

A 'remain' vote:
the dangerous choice
for prosperity, security,
and democracy



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Executive Summary

A vote to stay is not a vote for the status quo. It is a vote to lock Britain permanently in a broken system with 'free movement', a dysfunctional euro, and a permanent voting majority for the Eurozone.

The Eurozone has severe economic problems and is falling behind Asia and America.

- It has high unemployment, high debts, and low growth.
- It has a rapidly ageing population and large unfunded public sector pension liabilities.
- It has failed to develop the vital networks between world-class universities (of which it has none in the top 20), entrepreneurs, and venture capital, so it is failing to lead in new fields such as machine intelligence, biological engineering and advanced manufacturing.
- Its institutions are broken and cannot cope with the euro's crisis.

The Eurozone crisis means that **we will be paying the bills for the Eurozone's failure.**

- We will pay the bills for a higher EU budget. The EU budget is designed to demand more and more money from successful economies. The UK will be penalised for its relative success.
- Under EU law, we will be liable for Eurozone bailouts (Article 122(2) of TFEU).
- The EU also has spending commitments that amount to €217 billion, of which the UK can expect to provide €27 billion. The EU's unpaid obligations threaten the UK with an extra £2.4 billion bill after the referendum.
- Nothing in David Cameron's deal protects us from this triple whammy for UK taxpayers.

If we stay **we will give away control of immigration permanently.**

- David Cameron's deal does nothing to stop free movement. EU inward migration is already at a record high of 270,000. It will grow and we won't be able to control it.
- David Cameron has promised to reduce immigration to the 'tens of thousands' but he knows that this is impossible under EU law. This is corrosive of public trust in democratic politics.
- The EU is already opening up visa-free travel to the borders of Syria and Iraq. This is dangerous for our economy, public services, and security.
- The EU recently announced an 'acceleration' of the accession process for Turkey.
- UK taxpayers are already paying five new countries, including Albania and Turkey, nearly £2 billion to speed up their accession.
- David Cameron says he is 'angry' at the delays to Turkey joining and that he wants to 'pave the road' from Ankara. It is official UK Government policy for Turkey to join as soon as possible. It is also official UK Government policy *not* to have a referendum on accession.
- When these countries join, we can expect over 5 million extra people to settle in the UK.
- The Bank of England has calculated that a 10% increase in migration results in a 2% decline in wages for the lowest paid.
- Nothing in David Cameron's deal protects us from these dangers. He promised that EU migrants would need to have a job offer but he did not ask for this change to the Treaties. The living wage policy combined with free movement will make these problems even worse.

The EU's official plan is not to change direction, it is to take even more powers from Britain.

- The Eurozone already has a permanent voting majority in the EU system.

- The official plan - the Five Presidents' Report - is to use the 'Single Market' system to transfer more powers to Brussels.
- The next phase of the plan is another Treaty and another transfer of powers including over taxes.
- It also plans to remove the UK's representation in international bodies, reducing our influence. This is already happening.
- Nothing in David Cameron's deal protects us from these dangers. In fact, *his deal made things worse* by surrendering our veto over further transfers of power to the EU.

The EU and rogue European Court are dangerous for our security.

- The Commission and the rogue European Court have already taken control of many aspects of UK border policy e.g. the European Court has ruled that the UK cannot require persons purporting to be EU citizens to have a document issued by the British Government, despite widespread cheating of identification papers.
- The Charter of Fundamental Rights gives the Court the power to take control of almost anything it wants. It has already asserted control of our intelligence services. It has already stopped us deporting dangerous people. The ECJ now has ultimate control of UK asylum policy since the crucial 1951 UN Convention on asylum was incorporated in the Charter, so the ECJ is in charge of interpreting whether UK law is consistent with it.
- EU rules have already made it easy for murderers and terrorists to access the UK and stopped us deporting criminals, making us less safe.
- If we remain, the EU plans a European army (cf. [this video](#)).
- Nothing in David Cameron's deal protects us from these dangers. There are no mechanisms to stop us losing power and money remorselessly month after month to the Commission and the rogue European Court.

In a speech on 9 May 2016, Boris Johnson set out the five key questions that the 'IN' campaign need to answer about the risks associated with a 'remain' vote.

- 1) How can you possibly control EU migration into this country?
- 2) The living wage is an excellent policy, but how will you stop it being a big pull factor for uncontrolled EU migration, given that it is far higher than minimum wages in other EU countries?
- 3) How will you prevent the European Court of Justice from interfering further in immigration, asylum, human rights, and all kinds of matters which have nothing to do with the so-called 'single market'?
- 4) Why did you give up the UK veto on further moves towards a fiscal and political union?
- 5) How can you stop us from being dragged in, and from being made to pay?

None of these questions have been answered by the 'IN' campaign or by the Prime Minister and Chancellor. This paper sets out how remaining in the EU is the riskier option:

- 1) The Eurozone is broken.
- 2) The EU will demand more of our money.
- 3) Migration will continue out of control and without democratic legitimacy.
- 4) The EU is already planning to take more power away from Britain.

It is safer to Vote Leave and take back control on 23 June.

The Eurozone is broken

Summary

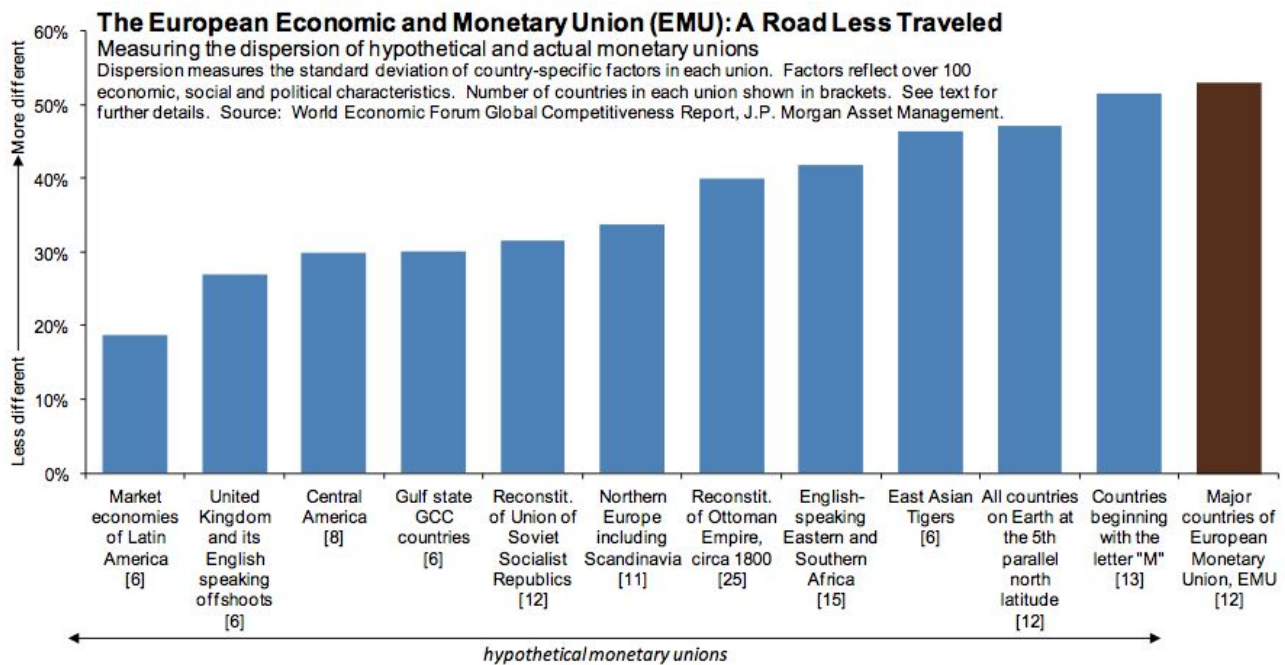
- The euro was built by Delors, Kohl, and Mitterand in the knowledge that its foundations were weak. They believed that this weakness would spark the next stage: the leap to 'political union'.
- The structural flaws in the euro have proved to be economically and politically disastrous. It has spread unemployment and misery. It has encouraged the alarming spread of extremism across Europe.
- The Eurozone is blighted by low growth and high and rising debts and taxes.
- Unemployment and youth unemployment are high - at their worst level since the 1930s. In some parts of southern Europe youth unemployment is over 50%.
- The Eurozone also suffers from the costs of a rapidly ageing population and large unfunded pension liabilities.
- The Eurozone countries are trapped in a low-growth system in which debts are rising remorselessly. This adds to pressures on taxpayers and creates a vicious circle.
- There will be further bailouts and/or debt relief. If we stay in the EU, where the Eurozone has a permanent voting majority, Britain will be paying the bills for these failures.

For the first ten years of its life, the single currency failed to promote growth. Six years ago, it plunged into crisis. There is no sign that the EU can solve its profound problems - or even admit them.

The former Governor of the Bank of England, Lord King of Lothbury, has warned that the Eurozone 'might explode' (*Daily Telegraph*, February 2016, [link](#)). The current Governor of the Bank of England, Dr Mark Carney, has said 'we do think that there are risks of remaining in the European Union', and that these manifested themselves 'in particular, in relation to the development of the euro area' (Evidence to Treasury Committee, 8 March 2016, [link](#)).

The Eurozone was built on flawed foundations

The Eurozone crisis stems from its construction. The countries that now form the Eurozone did not, and still do not, form an 'optimal currency area'. This is an area which complies with the economic criteria set out by Mundell in 1961 and which indicate whether or not a single currency can function. In a recent analysis, JPMorgan found that even the *major* Eurozone member states make a less optimal area than 'countries beginning the letter "M"'.



Source: JPMorgan

It is now widely agreed that the Commission failed to create the conditions that were needed for a working single currency by the end of the 1990s. Many said this at the time. Milton Friedman, observed in 1997 that ‘as of today, a subgroup of the European Union - perhaps Germany, the Benelux countries, and Austria - come closer to satisfying the conditions favorable to a common currency than does the EU as a whole’ (*Australian Financial Review*, 7 July 2015, [link](#)).

The EU also took the decision to admit countries whose economies faced dire problems - in particular Greece. Inflation and fiscal deficits were well above the EU average, while the Greek economy grew more slowly than the rest of the EU. It was a country with an economy that was wholly unsuited to the currency union.

Initially, the EU recognised these problems. On 3 May 1998, the Council of Ministers decided that Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Austria and Finland fulfilled the necessary conditions for the adoption of the single currency, but concluded that ‘Greece and Sweden do not at this stage fulfil the necessary conditions for the adoption of the single currency’ (European Commission, 2 May 1998, [link](#)). It noted a number of problems with Greece’s economic situation, including:

- ‘the average inflation rate in Greece in the year ending in January 1998 stood at 5.2%, which is above the reference value’
- ‘in the year ending in January 1998, the long-term interest rate in Greece was, on average, 9.8%, which is above the reference value’
- ‘Greece does not fulfil any of the convergence criteria mentioned in the four indents of Article 109j(1)’

However, on 9 March 2000, less than two years later, Greece formally submitted a request for the preparation of new reports to assess its suitability for euro membership. On 3 May 2000, the European Commission put forward a proposal stating that Greece was ready to join the single currency. The report claimed that ‘the Commission... concludes that a high degree of sustainable convergence has been achieved in Greece. On the basis of its report and that of the [European

Central Bank], the Commission has adopted the... proposal for a Council decision to abrogate the derogation of Greece with effect from 1 January 2001' (European Commission, 3 May 2000, [link](#)).

In June 2000, the European Council, on the basis of the Commission's proposal, announced that Greece was ready to join EMU, stating: 'the European Council congratulates Greece on the convergence achieved over recent years, based on sound economic and financial policies, and welcomes the decision that Greece will join the euro area on 1 January 2001, which constitutes an additional positive step in the monetary integration of the Union' (European Parliament, June 2000, [link](#)).

Unsurprisingly, problems soon emerged. In March 2002, Eurostat refused to validate data transmitted by the Greek government and did so again in September 2002. In March 2004, Eurostat refused yet again to validate the Greek numbers. Under pressure, the Greek Government announced that it would start an objective financial audit of government accounts. In November 2004, Eurostat reported that Greece's deficit in 1997 was actually 6.6% of its GDP, not 4% as was reported earlier. It also revised upwards Greece's deficit figures for 1998 and 1999. Following this, the Greek Government finally admitted that it had entered the euro on the basis of figures that showed the budget deficit was much lower than it really was (*BBC News*, November 2004, [link](#)). The European Central Bank Chief Economist, Otmar Issing, would later say that Greece 'cheated' to enter the euro (*Bloomberg*, May 2011, [link](#)).

It is now known that *Goldman Sachs* played a major role in helping the Greek Government to mask its deficit, by providing, along with other firms, financial products by which the Greek government could extend part of its current liabilities into the future (*Spiegel*, February 2010, [link](#)). One of the most notable products was the 'cross-currency swap', in which government debt issued in dollars and yen was exchanged for euro debt for a certain period, to be exchanged back into the original currencies at a later date.

According to reports in the media, *Goldman Sachs* organised as many as 12 swaps for Greece from 1998, the year that Greece was refused admission into the euro, to 2001 when Greece joined the single currency (*Wall Street Journal*, February 2010, [link](#)). According to media reports, *Goldman Sachs* is said to have made as much as \$500 million from these 'swaps' (*Independent*, July 2015, [link](#)). *Goldman Sachs* is now funding the campaign to keep the UK in the EU (*BBC News*, 20 January 2016, [link](#)).

The limited rules were repeatedly breached

Greece was not alone in breaking the rules. The rules set out in the Maastricht Treaty were frequently broken by many Eurozone states. In 2003, France and Germany both overspent, with their budget deficits exceeding the 3% of GDP limit to which they were legally bound. In theory, the Council of Ministers could fine a member state or require capital deposits from them for breaching this requirement (TFEU, art. 126(11), [link](#)). The Commission proposed fines, but ECOFIN - the Council of EU Finance Ministers - voted down the proposal.

This undermined the entire Eurozone edifice. As the UK ambassador to the EU at the time, Sir John Grant, recalled: 'The credibility of the Commission and the readiness of the members states [sic] to accept the authority of the Commission as the independent enforcer of the Maastricht criteria was obviously gravely undermined' (*BBC News*, January 2012, [link](#)). Peter Doukas, the former Deputy Finance Minister for Greece, made a similar observation: 'The view was that, ok, if the big boys won't adhere and impose discipline on themselves, they're going to be more relaxed in enforcing the treaty [on us]' (*BBC News*, January 2012, [link](#)).

The accounts were then altered in other countries to mask excessive debts. Across Europe, accounting measures and securitization were deployed. Commentators soon noted that 'Europe's government bond markets are built on a lie' (Brown & Chambers, September 2005, [link](#)). It was a system that was an illusion - one that was dependent on constant economic growth, market confidence and, most importantly, cheap credit. The 2008 recession removed these conditions. The financial crisis led to credit drying up and - as a result - serious problems for many Eurozone countries.

In late 2009, the Greek Government announced the country's true level of indebtedness, with the new Prime Minister, George Papandreou, stating that the economy was in 'intensive care' with a budget deficit of 12.7% of GDP (more than double the previously published figure). Credit agencies were quick to cut Greece's rating (*Guardian*, 8 December 2009, [link](#)). There was suddenly a fear of large, undisclosed sovereign debts in other European countries, in particular Portugal, Italy, Ireland and Spain (which, along with Greece, became known as the PIIGS). Ironically, in December 2009, the European Commission released a note mocking US economists who claimed that the euro was a 'bad idea' (European Commission, December 2009, [link](#)). Just a few weeks later, the entire currency bloc was on the brink of collapse.

In the first weeks of 2010, things continued to get worse. By April it became clear that even 12.7% was too low an estimate and that the actual budget deficit was 13.6% of GDP. This was enough to force Moody's to cut its rating of Greek debt. Contagion hit and panic set in around the state of other EU member states' finances.

In May 2010, the EU established the European Financial Stabilisation Mechanism. This allowed the Commission to advance funds secured on the entire EU budget for the purposes of bailing out insolvent Eurozone states (Council Regulation 2010/407/EU, [link](#)). This fund was used to advance loans to Ireland and Portugal, totalling €46.8 billion between 2011 and 2014 (European Commission, September 2015, [link](#)). *The UK will remain liable for all of these loans in the event of a vote to remain, many of which will not mature for decades.*

In March 2011, the EU decided to create a new Eurozone-only fund for bailing out insolvent Eurozone member states, the European Stability Mechanism (ESM) (European Council Decision 2011/199/EU, [link](#)). This entered into force in June 2013 (European Council, 2016, [link](#)). The Commission accepts that it was intended to replace the EFSM (European Commission, 2015, [link](#)). However, the Commission and the Eurozone would later revive the EFSM to finance Greece in July 2015, in direct breach of earlier commitments not to use the EU-wide fund to bail out the single currency (Council implementing Decision 2015/1181/EU, [link](#)).

Risk of further crisis and collapse

According to *Financial Times* research, Greece still faces repayments of €17,214 million in 2016 (*Financial Times*, June 2016, [link](#)). There are serious doubts about whether Athens will be able to honour all its commitments. Another bailout is a distinct possibility.

There is no doubt that the single currency remains in crisis. New EU rules have merely passed greater powers over national budgets to the EU institutions rather than attempting to solve the underlying problems of the Eurozone. The EU severely restricted the autonomy of member states to make budgetary legislation, including passing Directives which require that: 'The annual budget legislation of the Member States shall reflect their country-specific numerical fiscal rules in force' (Directive 2011/85/EU, [link](#)).

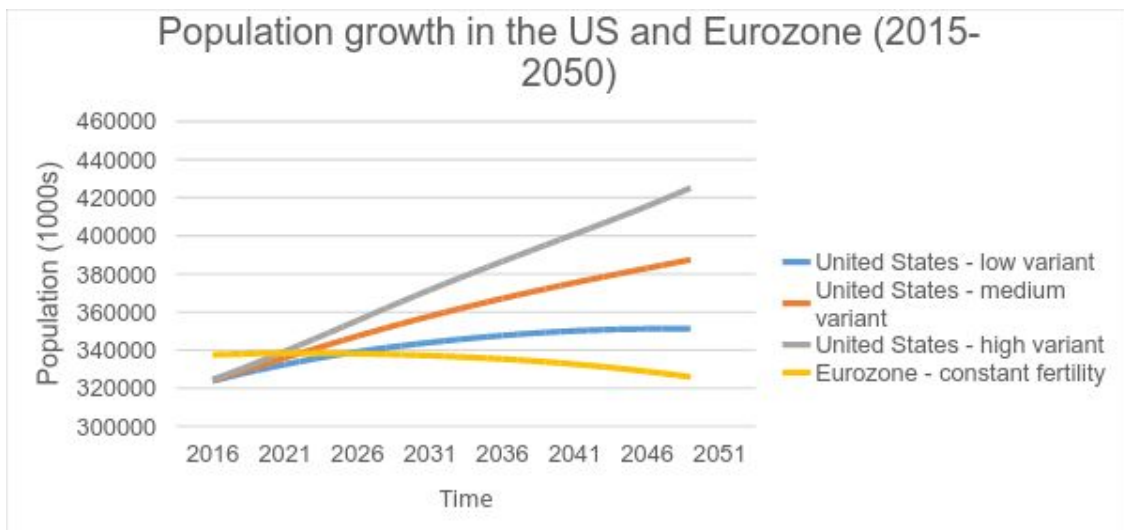
Credit Suisse recently warned that the Eurozone could collapse, stating that: 'The viability of the euro is contingent on the current recovery. If the euro area were to relapse back into recession, it is not

clear it would endure' (*Daily Telegraph*, 2 March 2016, [link](#)). There is no fiscal union: as a result the Eurozone remains susceptible to similar crises, as the think tank Bruegel has warned (Bruegel, March 2015, [link](#)). The Governor of the Bank of England, Mark Carney, has also made clear his doubts about whether the Eurozone will take the action necessary to prevent another crisis. On 8 March 2016, Carney told the Treasury Committee that he 'would put' the probability of a transfer union 'at less than 5' out of ten (Evidence to Treasury Select Committee, 8 March 2016, [link](#)).

There are even doubts whether a fiscal union will be enough to help see off the next financial crisis. Olivier Blanchard, the former chief economist at the International Monetary Fund has warned that '[Fiscal union] is not a panacea... it should be done, but we should not think once it is done, the euro will work perfectly, and things will be forever fine' (*Daily Telegraph*, October 2015, [link](#)). This is because any mechanism to transfer funds from strong to weak nations would only mask the fundamental competitiveness problems that will always plague struggling member states.

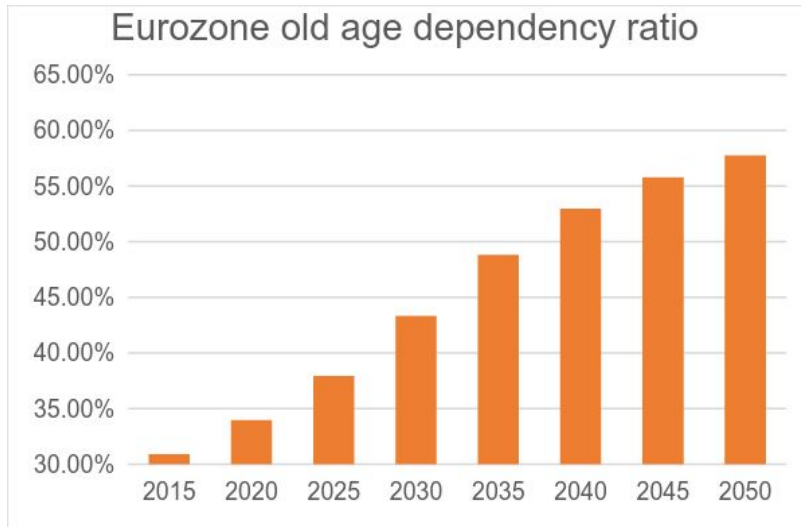
The Eurozone still faces serious demographic and fiscal challenges

The Eurozone is in chronic demographic decline. As the graph shows, the Eurozone's population (assuming constant fertility) is projected by the UN to be stagnant and falling over the next 35 years. By contrast, the population of the United States (whether high, medium or low forecasts are adopted) is set to grow considerably.



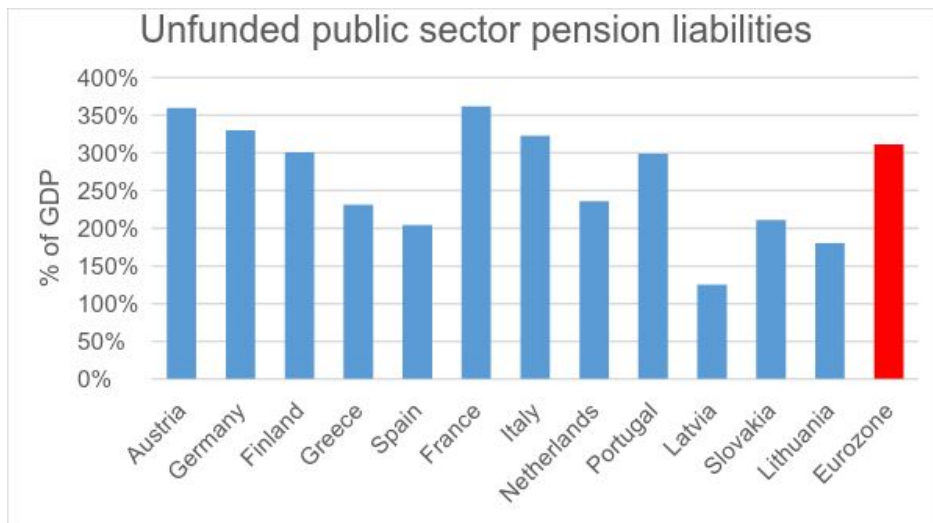
Source: UN Population Division, 2015, [link](#).

The Eurozone will also face a growing number of people aged over 65. The UN forecasts that the number of people over 65 will increase rapidly in the next thirty five years.



Source: UN Population Division, 2015, [link](#).

These demographic projections raise significant questions about the long-term economic competitiveness of Eurozone countries. Published academic estimates of unfunded public sector pension liabilities are already very large, averaging 311% for the Eurozone as a whole.



Source: Kaier & Müller, *Empirica*, 2015, [link](#).

This suggests that the burden of supporting the Eurozone's growing 65+ population will fall on the public purse, with either higher taxes or higher debt. According to OECD forecasts, public expenditure on pensions in 15 Eurozone countries is set to increase substantially in the next thirty five years.¹

The Eurozone will also face growing problems financing its public debt (OECD, 2015, [link](#)). Some claim that Eurozone countries will be able to maintain sustainable levels of public debt. For example, the European Commission expects no increase in public debts over the next ten years (European Commission, September 2014, [link](#)). These estimates are excessively optimistic.

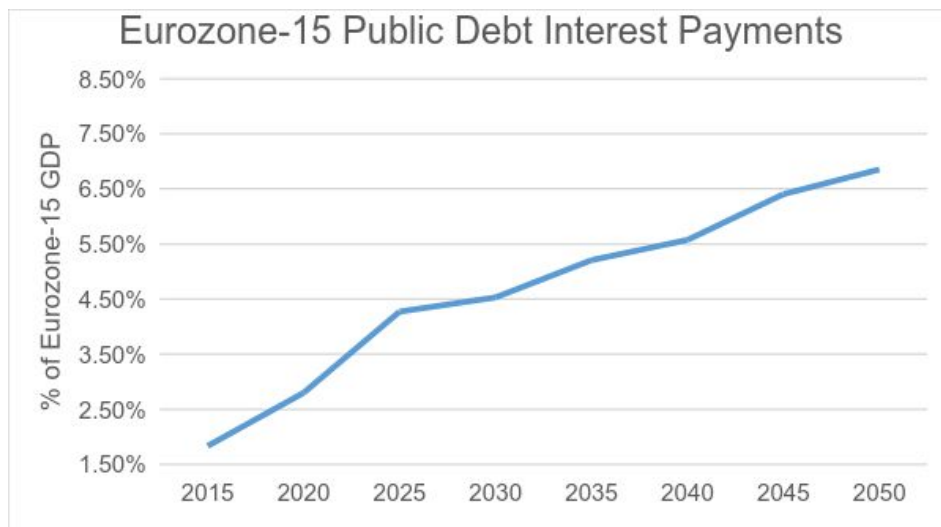
We reach different conclusions. We assume that ten year bond yields for Eurozone countries (which approximately represent the cost of financing public debt) will, by 2025, have returned to their 2005

¹ The OECD does not provide figures for Lithuania, Cyprus, Latvia or Malta. However, these are small economies in the context of the Eurozone as a whole and can be disregarded for the purposes of this indicative estimate.

levels and will remain at those levels until 2050 (ECB, 2016, [link](#)).² Current yields are low in historical terms (OECD, 2012, [link](#)).

We also assume that Eurozone countries will grow at levels forecast by the OECD, and will consistently achieve primary budget balances (OECD, 2014, [link](#)).³ The first 15 years of the Eurozone's history suggest that the latter is a reasonable assumption. For example, in 2003, the Eurozone ran a primary surplus of 0.1% of GDP, while it ran primary deficits from 2009 to 2013 (ECB, 2016, [link](#)). The primary budget balance is defined by both the European Central Bank and the OECD as 'government net borrowing or net lending excluding interest payments on consolidated government liabilities' (OECD, 13 July 2005, [link](#)).

On these assumptions, the cost of servicing the public debts of Eurozone countries will rise substantially, as the chart below shows.



Source: OECD, ECB (see above)

The chart (which provides an indicative estimate rather than a forecast) suggests that the cost of debt interest payments will rise from 1.8% of GDP to 6.9% of GDP over the next thirty-five years.

The calculations suggest that the cost of public pensions and debt interest will rise from 13.9% of GDP in 2015 to 21.0% of GDP per year in 2050. This means the Eurozone will have to raise an additional 7.1% of GDP to meet these costs. In 2014 prices, this amounts to an additional €726 billion per year (Eurostat, 2016, [link](#)). To put this figure into perspective, it is more than five times the size of the current EU budget, and over two and a half times the total amount of taxes raised by the Federal Government of Germany in 2014 (European Commission, 2014, [link](#)). While these figures are indicative only, they do suggest that the Eurozone will be obliged to raise taxes very substantially indeed, or resort to additional borrowing.

The Eurozone is in serious trouble. While we remain a member of the EU, we are at risk of paying the bills for this failure and we face the further costs of millions of people leaving this broken system for a better life.

² The ECB does not provide figures for Estonia, so an average of Eurozone countries is used for that country. 2005 figures are for January.

³ The OECD does not provide figures for Lithuania, Cyprus, Latvia or Malta. However, these are small economies in the context of the Eurozone as a whole and can be disregarded for the purposes of this indicative estimate.

The EU will demand more of our money

Summary

- The Eurozone's problems mean there will be more bailouts soon.
- If we vote to stay in the EU, the UK will be liable for these bailouts. Article 122(2) of TFEU gives the Commission and ECJ the power to force us to pay.
- The Government has already admitted that we cannot rely on our 'safeguards' from EU bailouts. Cameron's deal did not solve this problem.
- On top of this, the EU budget is designed to demand more and more money from successful economies. This means that, as the UK economy outpaces the other EU economies, we will end up paying more and more.
- The EU's outstanding commitments amount to €217 billion - of which the UK can expect to account for €27.3 billion. The EU also has billions in unpaid bills - threatening the UK with a £2.4bn bill after the referendum if we remain.

If we vote to stay in the EU, it is highly likely that the Eurozone will use its powers under the unamended EU Treaties to force non-Eurozone states, including the UK, to pay frequent ad hoc bailouts to support the single currency. We cannot rely on the EU's promises that we will not be liable. They have broken their promises to us before and they will likely break them again.

The UK will be liable for future EU bailouts

In March 2011, the Government secured a political commitment in the recital to a Decision of the European Council that the European Financial Stabilisation Mechanism (EFSM) 'should not be used for such purposes' [supporting the Eurozone] (European Council Decision 2011/199/EU, recital (4), [link](#)). This 'victory' was described by the Government as a major success. In his January 2013 Bloomberg Speech, which launched the renegotiation, David Cameron said 'look too at what we have achieved already. Ending Britain's obligation to bail-out Eurozone members' (Bloomberg speech, 23 January 2013, [link](#)).

This promise was quickly broken. On 17 July 2015, contrary to the 2011 agreement, the Commission decided to use the EFSM to grant €7.16 billion in bridging finance to Greece (Council Implementing Decision 2015/1181/EU, art. 1, [link](#)). George Osborne later accepted that the Commission had acted 'in flagrant breach of the agreement we'd all signed up to' (BDI speech, 3 November 2015, [link](#)).

Despite acknowledging that the EU had acted 'in flagrant breach' of the deal, David Cameron claimed that, as a result of the renegotiation, 'we have ensured that British taxpayers will never be made to bail out countries in the Eurozone' (Statement following European Council, 19 February 2016, [link](#)). This claim is as credible as his previous claim in 2013. *Britain can still be forced to bail out other EU countries*.

The fact is that Article 122(2) of TFEU still allows the Council of Ministers by qualified majority to 'grant... Union financial assistance' as part of ad hoc bailouts of the Eurozone (TFEU, art. 122(2), [link](#)). In September 2015, the EU's General Court confirmed that this provision 'enables the Union to grant ad hoc financial assistance to a Member State' (*Anagnostakis v Commission* Case T-450/12, para [48], [link](#)). Until this Treaty provision is changed, the UK will be liable to bail out the Eurozone.

Since the Treaties remain unamended, the Eurozone's power to force the UK to contribute to bailouts remains. In addition, the UK is legally obliged to pay any sum to the Eurozone, no matter how large. The European Communities Act 1972 provides that: 'there shall be charged on and issued out of the

Consolidated Fund... the amounts required to meet any EU obligation to make payments to the EU or a member State' (European Communities Act 1972, s. 2(3), [link](#)). This Act remains in force unamended following the renegotiation.

As a result, there is an ever growing danger that the Eurozone will again demand money from the UK to bail out its failing economies, meaning higher taxes for British families or further cuts to public services.

The EU penalises economic success

The existing budgetary framework will also ensure an ever growing transfer of resources from the UK to the Eurozone. As the UK outperforms the Eurozone in the years ahead, it will be penalised for its economic success. This is because one of the EU's 'own resources' is levied on the gross national income (GNI) 'of each member state' (Council Decision 2014/335/EU, art. 2, [link](#)). This means that if the UK grows faster than the Eurozone, the UK will pay an ever growing share into the EU budget.

In addition, the European Commission retains the power retrospectively to 'surcharge' the UK for economic success. This applies to revisions to GNI going back up to four years or further (Council Regulation 2014/609/EU, art. 10(7), [link](#); Council Regulation 2003/1287/EC, [link](#)). This has happened before. On 17 October 2014, the European Commission informed HM Treasury that the UK would have to make an additional contribution to the EU Budget of approximately €2.1 billion (£1.7 billion), reduced to £850 million after the UK's rebate-grant was negotiated to apply (European Commission, 2014, [link](#)).

The EU plans to significantly increase the bill facing the UK after we Vote Leave

It also looks increasingly likely that the EU will demand even more from the UK if we decide to remain in the EU. The Multiannual Financial Framework (MFF) sets upper limits on the EU budget for seven years and was agreed for the period 2014-2020. This sets expenditure limits which the EU institutions are required to observe (Regulation 2013/1311/EU, [link](#)). The MFF is to be reopened after the referendum. EU law states that:

'By the end of 2016 at the latest, the Commission shall present a review of the functioning of the MFF taking full account of the economic situation at that time as well as the latest macroeconomic projections. This compulsory review shall, as appropriate, be accompanied by a legislative proposal for the revision of this Regulation' (Regulation 2013/1311/EU, [link](#), art. 2).

This will give the EU the opportunity to increase the size of the MFF, and therefore the annual bill that the UK is required to pay. It has been reported that the launch of the MFF review has been delayed until after the referendum on 23 June (*EurActiv*, 12 January 2016, [link](#)). This suggests a large increase is being planned in the event of a vote to stay in the EU. The European Commission is required to produce a review of the MFF 'by the end of 2016 at the latest', accompanied by new legislation (Council Regulation 1311/2013, art. 2, [link](#)).

The amount that the budget will go up by after the referendum is likely to be substantial. EU officials have told journalists that the midterm review has been put on hold in order to avoid giving ammunition to the Vote Leave campaign (*EurActiv*, 12 January 2016, [link](#)). The European Commission's Roadmap for the Mid-Term Review admits that the review will have to 'pay particular attention to the sufficiency of payment ceilings' and may require 'the revision of specific ceilings' in the MFF (European Commission, December 2015, [link](#)).

This bill will likely run into the billions. The European Parliament’s co-rapporteurs have recently noted that the ‘backlog of unpaid bills’ has soared in recent years, and ‘reached an unprecedented peak’ of €24.7 billion. It also warns of a ‘hidden backlog’ not identified in these figures. This is clear evidence that the EU is living beyond its means, with the European Parliament demanding that the MFF ceilings be adjusted to pay off the backlog (European Parliament, 11 April 2016, [link](#)).

The growing size of the EU’s unpaid bills					
Year	2010	2011	2012	2013	2014
Unpaid bills (€bn)	5	11	16	23.4	24.7

Source: European Parliament, 11 April 2016, [link](#).

The UK accounts for 12.57% of the EU budget (HM Treasury, December 2015, [link](#)). *As a result, we will face an effective €3 billion bill (£2.4 billion) for these repayments.*

It is also worth noting that the EU has a large number of outstanding commitments to pay money which it has not yet done. As of 31 December 2015 that amount is €217 billion. Using the same methodology set out above, the UK can expect to account for €27.3 billion of these outstanding commitments (European Commission, 2015, [link](#)).

The European Parliament has also indicated that it wants to introduce the following measures which will push up the MFF:

- €700 million for the emergency support mechanism, linked to the migrant crisis.
- €2 billion more per year for the EU’s ‘Flexibility Instrument’.
- €1 billion more per year for the Emergency Aid Reserve.

These are the authoritative demands of the European Parliament’s co-rapporteurs for the midterm review. The co-rapporteurs represent the two dominant blocs in the Parliament and the Commission, the EPP and the Socialists (European Parliament, 11 April 2016, [link](#)).

The European Parliament’s Committee on Budgets is also lobbying hard for more spending. It cites the migration crisis as a driver of increased spending, and quotes Jean-Claude Juncker’s statement that ‘extraordinary measures require extraordinary funding’. It also points to various expensive projects, such as a ‘European Fund for Strategic Investments’ and a scheme to mitigate the unemployment caused by the euro (European Parliament, 30 November 2015, [link](#)).

The European Parliament is determined to get this extra money

The European Parliament has made clear that it considers this an urgent priority. A briefing note for the European Parliament states that ‘implementation of the 2014-2020 MFF has already proven to be challenging, even in its first two years... This raises questions about the functioning of the MFF through to 2020, and, in particular, about the adequacy of the agreed spending ceilings... the budgetary authority has already had to resort to almost all the special, “last-resort”, levers and flexibility instruments provided for in the MFF Regulation’ (European Parliament, January 2016, [link](#)). The largest party in the European Parliament, the European People’s Party, also supports increases in the budget. It notes that:

'new crises and priorities have emerged that require a substantial amount of additional funding from the EU budget... the current MFF has already been pushed to its limits, with an unprecedented recourse to special instruments for flexibility over the past two years... The EPP Group demands a comprehensive, wide-ranging review of the functioning of the MFF that subsequently leads to a compulsory legislative revision of the MFF Regulation... [the EPP] is convinced that now is the time for more Europe, which should be confirmed during the upcoming MFF revision' (European People's Party, 14 February 2016, [link](#)).

Since the European Parliament has a veto on amendments to the seven year budget, it is highly likely that any new MFF will be much higher than at present (TFEU, art. 312, [link](#)). This is in spite of the fact that the European Parliament has admitted that EU spending is already out of control: 'almost all the special levers and flexibility instruments' of the MFF have been deployed to fit it within the legal limits. The Parliament therefore questions 'the adequacy of the agreed spending ceilings' in the MFF (European Parliament, January 2016, [link](#)).

The EU wants to introduce European Taxpayer identification numbers

The EU is laying the groundwork for new, centrally planned National Insurance-style numbers for every taxpayer in Europe. The proposal has been passed by the Economic and Monetary Affairs Committee, and calls for a 'European Taxpayer Identification Number' to keep track of every EU citizen:

'Proper identification of taxpayers is essential to effective exchange of information between tax administrations. The creation of European Taxpayer Identification Number (EU TIN) would provide the best means for this identification. It would allow any third party to quickly, easily and correctly identify and record TINs in cross-border relations and serve as a basis for effective automatic exchange of information between member states tax administrations' (European Parliament, May 2016, [link](#)).

There are suggestions that this is the first step towards setting a common European tax.

There will be more inward migration

Summary

- **A vote to remain in the EU means that we have to accept free movement. That means that EU migrants will continue to be attracted to the UK, where wages are much higher.**
- **Net inward migration from the EU is at a record high of 270,000. The EU has sped up the accession process for Turkey and has obliged the UK to pay the A5 countries nearly £2 billion to help them join the EU. When this happens, we can expect as many as 5 million more people from the EU to migrate to the UK over the next 15 years.**
- **A vote to remain means that the European Court will continue to have ultimate authority over our border policy. EU rules have already made it easy for murderers and terrorists to access the UK, making us less safe.**
- **EU migration has pushed down wages for the lowest paid. The Bank of England has calculated that a 10% increase in migration results in a 2% decline in wages for the lowest paid. These problems will get worse with time.**
- **EU migrants retain the right to come to the UK *without* a job offer. They will be able to stay for longer than six months, despite the promises of the Prime Minister.**

If we vote to remain, we are voting for the European Court to have control over our borders permanently. The free movement of persons is one of the four freedoms of the 'single market'. The EU's Treaties (which were unaltered during the renegotiation) provide that:

1. 'Citizens of the Union shall enjoy... the right to move and reside freely within the territory of the Member States' (TFEU, art. 20(2)(a), [link](#)).
2. 'Every citizen of the Union shall have the right to move and reside freely within the territory of the Member States' (TFEU, art. 21(1), [link](#)).
3. 'Every citizen of the Union has the right to move and reside freely within the territory of the Member States' (Charter of Fundamental Rights, art. 45, [link](#)).

This means that, today, all EU citizens are automatically granted leave to enter the UK (Directive 2004/38/EC, art. 5(1), [link](#)). It is impossible to try and 'water down' these principles. The European Court has long held that the right to free movement must be interpreted broadly and that 'departures from the rules concerning the free movement of persons constitute exceptions which must be strictly construed' and that 'exceptions to and derogations from the principle of freedom of movement... must be interpreted strictly' (*Bonsignore v Oberstadtdirektor der Stadt Köln* [1975] ECR 297, para [6], [link](#); *Kempf v Staatssecretaris van Justitie* [1986] ECR 1741, para [12], [link](#)).

This right to access the UK has, over the last few years, resulted in a huge increase in inward migration. Since 2004, net migration from the EU has averaged about 100,000 per year, totalling around 1.25 million. In 2015 alone, 270,000 persons came to the UK from the EU. This is the equivalent of a city the size of Newcastle. This is up from 264,000 in 2014 (ONS, 26 May 2016, [link](#); ONS, 16 July 2012, [link](#)). In 2015, net migration from the EU was 184,000. This is the equivalent of adding a city the size of Oxford to the UK population. This is up from 174,000 in 2014 (ONS, 26 May 2016, [link](#); ONS, 2015, [link](#)).

A reasonable estimate of future net migration from the EU, based on figures from the Office for National Statistics and projections of the impact of the National Living Wage, is that by 2030 it will be

between about 184,000 and 466,000 each year. This will add between 2.58 million and 5.23 million people to the population of the UK. The consequences for the NHS will be a rise in A&E attendances of between 6.3 million and 12.8 million per year, the equivalent of a rise in demand for A&E services of between 28% and 57% (Vote Leave, May 2016, [link](#)).

In addition to opening up the UK to EU migrants, there are several instances in which EU membership also restricts the ability of the UK to control immigration of third country nationals. Family members of EU citizens who are third country nationals have a right to enter and reside in the UK under EU law (Directive 2004/38/EC, art. 3, [link](#)). In 2015 alone, the Home Office issued 30,309 EEA family permits to persons outside the UK (Home Office, 3 March 2016, [link](#)). In addition, the European Court has granted rights of residence in the UK to other third country nationals in several other high profile cases (see, for example, *Chen v Secretary of State for the Home Department* [2004] ECR I-9925, [link](#); *Carpenter v Secretary of State for the Home Department* [2002] ECR I-6279, [link](#); *Zambrano v Office national de l'emploi* [2011] ECR I-1177, [link](#)).

In addition to putting tremendous pressure on our social services and housing, this open border policy is dangerous and undermines our security. As the Government has admitted, the current system effectively constitutes the 'free movement of criminals' (HM Government, November 2014, [link](#)). Thanks to EU law, the Government can't even ensure migrants have specific documents required by the Home Office in order to enter the UK. In December 2014, the European Court said that the UK cannot require family members of EU citizens from other EU member states to have a permit issued by UK authorities (*R (McCarthy) v Secretary of State for the Home Department*, Case C-202/13, [link](#)).

The European Court's rulings also make it easier for terrorists and criminals to enter the UK using forged documents. The December 2014 judgment of the European Court means that the UK cannot require persons purporting to be EU citizens to have a document issued by the British Government which attests to that status 'in pursuit of an objective of general prevention' of terrorism and serious crime (*R (McCarthy) v Secretary of State for the Home Department*, Case C-202/13, [link](#)). This is despite the fact that in that case the High Court Judge found permits from other EU countries to be systematically forged, stating 'Systemic abuse of rights and fraud calls for systemic measures'. This constitutes a threat to the UK's security, in light of the fact that 'eight Schengen countries were on the list of the top 10 nations reporting stolen or lost passports in Interpol's databases', according to the former Secretary General of Interpol, Ronald K Noble (*New York Times*, 19 November 2015, [link](#)).

The UK is also obliged to admit EU citizens with ID cards as well as passports (Directive 2004/38/EC, art. 5(1), [link](#)). This is a spectacular risk to security. The Italian ID card, for example, is made of laminated card and is easy to forge. In April 2016, Frontex noted that 'the number of persons aiming to get to the UK with fraudulent document significantly increased (+70%) compared to 2014. This trend is mostly attributable to the increasing number of Albanian nationals often misusing Italian and Greek ID cards followed by Ukrainian nationals abusing authentic Polish ID cards' (Frontex, April 2016, [link](#)). There were 5,409 forged documents issued by EU member states detected in 2015 (Frontex, April 2016, [link](#)). The report notes that: 'the number of document fraud incidents on intra-EU Schengen movements showed a marked increase' (Frontex, April 2016, [link](#)).

In addition to undermining our ability to demand documentation, the European Court has also held that the UK cannot even automatically refuse people entry because of an alert on the Schengen Information System, 'without having first verified whether their presence constituted a genuine, present and sufficiently serious threat affecting one of the fundamental interests of society' (*Commission v Spain* [2006] ECR I-1097 operative para [1], [link](#)).

If we Vote Leave, things will be better. We will be able to remove convicted criminals from the UK. EU law currently provides that 'previous criminal convictions shall not in themselves constitute grounds' for the removal of EU nationals and other persons with a right to reside under EU law (Directive 2004/38/EC, art. 27(2), [link](#)). We could apply the provisions on the deportation of foreign national offenders in UK immigration legislation to EU citizens (Immigration Act 1971, s. 3(5), [link](#); UK Borders Act 2007, s. 32, [link](#)).

If we Vote Leave, we could require short-term EU migrants to have leave to enter the UK in advance of their arrival. This is currently illegal under EU law. Leave to enter is granted automatically (Directive 2004/38/EC, art. 5, [link](#)). We could establish a system like the United States' 'Electronic System for Travel Authorization', which requires prior authorisation from US authorities to travel to America (US Department of State, 2016, [link](#)). We could also introduce a fairer Australian-style points-based immigration system for both EU nationals and non-EU nationals.

In addition, we will be able to reverse decisions of the European Court making it harder to remove suspected terrorists. Where the Home Secretary believes a suspected terrorist should not be admitted to the UK, but believes disclosing the case to the suspect would damage national security, the European Court has ruled that 'the person concerned must be informed, in any event, of the essence of the grounds on which a decision' against him is taken (*ZZ (France) v Secretary of State for the Home Department*, Case C-300/11, [link](#)). The Court of Appeal has since ruled that these rights under EU law 'cannot yield to the demands of national security' (*ZZ (France)* [2014] QB 820, [link](#)). This means that the Home Secretary either has to disclose information that might prejudice national security or allow suspected terrorists into the UK.

The *ZZ (France)* case is a classic example of how EU law has permitted persons who our courts have concluded were involved in terrorism to come to the UK. *ZZ* was an Algerian-French national who had resided in the UK between 1990 and 2005. In 2005, the Home Secretary, Charles Clarke, refused him readmission on return from a trip to Algeria and expelled him on the grounds of public security. Following a series of legal challenges, including a reference to the European Court of Justice, in 2015, the Special Immigration Appeals Commission ruled the Home Secretary, Theresa May, could not exclude *ZZ* from the UK because of EU law. The Commission noted that: 'We are confident that the Appellant was actively involved in the GIA [Algerian Armed Islamic Group], and was so involved well into 1996. He had broad contacts with GIA extremists in Europe. His accounts as to his trips to Europe are untrue. We conclude that his trips to the Continent were as a GIA activist' (*ZZ (France) v Secretary of State for the Home Department* [2015] UKSIAC SC_63_2007, [link](#)).

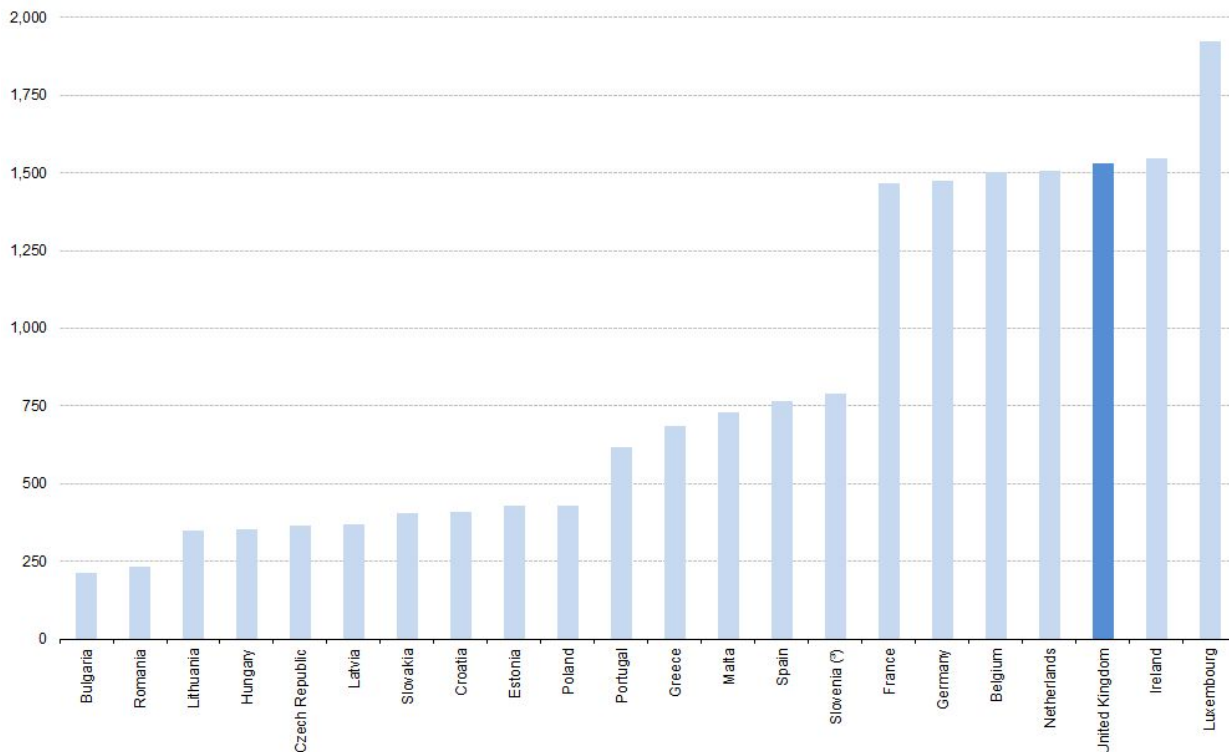
The problems that free movement have created, and will continue to create, are set to be amplified over the coming months and years because of two key issues, 1) the Government is set to introduce a living wage and 2) Albania, Macedonia, Montenegro, Serbia and Turkey will soon join the EU. These two issues are connected - and are likely to result in a dramatic increase in the number of EU migrants coming to the UK.

There should be little doubt that the accession countries will soon join the EU. The European Commission recently announced the pace of Turkey's accession will be 'accelerated', with the opening of new chapters of the country's accession talks (European Commission, 4 May 2016, [link](#)). It was also recently revealed that the new European Council building has space for Turkey when it joins (*Daily Mail*, May 2016, [link](#)). The statement of the EU Heads of Government of 7 March says that the nominal leaders of the EU agreed 'to accelerate the implementation of the visa liberalization

roadmap with all Member States with a view to lifting the visa requirements for Turkish citizens at the latest by the end of June 2016' (European Council, 8 March 2016, [link](#)). When Turkey joins, the British public will have no vote over whether it wants the country to have access to our over-burdened public services - we had no vote when Croatia joined the EU in 2013

Thanks to George Osborne's new 'living wage', the UK is set to become an extremely attractive destination for EU migrants, with the UK's salary set to become much higher than the wages in most EU countries. The UK's minimum wage is already much higher than the EU average:

Minimum wages, January 2016 (EUR per month)



Source: Eurostat

Despite the Government's promise to end the right of EU citizens to come to the UK without a job offer, the renegotiation completely failed to change the current system. EU citizens retain the right to enter the UK to seek work. In fact, the agreement that the Prime Minister signed up to in February notes that EU citizens are 'entitled to reside... [in the UK] solely because of their job-search' (European Council, 19 February 2016, [link](#)). This directly contradicts what David Cameron said in November 2014, when he promised that 'we want EU jobseekers to have a job offer before they come here' (JCB Staffordshire speech, 28 November 2014, [link](#)). The Home Secretary, Theresa May, has argued: 'when it was first enshrined, free movement meant the freedom to move to a job, not the freedom to cross borders to look for work... we must take some big decisions, face down powerful interests and reinstate the original principle underlying free movement within the EU' (*Sunday Times*, 29 August 2015, [link](#)). This has not happened.

In addition, many EU jobseekers will be entitled to remain in the UK for longer than six months. In November 2014, the Government promised that 'if an EU jobseeker has not found work within six months, they will be required to leave' (JCB Staffordshire speech, 28 November 2014, [link](#)). This was - and remains - illegal under EU law. In 1991, the European Court ruled that the Treaties forbid the removal of jobseekers from another EU member state, regardless of the duration of their stay, if 'the person concerned provides evidence that he is continuing to seek employment and that he has genuine chances of being engaged' (*Ex parte Antonissen* [1991] ECR I-745, [link](#)). The Government

admitted in December that many EU migrants can 'keep the status of jobseeker for longer than six months' ('EU Nationals: Employment: Written question – 17574', 2 December 2015, [link](#)).

These problems are only going to get worse. Average wage rates in the five EU candidate countries, Albania, the Former Yugoslav Republic of Macedonia, Montenegro, Serbia and Turkey are much lower than in the UK. The median annual salary in the UK in 2015 was £27,456 (ONS, 18 November 2015, [link](#)). Average earnings in these countries are also much lower than a person working 40 hours per week on the national living wage in 2020 could expect to earn, namely £18,720 per year (HM Treasury, 8 July 2015, [link](#)).

- In **Albania**, average gross annual earnings are £3,690, 13.4% of the median annual salary in the UK, or 19.7% of what a person on the minimum wage will earn in 2020.
- In **Macedonia**, average gross annual earnings are £4,784, 17.4% of the median annual salary in the UK, or 25.6% of what a person on the minimum wage will earn in 2020.
- In **Montenegro**, average gross annual earnings are £6,833 or 24.9% of the median annual salary in the UK, or 36.5% of what a person on the minimum wage will earn in 2020.
- In **Serbia**, average gross annual earnings are £4,538, 16.5% of the median annual salary in the UK, or 24.3% of what a person on the minimum wage will earn in 2020.
- In **Turkey**, average gross annual earnings are £7,365, 26.8% of the median annual salary in the UK, or 39.4% of what a person on the minimum wage will earn in 2020.

This suggests there will be a large increase in net migration in the event of a vote to remain in the EU and the accession of the five candidate countries.

Average wage rates in EU candidate countries					
Country	Average gross monthly salary - local currency	Average gross monthly salary (£)	Average gross annual salary (£)	% of UK median salary	% of national minimum wage in 2020
Albania	53,025	£307.55	£3,690.54	13.4%	19.7%
FYROM	32,074	£398.68	£4,784.19	17.4%	25.6%
Montenegro	739	£569.43	£6,833.10	24.9%	36.5%
Serbia	63,029	£378.17	£4,538.09	16.5%	24.3%
Turkey	2,207	£613.77	£7,365.20	26.8%	39.4%

Source: Albanian Statistics Authority, Instat, 2016, [link](#); HMRC, 26 April 2016, [link](#) (Albanian average public sector wages are used); FYROM State Statistical Office, 2016, [link](#); HMRC, 25 April 2016, [link](#); Monstat, 30 March 2016, [link](#); HMRC, 26 April 2016, [link](#); Serbian Statistics Office, April 2016, [link](#); HMRC, 26 April 2016, [link](#); Turkish Statistical Institute, 2016, [link](#); HMRC, 26 April 2016, [link](#); ONS, 18 November 2015, [link](#); HM Treasury, 8 July 2015, [link](#).

It is possible to calculate how many people will take advantage of free movement rules in the future. A *baseline forecast* assumes that net migration from the EU will remain at the present level of **184,000 per year** until 2030. This will add 2.8 million additional persons to the UK population. *Accession forecasts* consider future migration from the A5 on the assumption of their accession in 2020. There is a *low forecast* under which persons from the A5 states move to the UK in the same proportion relative to their population as persons from the A8 states have done since 2004 (we also provide figures for how migration would develop if transitional controls were applied). There is a *medium forecast* under which persons from the A5 states move to the UK in the same proportion

relative to their population as persons from the A2 states have done since 2014. Finally, there is a *high forecast* which combines the impact of the introduction of the national living wage with the medium forecast.

Net migration forecasts (2016-2030) (000s)					
Year	Baseline	Transitional controls	Low forecast	Medium forecast	High forecast
2016	184	184	184	184	184
2017	184	184	184	184	197
2018	184	184	184	184	205
2019	184	184	184	184	213
2020	184	184	205	245	302
2021	184	184	225	306	384
2022	184	184	246	367	466
2023	184	184	246	367	466
2024	184	184	246	367	466
2025	184	184	246	367	466
2026	184	184	246	367	466
2027	184	184	246	367	466
2028	184	205	246	367	466
2029	184	225	246	367	466
2030	184	246	246	367	466

The table belows shows the total number of net EU migrants who are forecast to move to the UK on a cumulative basis compared to 2015.

Total net migration forecasts (2016-2030) (000s)					
Year	Baseline	Transitional controls	Low forecast	Medium forecast	High forecast
2016	184	184	184	184	184
2017	368	368	368	368	381
2018	552	552	552	552	586
2019	736	736	736	736	799
2020	920	920	941	981	1101
2021	1104	1104	1166	1287	1485
2022	1288	1288	1412	1654	1951
2023	1472	1472	1658	2021	2417
2024	1656	1656	1904	2388	2883
2025	1840	1840	2150	2755	3349
2026	2024	2024	2396	3122	3815
2027	2208	2208	2642	3489	4281
2028	2392	2413	2888	3856	4747
2029	2576	2638	3134	4223	5213
2030	2760	2884	3380	4590	5679

The EU will take more power from Britain

Summary

- **The EU's response to the Eurozone crisis has been to demand more powers. If we remain in we will lose more and more control to the European Commission and the European Court.**
- **Being in the EU means that control lies in the hands of the European Court of Justice. A vote to remain means that power over our border policy, human rights and many other issues will remain in unelected EU judges hands, forever.**
- **The EU will continue to use the Charter of Fundamental Rights to take away key powers from us if we choose to stay.**
- **The EU is pushing for the creation of a single European army and to take greater control of the UK's foreign policy.**

Instead of engaging with the serious structural problems with the single currency, and fundamental failings of the Eurozone, the European Commission and the European Parliament instead called for 'more Europe' (European Commission, October 2014, [link](#)). The EU recently introduced the 'Five Presidents' Report' which proposes to give the EU a whole range of new powers, setting out plans for a Eurozone fiscal and political union, including 'a euro area treasury', and 'further pooling of decision-making on national budgets', with proposals for a new Treaty in 2017 (European Commission, 2015, [link](#)).

The UK will be deeply affected by this process, since the Commission argues that 'much can be achieved already through a deepening of the Single Market, which is important for all 28 EU Member States'. This means that the proposals will affect all EU member states - not just those in the euro. The report also contemplates harmonisation of 'insolvency law', 'company law', 'property rights', and 'better coordination of social security systems'. The UK will not be able to opt-out of these 'single market' measures.

The EU is planning to take more powers

Every time that a Treaty has been introduced it has transferred more powers to the EU institutions, despite claims from British politicians. For example, in 1992, John Major claimed that 'the very centralising tendency that many are so worried about was addressed and corrected at Maastricht' (*Independent*, September 1992, [link](#)). Since the Maastricht Treaty was ratified, there have been three other major Treaty changes – all of which passed significant power to the EU institutions. Centralisation was in no way arrested by the Maastricht Treaty but accelerated.

The Five Presidents' Report was published last June. It sets out plans for a Eurozone fiscal and 'political union', including 'a euro area treasury', and 'further pooling of decision-making on national budgets', with proposals for a new Treaty in 2017 (European Commission, 2015, [link](#)). The report impugned the fact that the EU was 'not represented as one' in 'international financial institutions', singling out the IMF as one example (European Commission, 2015, [link](#)). In October 2015, the European Commission proposed a single Eurozone representative in the IMF. The draft Decision (on which the UK will not have a vote) provides that 'close cooperation with non-euro area Member States shall be organised within the Council and the EFC, on matters related to the IMF. Common positions shall be coordinated on matters relevant for the European Union as a whole' (European Commission, 2015, [link](#)).

So long as we remain in the EU, we are subject to the rogue European Court

Were the EU to introduce the 'single market' measures that are set out in the Five Presidents' Report, there is no doubt that the UK will be sucked into them as all of the Commission's decisions can only be challenged by the European Court. This Court has established itself as not only extremely political, but also committed to the idea of ever-more integration (*Daily Telegraph*, December 2014, [link](#)). Over the years, it has proven to be extremely hostile to British concerns: the UK has lost 101 cases in the European Court since it joined the then European Economic Community in 1973, a failure rate of 77.1%. The current Government has lost 16 out of 20 cases in the European Court, a failure rate of 80% (Vote Leave, 2 March 2016, [link](#)).

The European Court is the final arbiter of the Treaties. This means that it decides the extent of its own jurisdiction and - because there is no higher authority - is ultimately where sovereignty is based. Despite the Government's promises to get a new deal in the renegotiation, the European Court will remain in charge of key aspects of the UK - including its security. This is deeply concerning for the UK, because its judgments have undermined the UK's security.

The European Court has held that it is unlawful to have a policy of removing offenders convicted of a specified offence from the UK if they are EU citizens (*Orfanopoulos v Land Baden-Württemberg*, Joined Cases C-482/01 and C-493/01, [link](#)). This judgment is broad enough to include those convicted of murder and/or terrorist offences. The court's case law has made it much easier for dangerous offenders to challenge decisions to remove them on grounds of public security. EU law enabled the Italian Learco Chindamo, who stabbed headteacher Philip Lawrence to death in 1995, to remain in the UK. In 2007, Mr Justice Collins ruled that EU law prevented his removal notwithstanding his murder conviction (*Guardian*, 31 October 2007, [link](#)). In 2013, Mr Justice Blake ruled that EU law prevented the UK from removing Theresa Rafacz, who had killed her husband in a violent rage which the trial judge described as an episode of 'gratuitous violence' (*Telegraph*, 5 April 2013, [link](#); *R v Rafacz*, 28 January 2011, [link](#)).

In one example, on 4 February 2016, Advocate General Professor Maciej Szpunar issued an opinion stating that it was 'in principle' contrary to the Treaties to remove 'CS' from the UK, notwithstanding the fact that she had been convicted and sentenced to a year's imprisonment (*CS v Secretary of State for the Home Department*, Case C-165/14, [link](#)). It was subsequently revealed under parliamentary privilege that 'CS' was the daughter-in-law of Abu Hamza, who was convicted of attempting to smuggle a SIM card to him in high security prison (*Guardian*, 6 February 2016, [link](#)). The European Court could block her deportation after the referendum.

The European Court will also remain in control of the UK's asylum policy after the renegotiation. EU asylum measures are adopted under Title V of Part 3 of TFEU. The UK is not bound by measures adopted under Title V unless it chooses to opt in (Protocol 21, articles 1-2, [link](#)). The UK has, however, opted into several EU legislative acts. These include:

- **The Dublin Regulation** (2013/603/EU, [link](#)). In theory, this allows the UK to remove asylum seekers to the first safe EU country in which they arrive. However, the Dublin Regulation does not currently work in the UK's interests. In 2014, the UK reported 252 outgoing transfers to the EU under the Dublin Regulation (Eurostat, 16 July 2015, [link](#)). There were 24,914 asylum applications in 2014 (Migration Observatory Oxford, 13 August 2015, [link](#)). Being part of the Dublin Regulation thus allows for the removal of just 1% of asylum seekers each year.

- **The Qualification Directive** (Council Directive 2004/83/EC, [link](#)). This gives the European Court ultimate control over who constitutes a refugee for the purposes of the 1951 UN Convention.
- **The Procedures Directive** (Council Directive 2005/85/EC, [link](#)). This places the European Court in charge of the extent to which the UK can detain those who enter the UK unlawfully and gives the European Court the right to review how the British courts deal with asylum seekers' appeals.
- **The Reception Conditions Directive** (Council Directive 2003/9/EC, [link](#)). This places the European Court in charge of the social benefits to which asylum seekers are entitled, the terms on which they can work, the terms on which their families are educated and their rights of movement within the UK.

The EU will continue to use the Charter to take more and more power from us

In addition, whenever the UK deals with asylum claims, it must comply with the Charter of Fundamental Rights, which gives the European Court further control (*R (NS) v Secretary of State for the Home Department* (Case C-411/10), para [120], [link](#)). Outside the EU, the UK could retake the power to apply the 1951 UN Convention and to make its own asylum policy once again. Despite the Government's view that the Charter of Fundamental Rights should not be 'in force in Britain', the renegotiation has not affected the application of the Charter to the UK (*Hansard*, 3 February 2015, col. 950, [link](#)).

The European Court has been using the Charter to take more control from the UK every year since it was given legal effect in 2009:

- **More expensive insurance for women.** In March 2011, the European Court held that the Charter prevented insurance companies charging women lower premiums, increasing the price of car and life insurance (*Test-Achats* [2011] ECR I-00773, [link](#)).
- **A prohibition on safeguards to prevent abuse of the European Arrest Warrant.** In February 2013, the European Court decided the Charter meant that member states could not introduce safeguards to prevent abuse of the European Arrest Warrant by foreign judicial authorities (*Melloni v Ministerio Fiscal*, Case C-399/11, [link](#)).
- **Creating the right to be forgotten.** In May 2014, European Court used the Charter to create the 'right to be forgotten', which allows criminals to remove Google search results about themselves from the internet (*Google Spain SL v AEPD*, Case C-131/12, [link](#)).
- **Setting aside the UK's legislation on the immunity of foreign states.** On 5 February 2015, the Court of Appeal ruled the Charter meant it had to set aside provisions of the UK's State Immunity Act 1978, potentially placing the UK in breach of its obligations to respect the diplomatic immunity of third countries under the Vienna Convention on Diplomatic Relations (*Benkharbouche v Embassy of the Republic of Sudan* [2015] EWCA Civ 3, [link](#)).
- **Giving prisoners the right to vote in elections to the European Parliament.** In October 2015, the European Court decided that the Charter contained a right to vote in elections to the European Parliament, limitations on which had to be proportionate (*Delvigne v Commune de Lesparre-Médoc*, Case C-650/13, [link](#)). This overruled a decision of the UK Supreme Court made only two years earlier (*Reg. (Chester) v Lord President of the Council* [2013] UKSC 63, [link](#)). There is little doubt that the UK's ban on all convicted prisoners voting in European parliamentary elections is 'disproportionate'. The European Court of Human Rights in Strasbourg has always said so, most recently in 2012 (*Scoppola v Italy (No.3)*, Application No.

126/05, [link](#)). The European Court must interpret the Charter no less favourably to litigious prisoners than the Strasbourg Court (CFR, art. 52(3), [link](#)).

- **Limiting the powers of the intelligence agencies.** In July 2015, the Divisional Court struck down the Data Retention and Investigatory Powers Act 2014 as inconsistent with the Charter (*R (Davis) v Secretary of State for the Home Department* [2015] EWHC 2092 (Admin), [link](#)). In November 2015, the Court of Appeal referred the law to the European Court to see whether or not it is allowed (*R (Davis) v Secretary of State for the Home Department* [2015] EWCA Civ 1185, [link](#)). When the Act was introduced, the Home Secretary, Theresa May, stated that it was 'crucial to fighting crime, protecting children, and combating terrorism' (*Hansard*, 15 July 2014, col. 704, [link](#)).

Successive UK Governments have promised opt-outs from the Charter. Ministers initially claimed that it would have the same legal force as 'The Sun or The Beano' (*Telegraph*, 14 October 2000, [link](#)). After he agreed to the Charter being incorporated into the Treaties, Blair claimed: 'It is absolutely clear that we have an opt-out from... the charter' (HC Deb 25 June 2007, col. 37, [link](#)). David Cameron once promised to negotiate 'a complete opt-out from the Charter of Fundamental Rights', a pledge repeated in the 2010 Conservative Manifesto (*BBC News*, 4 November 2009, [link](#); Conservative Party, 2010, [link](#)).

However, the European Court and UK courts have made clear that these promises were worthless. In December 2011, the European Court ruled that the relevant protocol 'does not intend to exempt the Republic of Poland or the United Kingdom from the obligation to comply with the provisions of the Charter or to prevent a court of one of those Member States from ensuring compliance with those provisions' (*R (NS) v Secretary of State for the Home Department* (Case C-411/10), para [120], [link](#)). In November 2012, the UK Supreme Court stated: 'the Charter thus has direct effect in national law' (*Rugby Football Union v Consolidated Information Services Limited* [2012] UKSC 55, para [28], [link](#)).

However, if we Vote Leave we can end this extremely unsatisfactory situation. After we leave the EU, the judgments of the European Court will no longer be binding on the UK. This means that the UK will no longer be forced to accept judgments that will harm our interests, and can take greater steps to protect our national security. We will be safer if we Vote Leave.

Cameron surrendered our veto - just as the EU plans further integration

The renegotiation agreement provides that the UK must 'not create obstacles to but facilitate such further deepening' of economic and monetary union and that the UK 'shall not impede the implementation of legal acts directly linked to the functioning of the euro area and shall refrain from measures which could jeopardise the attainment of the objectives of economic and monetary union' (European Council, 19 February 2016, [link](#)). As a result, the UK has forfeited its veto on the new EU Treaty, which could come as early as next year and with it, the remainder of its 'influence'.

The current 'safeguards' will not protect the UK. The EU's legislative powers will remain as they were before the renegotiation. The Decision of the Heads of Government specifically provides that it respects 'the powers of the institutions of the Union, including throughout the legislative... procedures' (European Council, 19 February 2016, [link](#)). This means the UK will continue to be outvoted in the EU. On the 72 occasions that the UK has opposed a legislative measure in the Council of Ministers since records began in 1996, it has been outvoted, at an annual cost of £2.4 billion per year. 40 of these defeats have occurred since the current Government took office, more than all of its predecessors combined (Vote Leave, 11 October 2015, [link](#)). The Eurozone states now have a

permanent majority, meaning the UK will always be outvoted. These countries now decide what laws we have to follow.

Likewise, the changes to the 'red card' that the Prime Minister negotiated will make it *harder* for the UK to block harmful policies, with the threshold for national parliaments needed to block bad EU laws having increased. The former Foreign Secretary, William Hague, warned in 2008 that the yellow/red card system was impractical and unlikely to stop bad EU laws: 'Given the difficulty of Oppositions winning a vote in their Parliaments, the odds against doing so in 14 countries around Europe with different parliamentary recesses — lasting up to 10 weeks in our own case — are such that even if the European Commission proposed the slaughter of the first-born it would be difficult to achieve such a remarkable conjunction of parliamentary votes' (*Hansard*, 21 January 2008, col. 1262, [link](#)).

The Treaty of Lisbon paves the way for the creation of a European Army

The EU has made it increasingly clear that it plans to push ahead with the creation of a European Army.

The Treaty on European Union provides that 'the common security and defence policy shall include the progressive framing of a common Union defence policy. This will lead to a common defence, when the European Council... so decides' (TEU, art. 42(2), [link](#)). The Commission describes this as 'a roadmap to common defence' (European Commission, June 2015, [link](#)). In 2013, the European Council mandated new steps towards an EU army. It demanded the improvement of 'EU rapid response capabilities, including through more flexible and deployable EU Battle groups'. It also called for 'pooled procurement' of military equipment (European Council, 19 December 2013, [link](#)). The development of the 'battlegroups' into an army by another name is evident in the information provided by the EU's External Action Service (EU External Action Service, April 2013, [link](#)).

For over 50 years, the EU has tried again and again to create a single European army (*BBC News*, May 1999, [link](#)). The EU has now made clear that it is - once again - pushing for military integration. The European People's Party (itself the largest party in the EU Parliament) has now adopted the creation of a single EU army as one of its manifesto goals (*EurActiv*, October 2015, [link](#)). Last year, the President of the European Commission, Jean-Claude Juncker, said he would like to see the introduction of an EU army (*Die Welt*, March 2015, [link](#)).

The European Commission says that EU defence integration is not 'just a political option but a strategic and economic necessity' (European Commission, June 2015, [link](#)). Juncker, has said that 'a joint EU army would show the world that there would never again be a war between EU countries... Such an army would also help us to form common foreign and security policies and allow Europe to take on responsibility in the world'. He finished by stating that 'a common European army would convey a clear message... that we are serious' (*Reuters*, 8 March 2015, [link](#)).

President Juncker even envisaged that this army could operate not just on external missions or the EU's borders, but within member states too: 'with its own army, Europe could react more credibly to the threat to peace in a member state'. It could also '[defend] our European values'. Mr Juncker's suggestion was immediately endorsed by the German Defence Minister, Ursula von der Leyen, who said: 'our future as Europeans will at some point be with a European army' (*Reuters*, 8 March 2015, [link](#)). The President of the European Council, Donald Tusk, has also called for 'a new and more ambitious defence and security policy', dismissing the idea that NATO should be the sole forum for defence cooperation (*New York Times*, 8 March 2015, [link](#)).

The Spanish Government's *Strategy for External Action* states that the Common Security and Defence Policy should 'be more ambitious than the simple "pooling and sharing" of capabilities. We must take advantage of all the possibilities offered by the Lisbon Treaty' (Spanish Government, February 2015, [link](#)). The Strategy advocates a 'permanent system for the planning and conduct of military operations' and concludes that 'with respect to the external policy and the security of the Union, Spain has the same level of ambition as it has expressed with regard to all other policies for European integration.'

Angela Merkel's spokeswoman also indicated her approval of the proposal (*Der Spiegel*, 9 March 2015, [link](#)). The German Foreign Minister Frank-Walter Steinmeier has said that 'the long term goal of a European army is a major policy matter and has been part of the [SPD] party programme for many years'. All this is unsurprising given that the coalition agreement underpinning the Merkel government calls for 'an even closer network of European forces, which can evolve into a parliamentary-controlled European army' (*EurActiv*, 25 March 2015, [link](#)). Finance Minister Wolfgang Schäuble has warned about the fiscal implications of these ideas: 'We shall have to spend many more funds on joint European defence initiatives ... our aim must be a joint European army' (*Bild*, 27 December 2015, [link](#)).

Since Juncker's proposals, the idea has gathered momentum. The German government has recently drafted a white paper calling for the formation of an EU army. It proposes, inter alia, a joint headquarters for EU operations, a council of defence ministers and the sharing of military equipment. But the full contents of the paper will not be known until after the UK's referendum, since publication has been postponed until after 23 June (*FT*, 2 May 2016, [link](#)).

A Berlin source has stated that, in return for Germany's minor concessions to the UK in David Cameron's 'renegotiation', Angela Merkel extracted a commitment to give a green light to the creation of a European army (*Daily Telegraph*, 12 September 2015, [link](#)). The credibility of this story is underlined by the fact that Elmar Brok MEP, a leading member of Angela Merkel's party involved in the renegotiation, is a strong supporter of creating a European army. 'There is no other policy', he has said, 'for which the citizens' consensus is higher' (Union of European Federalists, 2 June 2015, [link](#); European Council, 18 February 2016, [link](#)).

The EU has already announced proposals for a Border Force, with armed coastal patrol vessels, helicopters, drones, and other aircraft (European Commission, December 2015, [link](#)). These could operate just 12 nautical miles off the UK coastline. The European Parliament states that already 'the EU actually has an army of sorts': the EU's Battlegroups (European Parliament, 24 June 2015, [link](#)). If we remain in we will continue to be dragged into similar operations.

The EU plans to introduce a 'global strategy'

In addition to pushing for an EU army, the EU's upcoming Global Strategy, put together by Federica Mogherini, which was due to be presented by June this year, has been put back until just after the referendum. Mogherini has been clear that the strategy will see the EU take on a much stronger role in foreign affairs: 'More than a decade after the 2003 European Security Strategy, the world has changed dramatically. And we have changed as well. For this reason I have launched a period of strategic reflection on the EU's way ahead in the world. It will lead to an EU Global Strategy on Foreign and Security Policy. This process gives us the opportunity to forge a stronger and more effective EU foreign policy and engage the public on debates about foreign policy' (European

Commission, May 2016, [link](#)). Were this strategy introduced, it is likely to be accompanied by EU demands for a much greater say over the UK's foreign policy agenda.

Conclusion

A vote to stay in the EU is the riskier option. The Eurozone is broken, and the EU plans to admit another five countries. If we stay, we will be liable for the single currency's bailouts. Immigration will continue to soar. We will have no power to stop it.

The Prime Minister promised to resolve these issues during his renegotiation, saying 'when it comes to free movement, I will get what Britain needs' (*BBC News*, October 2014, [link](#)). He comprehensively failed. The EU is unreformed - not one word of the Treaties has changed. We have no control over our borders. We are forced to accept EU citizens who want to come in, even if they have a criminal record. These problems will only get worse when Albania, Macedonia, Montenegro, Serbia and Turkey, which have a combined population of over 80 million, join the EU - accessions that the Prime Minister is vocally supportive of.

Under the (unamended) Treaties, the UK is liable for the Eurozone's bailouts and is obliged, under the terms of the European Communities Act 1972, to pay the EU any monies that it demands. The EU has billions in unpaid bills which they will look to settle after the referendum - the UK can expect to receive an effective bill to the tune of at least £2.4 billion.

The EU is clear that it wants more power over the member states. It has set out its plans for taking greater control of the UK if we decide to stay in. Despite the Prime Minister's claim that we are out of 'ever closer union', this means little. The UK's former Advocate General in the European Court, Professor Sir Francis Jacobs QC, has said the phrase 'does not create rights or obligations. It does not impose obligations on member states' and that there is 'very little basis' for the view it has been used in integrationist judgments of the European Court (Evidence to European Scrutiny Committee, 18 November 2015, [link](#)). Removing the phrase will have no impact on the European Court and will not stop further European integration.

It is clear that after the 'renegotiation' the Treaties are unamended. The European Court retains the same powers that it did before the negotiations and will continue to use the Charter of Fundamental Rights to force policies on the UK. The EU has set out its plans for greater integration in the 'Five Presidents' Report' and is also planning to push ahead with its long-held goal of creating a 'European Army'. That is what we are signing up for if we choose to remain.

By contrast, if we Vote Leave we take back control. We will no longer be liable for the Eurozone bailouts or be obliged to pay the EU any monies that it demands. We can instead spend our money on our priorities - like the NHS. Because Britain is a large net contributor to the EU budget, the Government would have enough money to carry on providing funds to those who currently receive EU funding, cut VAT on fuel bills and make substantial investments in the NHS. We will also take back control of our borders and could introduce a fair Australian-style points-based system for people looking to come to the UK and contribute their skills to our economy.

Forty years ago, in 1975, people were asked to vote on whether or not to join a 'Common Market' - that was the option put to them on the ballot paper. The EU we now find ourselves living in is a very different organisation, with far more power and control over how we live our lives, and mired in demographic and economic problems.

If we decide to remain, what will the organisation look like in forty years' time?



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Promoted by Matthew Elliott on behalf of Vote Leave Ltd, both of 3 Albert Embankment, London, SE1 7SP.
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