an undertaking equipped for that purpose and resulting in the manufacture of a new product or representing an important stage of manufacture". This is generally not further defined but in some cases, for example textiles, there are specific rules interpreting the last substantial process. The specific rules are expressed by a change of tariff heading requirement, a defined origin conferring process or a minimum added value. Community law and practice complies with international standards.

Preferential origin rules

The Community's preferential agreements all contain origin rules which must be fulfilled in order that goods may qualify for preference. Such rules ensure that goods from countries not party to the preferential arrangements cannot be diverted via a preferential partner to circumvent the EC tariff. Under the rules products acquire origin if they are wholly produced or if they are sufficiently processed in the preferential partner.

Preferential rules, which are often stricter, are defined by members of regional free trade areas (or other countries who have signed up to preferential trade agreements) to ensure that only those goods which genuinely originate in one of the member countries enjoy the low tariffs or other benefits laid down in the agreement.

Sources: WTO and BERR websites: www.wto.org; www.berr.gov.uk.

Annex 2
International organisations involved in setting standards

Organisation	Description
International Council for the Exploration of the Sea (ICES)	Based in Copenhagen since 1902. Coordinates and promotes marine research in the North Atlantic.
Office International des Epizooties (OIE)	Set up 1924, based in Paris, also known as the World Organisation for Animal Health. Deals with animal health issues.
United Nations Economic Commission for Europe (UNECE)	Set up in 1947, one of five regional commissions of the UN, based in Geneva. Brokers international legal instruments addressing trade, transport and the environment – see extract from the website below.
World Health Organisation (WHO), successor to the Health Organization (League of Nations)	Established in 1948, a specialised agency of the UN, based in Geneva. Deals with public health and infectious diseases. With the UN Food and Agriculture Organisation (FAO), based in Rome, set up the Codex Alimentarius Commission (CAC).
Codex Alimentarius Commission (CAC)	Created 1963, joint FAO/WHO body responsible for establishing international food standards aimed at protecting the health of consumers and ensuring fair practices in the food trade. The food standards (safety & quality), codes of practice and other guidelines and recommendations adopted by the Commission form the Codex Alimentarius: the international food code.
UN Framework Convention on Climate Change (UNFCCC)	Was opened for signature in the Rio de Janeiro Summit in 1992 (the UN Conference on Environment and Development), and entered into force in 1994. The Kyoto Protocol was added to the treaty in 1997. Based in Bonn since 1996. Deals with policies for combating & adapting to climate change.
Intergovernmental Panel on Climate Change (IPCC)	Set up in 1998 by the UN's World Meteorological Organization (WMO, based in Geneva) and by the United Nations Environment Programme (UNEP, based in Nairobi). The IPCC's secretariat is situated at the WMO's HQ. Advises the UN Framework Convention on Climate Change (UNFCCC) on climate change policies.

Taken from UNECE's website (www.unece.org):

- Everybody stands to gain when countries adopt common international legal instruments and standards and harmonize their technical regulations. Consumers obtain guaranteed quality and security. Producers economize both at the production and sales levels and simplify their inventories when they no longer have to adapt their products to a multitude of different national rules. International trade is facilitated when sellers and buyers base contracts on common classifications, standard documentation and trade procedures. Shared assets which ignore borders, such as the environment, can be better protected through internationally agreed legal instruments. International cooperation as well as national legislative and regulatory work is simplified and accelerated when reference can be made to internationally agreed documents. Moreover, the multiplication of technical instruments shared by the countries of the region facilitates their economic relations, creates links and helps to overcome differences.
- Member countries of the United Nations Economic Commission for Europe (UNECE) realized this from the outset. Their common efforts over the last sixty years have resulted in a wealth of conventions, harmonized technical regulations, norms and standards. Virtually all of the Commission's subsidiary bodies have contributed in one way or another to their elaboration.
- Studies have shown that many of UNECE's agreements on technical and/or procedural harmonization are being effectively implemented. The attached list of conventions, norms and standards, which have been negotiated under the auspices of the UNECE, has been compiled in order to facilitate wider access to this valuable body of information.

Annex 3

Top 20 reasons to do business in the UK: investing in the UK

- 1. The easiest place to set up and run a business in Europe:** The World Bank found that it takes 13 days to [set up a business in UK](#), compared to the European average of 32 days. It ranks the UK first in Europe and sixth in the world to operate a business. Source: World Bank
- 2. Low tax rate environment for foreign investors:** The top corporate rate will be 28 per cent from April 2008, below most of the UK's core competitors. The UK has reduced its [corporate tax rate](#) from over 50% in the early 1980s down to one of the lowest in the industrialised world. The UK's highest personal tax band, at 40 per cent, is one of the lowest in the EU. Source: Forbes Tax Misery Index.
- 3. One of the most flexible labour markets in Europe:** The World Bank ranks the UK the [second best place in Europe to employ workers](#), just behind Denmark. Source World Bank
- 4. Least barriers to entrepreneurship in the world:** The OECD noted that the UK is second in the world for Product Market Regulation behind Australia, has the [least barriers to entrepreneurship in the world](#) and has the third least barriers to trade and investment in the world. Source: OECD
- 5. World leader in innovation:** The UK is [one of the most productive places for innovation firms in the world](#), ranking second only to the USA for the quality of its research base.
- 6. One of the most stable political environments to do business:** According to Transparency International, the UK is one of the most transparent (least corrupt) countries in the world. It has a higher rating than France, Germany, USA and Japan.
- 7. Booming economy.** The UK [has one of the highest GDP growth rates in Europe](#), well above the European and Eurozone averages. Source: OECD
- 8. One of the easiest countries to register a property:** To [register a property](#), the UK is ranked above France, Germany, Ireland and Italy. Source: Cushman and Wakefield
- 9. Commitment to improving the planning regime .** The recent Energy White Paper by the Department of Business, Enterprise and Regulatory Reform (BERR), and the Government-commissioned Barker 2 Review of Land-use Planning and Economic Development, [outline speedier planning consents for businesses](#).
- 10. Speaking in the international language of business:** operating in English gives firms in the UK a natural advantage when communicating globally.

11. **Progressive communications network:** The UK has the most extensive broadband market among the G7 countries and [one of the strongest ICT infrastructures in the world](#).
12. **Home to Europe's number one city for business:** London is the [world's leading financial services centre](#) on a number of key performance indicators and was voted top European city for business for the 17th year running in 2006 by the European Cities Monitor.
13. **Top talent:** According to the Times Higher Education Supplement (THES), the [UK has the top six universities in Europe](#) and two of the top three globally. Source: The Times.
14. **Springboard to Europe:** The UK is the number one gateway to Europe giving easy access to the 27 member states of the European Union, the world's largest single market, with its population of nearly 500 million.
15. **Number one location for European headquarters:** More overseas companies set up their [European headquarters in the UK](#) than anywhere else.
16. **Olympic opportunities:** London will host the Olympic Games in 2012. Procurement started in 2007. [Contracts will be available for firms of all sizes](#) and the total budget will run into billions.
17. **Outstanding transport links:** The UK offers a [world-class transport network](#) offering rapid links to mainland Europe and the rest of the world. Heathrow is Europe's largest air hub, with [ongoing expansions](#) improving its efficiency. London boasts one of the world's largest overground and underground rail networks.
18. **High quality of living:** UK residents enjoy a [high standard of living, education and recreation](#). Personal taxes are low, publicly-funded health is free to all and there is a rich cultural heritage and abundance of leisure facilities.
19. **Magnet for foreign investment:** In 2006, the UK attracted and retained [over one trillion US dollars of investment](#): the highest in Europe and the second largest in the world.
20. **Productivity rapidly increasing:** Historically, the UK had lower productivity than its main competitors, but this is changing and the UK has closed the gap with many countries and overtaken others.

Source: UK Trade and Investment, www.ukinvest.gov.uk.

Notes on the author:

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Global Vision is a non-partisan campaign group backed by economists and business leaders that argues for a looser British relationship with the EU, based on free trade and mutually beneficial cooperation, whilst opting out of economic and political union. Global Vision believes that this is the right relationship for Britain in the 21st Century's rapidly changing world. For more details on Global Vision please visit our website: www.global-vision.net