

22<sup>nd</sup> June 2016

Dear Constituents,

**EU REFERENDUM – 23<sup>rd</sup> JUNE 2016**

I have had a large number of constituents writing to me asking me for my thoughts, or indeed expressing their own views, on the EU referendum.

Many of you will have seen the various television debates and no doubt read enormous amounts of information in the newspapers and online and had an opportunity to think about the issues. I have therefore waited, intentionally, until the eve of the referendum to set out my thoughts in detail.

**My position**

I have always regarded myself as a Euro pragmatist – I have no great love of the EU's institutions but I see very clearly the economic benefit of the UK being a member of a free market, without tariffs, of 500 million people. I say this not from a theoretical perspective but because I have experienced it – prior to entering Parliament I worked extensively in Scandinavia and set up and ran a business in Germany.

Leaving the EU will, in my view, do profound harm to the British economy, hitting jobs and investment in our country and leading to higher prices in our shops.

And that is why I will be voting for the UK to remain a member of the European Union on 23<sup>rd</sup> June.

I have set out below my detailed comments, as a series of questions and answers, which explain my position in more detail. The areas covered include economy, immigration, national security and sovereignty.

**Do we really get any economic benefit from being in the EU?**

British consumers and businesses derive significant economic benefits from being part of a free Single Market of 500 million consumers across the EU, where we are able to trade without tariffs and barriers.

44% of the UK's total exports go to the EU and over 3 million British jobs are connected to the EU.

British consumers benefit due to lower prices in our shops.

The Confederation of British Industry has estimated that the benefit of EU membership is worth around £3,000 a year to the average household in our country.

**But don't we pay to be a member of the EU and if we leave the EU won't we save £350 million a week as the Leave Campaign is telling us?**

Yes we do pay a contribution to be a member of the EU to gain free access to the market of 500 million people.

However, even some of those leading the Leave Campaign have now acknowledged that the £350 million figure is grossly misleading. This does not take into account the money the UK receives back from the EU or indeed our rebate. The correct figure is £150 million or, put another way, £300 per household per year.

So the economic benefit of EU membership is around £3,000 per household and the cost around £300 every year. For me this is a key comparison.

And it is also worth noting that, based on the money the Leave Campaigners say they will 'save' from leaving the EU, they have made spending commitments of over 2 billion a week! Which suggests either a lack of understanding of basic mathematics or an attempt to mislead.

**But won't it be easy to do a better deal with the EU - after all don't we sell more to them than they do to us?**

I don't believe we will get a better deal from the EU by voting to leave and then trying to re-join.

Common sense suggests that you cannot leave a club of 28 members on bad terms and then just hope they will let you back in on better terms than they have themselves.

Additionally, if the EU was to give the UK better terms on re-joining this would send a message to all 27 other countries they could also leave and try to re-join on better terms. The EU will not want this to happen and that's why I don't think we will achieve a better deal from outside the EU. I certainly think that we should continue to seek reform from within the EU.

And when it comes to trade, 44% of UK exports go to the EU and 8% of the EU's exports come to the UK. For many EU countries less than 5% of their exports go to the UK.

It would need all 27 other countries agreeing unanimously for us to get a better deal if we did leave – I just don't think some of these countries will see any major benefit to them of giving the UK a better deal.

**But other countries like Norway and Switzerland, which are not part of the EU, have free access to the Single Market of 500 million people – why can't we negotiate a deal like them?**

*Norway*

Norway pays into the EU budget, has to comply with most EU legislation but has no say over making EU rules.

Norway does have free access to the EU Single Market but in return has to accept free movement of people. As a result it takes twice as many migrants from within the EU, per head of the population, as the UK does.

*Switzerland*

Switzerland also pays into the EU budget. It has over 9 years painstakingly negotiated over 100 individual bilateral agreements with the EU, covering market access in different sectors.

But Switzerland has only partial access to the Single Market with, critically, limited access to trade in services – this would be a non-starter for the UK since 80% of our economy is services based.

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Like Norway, Switzerland is part of the Schengen Area and per head of the population, accepts three times as many migrants from within the EU as the UK.

**Could we not instead negotiate a deal like Canada?**

Canada has, so far, taken 7 years to negotiate a trade deal with the EU which has still not been implemented. This deal does not include full access to the Single Market and, most significantly for the UK, hardly any access to the services sector.

Interestingly, former Canadian trade minister Pierre Pettigrew has stated: “it is fatuous to think there is a real comparison between Canada’s relationship with the EU and the UK’s with the bloc. Indeed, were Canada to trade with the EU as we do with the US we would want a much deeper relationship.”

**But surely we could go it alone without any kind of trade deal with the EU?**

In the event that the UK failed or chose not to negotiate a new trade deal, the UK-EU relationship would revert to trade rules agreed by the World Trade Organisation (WTO). The EU places tariffs on goods being imported from outside the EU, except in circumstances where a trade deal has been negotiated.

In principle, WTO rules would prevent discriminatory or punitive tariffs being levied by either the EU on the UK, or vice versa. However, this scenario would still represent a significantly worse deal than the relationship we currently enjoy. For example, the tariffs on cars is 10%, clothes 11%, dairy 36% and beef 70%.

Given the fact that almost half our exports go to the EU, this would hit many UK industries, increase prices for consumers and make the UK economy much less competitive.

**Why would foreign companies stop investing in the UK if we leave the EU?**

Over the last decade foreign companies have invested £540 billion in the UK – about half of that from within the EU and the other half from outside the EU, including from countries like India. One of the UK’s biggest manufacturing employers is Indian-owned Jaguar Land Rover.

One of the key reasons this inward investment, equivalent to around £1 billion a week, comes into the UK is because we are seen as a gateway into the Single Market of 500 million people. If we left the EU we would not have the same access rights. Foreign companies, which currently have operations in the UK, have told me that they have put decisions on future investment into the UK on hold until after 23<sup>rd</sup> June.

I am seriously concerned that if we vote to leave the EU, investment and new jobs destined for the UK will go elsewhere in Europe.

**I am fed up with listening to ‘experts’ telling us the UK economy will be worse off if we leave the EU. Do they really know any better?**

My simple starting point is that if I want detailed information about my mortgage, or pension or fixing my car, I go to an expert in this area.

Everyone has to make their own judgement, but when a whole range of independent economic organisations like the Bank of England, the International Monetary Fund, the Institute for Fiscal Studies and the National Institute of Economic and Social Research (NIESR) are telling us that we face a potential economic downturn as a result of leaving the EU, I think we should listen.

I reproduce a passage from the Institute for Fiscal Studies website ([www.ifs.org.uk/publications/8297](http://www.ifs.org.uk/publications/8297)) which is informative:

*'Leaving the EU could directly free up about £8 billion a year, which is the UK's likely net contribution to the EU budget over the next few years. This would help the public finances. But the overall public finance impact would depend on the economic effects of the UK leaving the EU. A fall in national income of 0.6%, relative to what it otherwise would have been, would be enough to offset this direct effect.'*

*'There is near consensus that leaving the EU would have a greater negative effect on the UK's economy than that. The National Institute of Economic and Social Research, whose comprehensive analysis has produced estimates that are in the middle of the available range, suggests GDP in 2019 could be between 2.1% and 3.5% lower as a result of a Brexit. A hit to GDP of this magnitude would imply a hit to the public finances, after taking account of the reduced EU contribution, of between £20 billion and £40 billion in 2019–20.'*

So, the near consensus view is that our economy would be worse off as a result of leaving the EU.

Organisations like the London School of Economics Centre for Economic Performance, the OECD, PWC and the NIESR all estimate that every household will be thousands of pounds worse off if we vote to leave.

The Trade Union Congress's (TUC) research shows that the typical worker would be £38 per week worse off if we leave the EU and the Automobile Association (AA) suggests that the price of a litre of fuel could rise by 19 pence.

Of course, these are all predictions and all these experts could prove to be entirely wrong.

### **What do you think would happen immediately after we voted to leave the EU?**

We have already seen big drops in the stock market and the value of the pound on fears of a UK exit from the EU. A loss in value in the stock market is not 'funny money' – this represents a real reduction in the value of people's pension funds invested in shares.

A drop in the value of the pound makes imports more expensive and leads to higher prices in shops.

The one thing many in both the Remain and Leave camps agree on is that, if we voted to leave the EU, there would be a period, several years, of economic uncertainty.

I would like you to use your own experience from the recent economic downturn of 2008 to imagine what that would mean. A loss of business confidence, investment drying up, wages being frozen, individuals spending less because of concerns about their employment prospects and a resultant negative spiral leading to a recession.

It took some years to pull ourselves out of the last recession – I have no wish to see a repeat of that for our country or for my constituents.

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**I am very concerned about immigration and the impact on public services and housing. What is being done to restrict migration from the EU?**

The reality is that many of us in Britain have an immigrant background – whether our families moved to the UK 15 years ago or 150 years ago. My own family moved to the UK in the 1970s and I am very much of immigrant stock.

I believe that as a country we have over the years derived, economically and socially, a net benefit from immigration and diversity is part of the strength of our nation and our town.

EU migrants coming to the UK since 2001 have paid £20 billion more in taxes than they have taken out in benefits - a net positive contribution to the UK's public finances.

But I absolutely understand the concerns about the pace of recent migration and concerns about the impact on public services. I also get the concerns that migrants should not be able to claim benefits from day one in the UK and should put something into the system before seeking to take something out.

Around 40 per cent of EU migrants who have recently arrived in the UK are in households supported by our benefits system. The average claim for a recently arrived family is £6,000 a year in tax credits. Common sense tells us that reducing welfare incentives to migrants will reduce the pull factors bringing some migrants to the UK in the first place.

And to remove these pull factors David Cameron has secured an agreement with the EU which states that, if we vote to remain in the EU, the UK will be able to pull an emergency brake, which means that EU migrants will have to wait four years until they have full access to our benefits.

The government has already delivered on two other key commitments. First, EU migrants can be required to leave the UK after six months if they have not found work and have no genuine prospect of finding a job. Second, EU migrants have been stopped from claiming Universal Credit while looking for work.

When it comes to use of the NHS it is worth bearing in mind that we make most use of the service when we are youngsters and then as we retire and get older. Most EU migrants are of working age, in their 20s, 30s and 40s and with over 100,000 EU nationals working in the UK's health and social care system we are more likely to be treated by an EU national than be in the queue behind one.

There are well over 1 million Brits living in the EU, many of them retired. If, as part of any renegotiation with the EU on our exit terms, they were required to return to the UK that would have a big impact on the NHS.

On housing I fully accept we need to build more sustainable homes. Since 2010 nearly 800,000 new homes have been delivered, including 270,000 affordable homes. In the next five years the government wants to see a further 1 million homes built, many of them starter and affordable homes, with building also on brownfield sites and surplus public sector land.

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However, the suggestion by some that EU migrants are able to come into a local area and get priority access to council and social housing is not correct. Local councils determine the priority for housing. In Reading Borough, one of the primary considerations for being considered for social housing requires an individual to have lived within the Borough continuously for three years. In areas like Hillingdon, an individual needs to demonstrate 10 years residency in the local area.

**Would an Australian-based points system be fairer, as the Leave Campaign has said, and help to bring down immigration?**

Under the Australian immigration points system, Australia has twice the level of immigration per head as the UK does - so it would potentially lead to higher levels of immigration.

The majority of migration into the UK is from outside the EU where we already operate a points-based system. We can control fully non-EU migration and people only enter our country based on our economic needs.

It is worth noting that over a quarter of those coming into the UK in 2015 were foreign students. These students make a financial contribution to our country – they pay significantly higher fees to our universities than domestic students. And they spend their own money on maintaining themselves during their studies in the UK.

In my view, one of the answers to stemming the rate of immigration is to train British youngsters to do jobs which are currently being carried out by others. The government is investing in education and training and in the last Parliament we helped create 2 million apprenticeships. In this Parliament we are on target to help create 3 million high quality apprenticeship training places.

**The Leave Campaign has said that Turkey will be joining the EU soon and we cannot stop this happening. Is that true?**

In order to even be considered for joining the EU, Turkey needs in the first instance to fulfil 35 detailed conditions. Since 1987, almost 30 years ago, Turkey has completed only one condition. At this rate it will be the year 3000 before Turkey has fulfilled all 35 conditions.

Even if Turkey fulfils all 35 conditions every member of the EU, including the UK, will have a veto on whether Turkey joins or not.

I think it is highly misleading to give the impression that Turkey is about to join the EU.

**Aren't most of our laws made by the EU – have we not sacrificed our national sovereignty?**

According to the House of Commons Library, which is about as independent as one can get, only 13% of our laws are related to legislation from the EU.

Therefore almost 90% of all the laws we live by are made in the UK Parliament, which is sovereign. On key matters like how much personal and corporate tax we pay, how much we spend on schools and hospitals and defence, the decisions are made in Westminster.

The European Union Act 2011, for which I voted, makes sure that powers cannot be transferred away from Westminster in future without being subject to a referendum.

David Cameron's renegotiation also means that the 28 member state governments in the EU have agreed to introduce a new 'red card' system to block unwanted new EU legislation.

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British tax payers will never be liable for the Eurozone bailouts and British businesses cannot be discriminated against in the Single Market because Britain is not a member of the Eurozone.

My view is that we pool our country's sovereignty when it is in our national interest – we do so through organisations like NATO and no one is suggesting we leave NATO. Arguably the most sovereign nation on earth is North Korea – not a happy model to want to follow.

**Do we really control our borders?**

The UK has an opt-out from the EU's passport-free zone, the Schengen Zone. So we are able to check anyone who comes into our country.

Since 2010 we have refused entry to over 100,000 people including 7,000 EU nationals – almost 25,000 have been stopped at Calais. Our current agreement with France means that our main border with continental Europe effectively operates at Calais, not Dover.

French politicians have made clear their view that this arrangement would not continue if we left the EU. So a vote to leave the EU would make our borders less secure in this respect.

**Does being part of the EU make us safer?**

Britain works with its EU partners, sharing information and combating terrorism and cross-border crime. Through the European Arrest Warrant we have been able to remove over 7,000 criminals from the UK and brought back over 1,000 to face justice in our country.

Access to the European Criminal Records Information System allows us to quickly and effectively share information on dangerous criminals with our EU neighbours.

I agree that even if we left the EU, logically, some co-operation on security matters would continue. But the reality is that we share most information on such matters with countries we are closest to. If we left the EU it is inevitable that we would not have the same level of access to such information.

**Conclusion**

This is, I know, a very long letter. But I believe the decision we take on 23<sup>rd</sup> June merits that I explain fully why I will be voting for the UK to remain a member of the European Union.

I believe as a country we will be stronger, safer and better off remaining in the EU. Most importantly for me, our economy will remain strong.

Ultimately, however, it is up to every single voter to make up his or her own mind. Whatever the outcome of this vote, as your MP, I will respect the will of the British people.

Yours sincerely,



**Alok Sharma MP**