THE MARKET SOLUTION

FLEXCIT Flexible Exit and Continuous Development

THE DEFINITIVE EU EXIT PLAN FOR BRITAIN

Dr Richard A E North with
Robert Oulds of the Bruges Group
and the assistance of EUReferendum.com

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Dedicated to Peter Troy

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Our vision

Our vision is for a United Kingdom as a self-governing, self-confident, free trading nation state, releasing the potential of its citizens through direct democratic control of both national and local government and providing maximum freedom and responsibility for its people.

The history of Britain for a thousand years has been as a merchant and maritime power playing its full role in European and world affairs while living under its own laws. It is our view that the UK can flourish again as an independent state trading both with our friends in the EU and the rest of Europe, while developing other relationships throughout the world as trading patterns evolve.

For an age, the United Kingdom has freely engaged as an independent country in alliances and treaties with other countries. It has a long history of entering into commercial agreements and conventions at an inter-governmental level. We wish to uphold that tradition.

The ability of the people of the United Kingdom to determine their own independent future and use their wealth of executive, legislative and judicial experience to help, inspire and shape political developments through international bodies, and to improve world trade and the wellbeing of all peoples will only be possible when they are free of the undemocratic and moribund European Union.

The prosperity of the people depends on being able to exercise the fundamental right and necessity of self-determination, thus taking control of their opportunities and destiny in an inter-governmental global future with the ability to swiftly correct and improve when errors occur.

Within the United Kingdom, our vision is for a government respectful of its

people who will take on greater participation and control of their affairs at local and national level. Our vision fosters the responsibility of a sovereign people as the core of true democracy.

Introduction

This pamphlet summarises the online book of the same name, setting out how the UK can leave the European Union[1]. It is intended to show that an orderly exit is plausible and practical and can be largely risk-free.

Leaving the EU is a big step and there can be no serious dispute that a botched process could have dire results. Export of goods and services is vitally important to us. Even in trade with the rest of the world, the EU is often the regulatory portal through which we access other markets so it has a huge influence on non-EU trade.

Any major disruption could do serious harm to our economy, well beyond just our trade with EU Member States. It could even drive us into recession. There is no margin for error. We cannot afford to get it wrong.

To achieve a trouble-free exit, we must have an exit plan. Without that, we believe the "leave" campaign will not succeed. But we expect our plan to have more than just an effect on the campaign. It would have a direct impact on the subsequent negotiations, if we decide to leave.

Our plan, therefore, has to be accurate, honest and pragmatic. And we start with a basic premise. After nine treaties and 40 years of political and economic integration, there can be no clean break. Unravelling in a single step is not going to happen, and certainly not without compromises. This is a point that cannot be made too strongly.

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[1] http://www.eureferendum.com/Flexcit.aspx

The next point is that negotiations will not take place in a political vacuum. Nor will they start with the formal exit talks. Rather, they will be continuation of a political process that will have started well before the referendum.

This means that our negotiators will not have a free hand. Theirs will not be "blank piece of paper" exercises where shopping lists are drawn up without restraints. Nor will there be room for theoretical assumptions. Negotiators will have to deal with the political realities of the day. And they will be forced to respond to the limitations imposed on them.

Another point is that these will be negotiations – i.e., a process which involves exchanges of views. It starts with each of the parties setting out their opening positions but, to achieve a satisfactory outcome, both sides will have to listen to each other. Compromise will be essential.

Commentators who suggest blue sky options that do not take account of these political realities are being unrealistic. Proposals cannot be taken seriously unless they are politically attainable and publicly acceptable. They must have regard to the political constraints and be acceptable to those with whom we are negotiating. To expect otherwise is pointless.

With this in mind, we stress that great care should be taken with exit scenarios based on economic models. Estimates cannot be any stronger than the assumptions on which they are based. Weak assumptions are poor foundations for any plan. Dazzling predictive models and complex calculations cannot remedy inherent flaws.

Then, we must point out that all solutions must fit with others. There is no point defining certain policies if they create irresolvable problems elsewhere. Partial solutions are not an answer. An exit plan has to work as a whole, even if that requires adopting sub-optimal policies in some areas in order to achieve the larger objectives.

Within these constraints we have to face some unavoidable realities. Firstly, the plan has to ensure continuity of trade with the EU and the rest of the world. No matter how attractive the eventual outcome, exit will never be tolerated if the immediate effect is to damage trade and plunge us into recession.

In our view, that means we must – in the short to medium term – stay in the EU's Single Market. However, the EU has made it abundantly clear that if we want

to stay in the Single Market, acceptance of the principle freedom of movement is non-negotiable. We can abolish freedom of movement or we can stay in the single market. We can't do both.

On that basis, we have come to the conclusion that, in order to leave the EU and secure the medium and long-term gains that accrue from so doing, we must accept a short-term compromise over freedom of movement.

To add to all this, there is the timescale to consider. Under Article 50 of the Lisbon Treaty, which defines the exit procedures, negotiations are set to last two years. Although we could get an extension, we believe it would be unwise to rely on a longer period.

This creates an inherent problem. Complex trade negotiations usually take a long time to conclude – sometimes a decade or more. Thus, we suggest adopting an off-the-shelf solution rather than a bespoke agreement.

That confronts another reality. Brexit presents an existential threat to the EU. If it concedes an exit deal to the UK that is better than it could achieve within the EU, other Member States might be tempted to leave. A "better deal for Britain" could collapse the entire EU. For that reason, it will never be offered.

Thus, we feel that holding out for unachievable perfection runs the risk of losing the referendum and staying trapped in the EU. We make whatever compromises are needed to get out quickly and resolve outstanding issues once we have left.

Taking all that into account, we propose six stages to our plan. Its very essence is that it is split into stages. We arrived where we are by a series of graduated steps. It makes absolute sense that we should leave in the same way.

To manage the immediate split, there are several broad possibilities. There are the options we set out in the first stage of our "Market Solution", there is what we call the "Swiss" (bilateral) option, or there is the World Trade Organisation (WTO) option.

Our first stage comprises three options, all aimed at ensuring continued participation in the single Market. First is the "Norway Option" in which we rejoin the European Free Trade Association (EFTA) and trade with the EU through the European Economic Area (EEA).

Whatever initial option we choose, we have to remember that membership

of the EU involves much more than trade. We cooperate in a huge range of activities, from student exchanges to the management of airspace, and much else. Before reaching a final agreement, we have to decide on the activities we want to continue, and the terms.

Once we have the right exit option and have defined the areas of post-exit co-operation, we have enough to finalise an exit agreement with the remaining EU Member States. But this is only the start of a longer process.

The second stage of our plan looks at immigration and asylum. Since we have to keep freedom of movement for the time being, we have to work out how better to manage the flow of people into our country. Here, there are many things we can be doing, to pave the way for a longer-term solution.

We will need to take action at a global level to deal with third country immigration, seeking amendments to the Geneva Convention on the Treatment of Refugees, and the 1967 Protocol. We will also have to change or withdraw from the European Convention on Human Rights. We can also limit immigration from the EU by addressing the "pull" factors that make it so attractive to come to this country.

While this is in hand, **we propose a third stage** to deal with the drawbacks of EEA membership. We start with the dominance of the European single market by Brussels. As long as the UK is on the edge and Brussels is at the centre, we will have a subordinate status. This is not acceptable in the longer term, so we propose a more equitable market structure.

What we want is a community of equals in a "European village". To administer the market, we propose replacing Brussels with the Geneva-based United Nations Economic Commission Europe (UNECE), on the lines proposed by Winston Churchill in 1948 and again in 1950. UNECE already plays a prominent role in global regulation and trade and is the logical choice.

This is followed by the fourth stage, one of rebuilding independent policy. Illustrating how an independent UK might operate, we look at foreign and defence policy, agriculture and fisheries. We also explore environment policy, and then the linked subjects of climate change and energy. We conclude with financial services and the so-called "digital market".

In the fifth stage, we suggest a new framework for our global trade policy, with an evaluation of areas that are ripe for improvement and exploitation. We

have devised an eight-point programme which opens the way for us to break out of the EU cul-de-sac and rejoin the global trading system.

This brings us to our sixth stage. Here, we argue that there is little point in leaving the EU if we then return powers to a parliament which gave them away in the first place. We must stop this happening again. Thus, we offer ways of restoring democracy, bringing both central and local governments back under the control of the people.

In conclusion, we explain how leaving the EU becomes a process requiring continuous and flexible development. That repeats our central point: leaving the EU is not a single event but a multi-stage process.

Even after we have left the EU, the process may take many years to complete, as we seek a steady, measured divergence rather than a "big bang" separation. The aim will be to keep the best of our agreements with the EU while freeing it to follow its own path.

In short, by leaving the EU, we are not ending a relationship. We are simply travelling separately. This is not isolation but an agreement to do many of the same things in a different way, all to our mutual advantage.

The six stages

Stage 1: Leaving the EU

In the *Flexcit* book, we look at the pros and cons of the different options for leaving. We reject the "Swiss" and the WTO options and conclude that the "Norway option" is the easiest and best-established "off-the-shelf" solution. It allows us to meet the two-year deadline imposed by Article 50 and ensures continued participation in the Single Market.

However, there is a possibility that the "Norway option" option could be blocked, so we have devised a number of fallbacks. Collectively, they all have in common continued participation in the Single Market.

The "Norway option" requires us to rejoin the European Free Trade Association (EFTA) and to continue the European Economic Area (EEA) Agreement.

If membership is blocked for any reason, one alternative is to retain the EEA component of EU law, including the four freedoms, creating a "shadow EEA". We would not benefit from EFTA's consultation arrangements, so provision would have to be made for bilateral consultations on new legislation.

There is a further possibility that, in the process of agreeing a new EU treaty some time after 2017, current EFTA states would be offered associate membership of the EU. In that case, the "Norway Option" might disappear. There is also a theoretical possibility that EU negotiators could refuse to agree an EEA-based solution.

Either event requires a fallback. For this, we could adopt the processes and strategies used by the Australian government in securing its trade relations with the EU. In 1997, it signed a joint declaration on EU-Australian relations, followed two years later by a Mutual Recognition Agreement (MRA) on conformity assessment.

Thus, an informal, unilateral declaration was anchored by the MRA, as a formal treaty. The combination permitted trade to be undertaken on terms favourable to both parties.

The scope exists for the UK to do likewise, agreeing to match EU trade harmonisation laws by way of a unilateral declaration, based on the current EEA *acquis*. This does not need the approval of EU member states. As we would be maintaining the all-important regulatory convergence, we can insist on access to Single Market, invoking WTO non-discrimination rules.

Completing the process, the UK would then negotiate an MRA on conformity assessment. To this could be added agreements on tariffs and programme participation, replicating core elements of the EEA Agreement. Then, working all these into the Article 50 negotiations would provide the formal framework. As long as the UK did not seek access to the market on better terms than those on offer to full members, there could be no serious obstacles to concluding an agreement.

In terms of programme participation, there will be many areas of administrative and technical cooperation which parties will want to continue. These might include the European Defence Agency (which is managing the A-400M military freighter programme) and Eurocontrol, the latter taking in the development of the Single European Sky.

We also need to think about staying in intergovernmental bodies such as the European Space Agency. Then there are projects such as the Galileo global positioning system, in which we have a heavy financial investment. Other areas include the Erasmus student exchange programme, and the framework research programme (Horizon 2020), together with the European Research Area.

Even outside the EU we can stay in these programmes. But there is a price tag. EFTA states pay dues and the Norwegians also pay "Norway Grants" which help post-Communist members to catch up with their richer neighbours. Additionally,

the EFTA states pay EEA grants. The UK would also have to contribute. But we would also get some money back.

According to the Norwegian government's figures, its total EU mandated payments (gross) are approximately £435m (€600m) per annum. With a population of five million, that is approximately £86 (€120) *per capita* (gross). Net payments are about £340m (€470m) per annum, or about £68 (€94) *per capita*.

In 2014, the UK gross contributions to the EU were £19.2bn, less £4.9bn rebate. That gives an equivalent gross payment of £14.3bn. After CAP and other receipts, our net contribution was £9.8 bn. A population of 64 million puts our annual equivalent gross and net payments respectively at £223 and £153 *per capita*. Outside the EU but paying on the same basis as Norway, our annual contributions would be more than halved.

Another important issue to deal with is the continuity of third country treaties agreed under the aegis of the EU.

Currently the EU lists 787 bilateral treaties, together with 243 multilateral agreements. They cover a vast range of subjects, many of which are essential to the conduct of Britain's trade and international relations. Without continuity, the UK would have to renegotiate or renew hundreds of treaties with third countries.

Fortunately, under international law, there is a "general presumption of continuity". In relying on this, the UK will no doubt be guided by the Vienna Convention on Succession of States in respect of Treaties, even though we have not signed up to it. This allows for a newly independent State – in this case the UK – to keep most treaties in place. All it has to do is tell all the parties and get their formal agreement to continuation. Renegotiation is not needed.

Another option is for the UK to negotiate an arrangement with the EU, giving Britain notional membership status solely for the purpose of taking advantage of the third country treaties. This would most certainly be of limited duration, giving time for selective renegotiation with the original parties to the third country treaties.

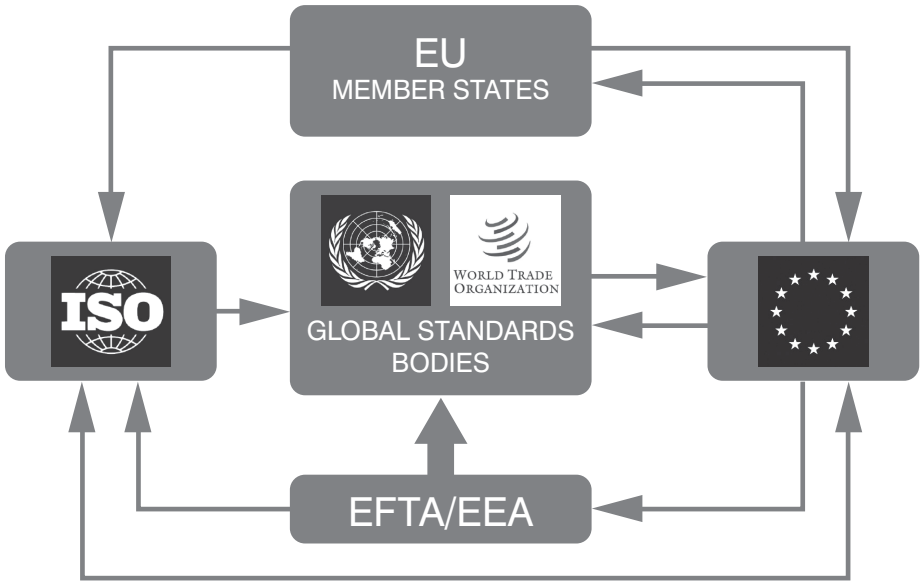

Figure 1: Single Market standard-setting: a simplified flow. Global bodies receive multiple inputs, but EU Member States work through the EU, while EFTA/EEA members are able to negotiate directly with the global bodies.

Once out of the EU, we will be able to resume our seats and cast our own votes on global standards bodies. Much of the law governing the conduct of the single market now originates at global level. Through the WTO Agreement on Technical Barriers to Trade (TBT) and related agreements, international standards are now progressively replacing EU rules.

Thus the UK will be ideally positioned to help make the laws which will govern the EU. They are processed by Brussels for implementation by national bodies, but they do not originate in the EU. If we work with EFTA/EEA, we will still receive laws from Brussels, but we will have shaped them long before they become EU law (see figure 1).

Stage 2: Free movement, immigration and asylum

Pending longer-term answers to the immigration problem, there are plenty of things we can be doing in the meantime. The adoption of freedom of movement does not totally remove the ability of member states to control the flow of migrants from other EU member states.

For instance, the right of residence to citizens of EU member states for more than three months is conditional on those citizens being economically self-sufficient. Those who are not can be deported under existing EU law.

Additionally, within the EEA – if we take this route – there are the "safeguard measures" which permit the EFTA states unilaterally to take action if "serious economic, societal or environmental difficulties of a sectoral or regional nature arise and are liable to persist" as a result of excessive migration.

In imposing any controls, though, we should be careful not to interfere with tourism and other economic activity. An estimated 34 million international visitors, worth £22bn to the economy, entered the UK in 2014. Foreign students were worth £17.5 billion in 2011

High volume of movement across our borders makes control at the point of entry problematic. The bulk of illegal immigrants are "regular" entrants who then overstay. Furthermore, if we stop legal immigration, we can expect to see more overstayers.

To deal with this problem, we have to improve the system across the board, including measures to detect and remove illegal immigrants already in the country.

Importantly, any policy must recognise that the greater proportion of immigration comes from non-EU countries. The largest single source is India. Many migrants enter via the family reunification scheme which allows spouses and close relatives to join family members already here. Much of this is mandated the European Convention on Human Rights (ECHR), to which Britain is a party.

To limit family reunification, Britain may have to denounce the Convention.

Migration, however, is by no means just a creature of regulation. Greater forces, such the war in Syria, trigger population movements. To an extent, government intervention simply shapes and directs flows. Solutions, therefore, may require reducing the impact of factors which give rise to immigration, or steer migrants towards one country rather than another. These are called "push" and "pull" factors.

The essence of the problem for Britain – and the EU in general - is that there is little in the way of co-ordinated policy. For instance, the relationship between trade with less developed countries and migration are well known, yet migration policy is dealt with entirely separately, without any apparent recognition of the effect of trade deals on migration and whether they intensify or relieve pressure. We thus need to take measures to integrate industrial and trade policies with foreign policy, aid policy and even defence policy.

Asylum policy

Foreign nationals coming to this country as asylum seekers belong to an entirely different category of immigrant. Although often described and treated as such, they are not illegal immigrants if they are relying (or seeking to rely) on the protection of the 1951 UN Convention relating to the Status of Refugees, and the 1967 Protocol. The policy response to these "irregular" migrants therefore, needs to be defined separately.

The Convention also lays down minimum standards for the treatment of refugees, without prejudice to States granting more favourable treatment. It also contains safeguards against expulsion, known as the principle of *non refoulement* (non-return). Those accepted as refugees cannot be expelled or returned against their will to a territory where they fear threats to life or freedom.

While the diverse and varied provisions grant rights to potential asylum seekers, nothing in law requires Member States to permit those seeking asylum to gain access to their territories in order to claim those rights. However, once asylum seekers are physically present on the territory of a particular Member State, they must be dealt with according to international law.

To prevent people gaining physical access, policy is often focused on stopping them entering Member State territories, using fences and other barriers. But the effect of this "fortress Europe" policy has been to divert flows, and to increase the costs and risks for asylum seekers as they resort to sea routes.

At face value, therefore, there is much to commend the Australian policy of offshore processing, *in situ* resettlement of genuine refugees, with detention and return of failed asylum seekers. It is a highly attractive option for the UK. However, to implement any version of that policy, the UK must release itself from EU treaty obligations and – preferably – withdraw from the ECHR. It must also withdraw from the 1951 UN Convention.

Should offshore processing be adopted, the main issues become the need to identify suitable sites and to agree costs. The costs are high, although so are the alternatives. Detention and removal of failed asylum seekers works out at around £11,000 for each person processed.

There is also the greater problem of the "unremovables". If governments are not prepared to release them into the community, indefinite detention is the only option. To implement that, governments must have public support and be able to withstand the opprobrium of other nations, international organisations and interest groups, as well as the relentless negative media coverage that such a stance brings.

In practice, no liberal democracy can sustain a policy of mass onshore detention indefinitely. This is the one advantage of offshoring: the problem is less visible. But, governments which cannot invoke this option can rarely get support for an overt "open door" policy either. They are caught in an irresolvable *impasse*, forcing them to "fudge" the issues.

Fairly relaxed rules are applied to the definition of refugees, so as to maximise the number of people who can be allowed residence, and the "unremovables" are "lost" in the system. When numbers build up, they are given amnesty – usually thinly disguised as administrative "regularisation" – while only the tiny minority, for whom there is a realistic chance of removal, are detained pending removal.

The problem stems in part from the original Convention definition of the refugee, which has that status applying to those who are *outside* the countries of their nationality. Crucially, once acquired, that status remains until the refugees

either return to their countries of origin or acquire new nationalities and enjoy the protection of their adoptive countries.

Effectively, refugees can resolve their status in only one of two ways – either by returning to their countries of origin, or by moving to a new country and acquiring citizenship there. By this means, the Convention – perhaps unwittingly – becomes a driver of migration.

Yet asylum seekers are not immigrants, *per se*, seeking a new life in different lands, but people seeking protection under international law. In order to gain continued protection, they have to become immigrants. This is reinforced by the domestic policy response, which produces legislation binding together immigration and asylum, with asylum issues handled by the Home Office and an immigration minister.

Such a situation may have been logical in the aftermath of the Second World War in Europe. It was this for which the current Convention was framed. But, under the terms of the Convention and the 1967 Protocol, hundreds of millions of people from all over the world could qualify as refugees legitimately claim asylum in developed countries. The root of the problem is in the very concept of asylum.

One solution might be to limit the definition of a refugee to those who have reached a place of safety for the first time, after having left their own countries for fear of losing their lives or freedoms If they then move to another country in search of better conditions, they should be defined as immigrants rather than refugees. As such, they would be entitled to no more favourable rights or privileges than any other would-be immigrants.

This still begs the question as to how to deal with those who present themselves to UK officials without authority to enter or remain and prove "unremovable", if not by virtue of Convention rights, the European Convention of Human Rights (ECHR), then simply because no other country will accept them if they are deported.

If these people are eventually allowed full citizenship, this undermines the entire immigration system. But, short of the unacceptable prospect of detaining large numbers of people, including women and children, for an indefinite period, it is unlikely that there is available a unilateral solution.

Not least, the UK is heavily reliant on agreements with the French government

which permit, *inter alia*, British immigration officials to work in Paris and on Eurostar trains. One of these is the 2003 *Le Touquet Agreement* – which allows British officials in Calais and Dunkirk to check travellers' documentation, refusing those without the correct papers to journey to England. They have greatly reduced the number of asylum seekers arriving in the UK.

Further cooperation might be secured by formalising a "burden sharing" arrangement with France and other EU Member States, in return for their accepting the return of irregular migrants intercepted at UK ports. A realistic quota is a reasonable price to pay for the cooperation of EU member states. However, this should be negotiated annually and, as other measures bite – or there is a downturn in numbers - the quota could be reduced.

In the medium to longer-term, the entire approach to asylum seekers might benefit from restructuring. Much more is spent annually by developed countries in assessing (and rejecting) claims for refugee status than is spent on the care of displaced persons in the regions of origin. The balance is wrong: we need to enable refugees to stay close to their homelands. Changes to UK government departments and priorities might help here.

The Department for International Development (DfID) might be re-integrated with the Foreign Office and trade policies linked with aid. Then refugees should not be treated as immigrants but as short-term residents awaiting return.

This is then the advantage to be gained from leaving the EU. The independence of action would enable the UK to target its action without reference to a consensus defined by multiple interests, and instead address real world problems with a view to solving them.

Stage 3: Creating a genuine European single market

In this third stage, we address the limitations of the Brussels-centric Single Market, and look to a more permanent way of managing trade in Europe as a whole.

We start with the premise that the UK will be obliged to keep all Single Market regulation in place, comprising approximately 7,000 legislative acts out of the 21,000 currently in force. Since there would be no obligation to retain the remainder, leaving the EU could give relief from around 15,000 acts.

Where laws have to be re-enacted, we should seek to do more than replace the ring of stars with a "Made in Britain" label. Simply changing the origin of laws attaching them to new institutional structures does not tackle over-regulation and increasing complexity. It would be preferable to rethink the regulatory philosophy and come up with more cost-effective regulatory mechanisms.

There is a belief that, if we leave the EU, only exporters would need to obey "EU regulations". Domestic firms would benefit from huge savings in regulatory costs. But domestic firms would still be regulated, so the result would be two tiers of regulation – one for use at home and another for exporters. Most companies would avoid this and work to the highest standards.

More to the point, in many instances, the EU no longer makes the rules for the Single Market. More than 80 percent of the EU's Single Market legislation falls within the ambit of international organisations and is potentially amenable to global regulation. We are parties to these international organisations, so would still be adopting their rules. Leaving the EU will have less effect than imagined.

For a post-exit Britain, this is very important. EFTA/EEA still adopts law processed by Brussels. But the law is made elsewhere. In the EEA but outside the EU, we by-pass the "middle man" and go directly to source.

There is, however, a longer-term alternative to Brussels. This has existed since 1947 as the United Nations Economic Commission Europe (UNECE), one of five UN regional commissions. It is based in Geneva and has 56 members, including

most continental European countries, Canada, the Central Asian republics, Israel and the USA. Its key objective is to foster economic integration at sub-regional and regional level.

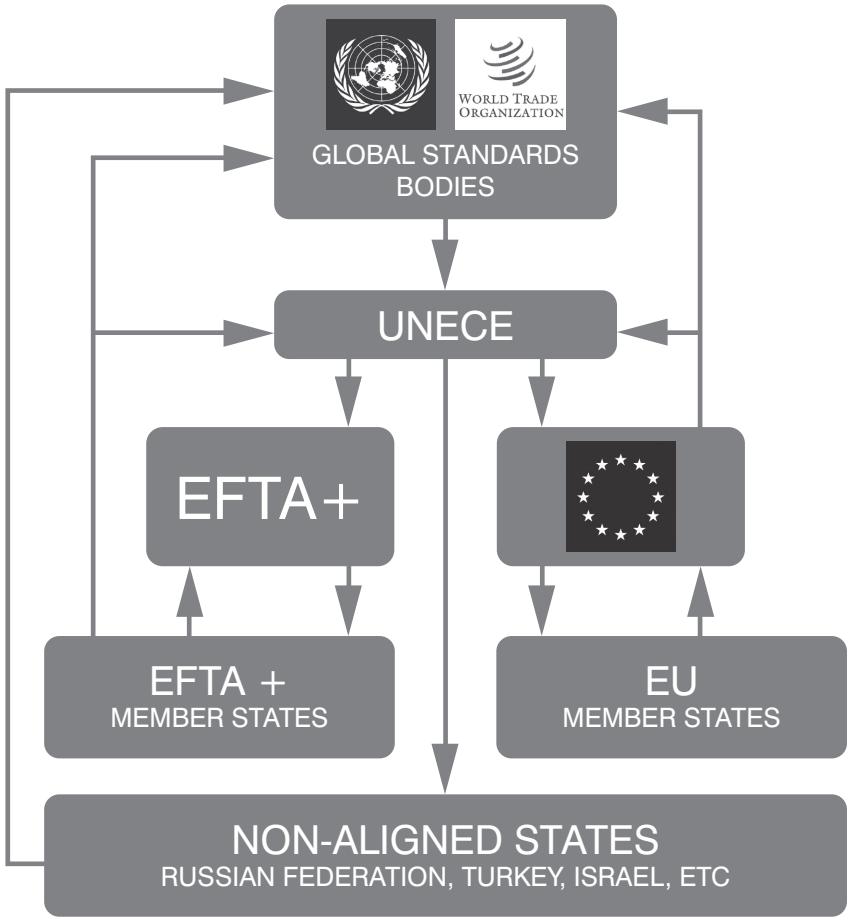

Figure 2: A pan-European single market based on UNECE as the co-ordinating body (simplified lines of communication shown).

In 1948 it was endorsed by Winston Churchill. With others, he argued for the United Nations to be the "paramount authority" in world affairs, but with regional bodies as part of the structure. They would become "the massive pillars upon which the world organisation would be founded in majesty and calm". His New World Order would comprise three tiers – national, regional and global. In the European context, this would include all the nations of continental Europe.

UNECE, not the EU, represents continental Europe. It is now responsible for most of the technical standardisation of transport, including docks, railways and road networks.

With the United Nations Environment Programme (UNEP), it administers pollution and climate change issues, and hosts five environmental conventions covering issues ranging from transboundary air pollution to the Aarhus Convention. Its remit includes "sustainable housing" and agricultural quality standards. It is also a key body in the development of the global harmonised system (GHS) for the classification and labelling of chemicals.

Of great relevance here, the UNECE provides a secretariat for the World Forum for the Harmonisation of Vehicle Regulations (WP.29). This establishes a regulatory framework for vehicle safety and environmental impact. Its work is based on two agreements, made in 1958 and 1998, creating a legal framework for the "type approval" of vehicles and components. These approvals allow vehicles and parts to be traded internationally.

There are currently 57 signatories, including the EU. Non-EU countries include the major vehicle manufacturing countries of Japan and South Korea. UNECE now makes the key vehicle regulations for the EU to adopt, which it then passes on to EU member states.

If UNECE runs the Single Market, it can take advantage of an already well-developed hierarchical structure. Doing so removes entirely the idea of a Europe of concentric circles, where the EU is positioned at the centre, with the peripheral nations in a subordinate position. Instead, the market becomes a partnership of equals.

In terms of building the market, new standards may be initiated at any level but typically they might come from global bodies such as the *Codex Alimentarius* or from non-treaty entities such as the Basel Committee on Banking Supervision.

They might have global effect or apply only to continental Europe.

Either way, standards would be processed by UNECE. As "UN regulations", they would then be adopted by the EU for its Member States and by the UK in accordance with its own national procedures. An EFTA+ secretariat could act as a co-ordinating body for us, perhaps using the consultation structure developed under the EEA Agreement.

Effectively, UNECE becomes the standard-maker for the wider Single Market, covering the entire continent of Europe, or wider if it keeps all 56 members.

The UK, once outside the EU, can raise new issues and place them on the agenda. In all instances, the UK might best expend its efforts in brokering agreements between equals, to avoid the perception of more wealthy nations seeking to impose their demands on weaker partners. That same provision also applies in relations between the UK and the EU.

Any arrangement which casts the UK in a subordinate role, in relation to the EU or any of its member states, is simply not sustainable in the longer term.

Stage 4: Restoring independent policies

Freed from the grip of the EU and no longer bound by the "competences" which form part of the treaties, the UK will be free to rebuild its own policies in a wide range of issues, reflecting its new-found position as an independent nation and a global player.

There is no fixed answer to how new or revised policies will emerge, or what their eventual shapes might look like. This will be determined by the democratic processes of our newly-independent nation. However, by way of illustration, as to what might be addressed, and how we might go about forging new policies, we look at some specific areas.

Specifically, we suggest that the UK will need to re-forge an independent foreign policy, from which a more distinctive defence policy might emerge. As to policy currently, the Foreign and Commonwealth Office argues for Britain pursuing "an active and activist foreign policy, working with other countries and strengthening the rules-based international system in support of values". In this, there is evident a strong element of self-delusion as the FCO continues to assert an independent role. However, outside the EU, this could again become a real objective.

Within that, we might expect European defence co-operation, which has been a central part of UK policy since the termination of hostilities with Germany in 1945, to continue. Traditionally it has been organised via the Atlantic Alliance (NATO), which remains the UK's preferred instrument.

If the EU wants to develop a capability for autonomous action independently of the Atlantic Alliance, Britain could choose on a case-by-case basis as to whether it wants to take part. Cooperation with individual Member States outside the framework of EU treaties can continue – as with the St Malo Declaration on 4 December 1998, when a joint declaration was made by French President Chirac and Prime Minister Tony Blair.

In terms of more general relations, we would expect to retain strong ties with

EU Member States, fostering a good neighbour policy. Co-operation could be achieved by reverting to the so-called Gymnich meetings, as a forum for discussing long-term strategies in an informal setting. Participation is not dependent on EU membership.

Use can also be made of what is known as the "open method of coordination" (OMC). This produces "soft law", most often in the form of opinions, guidelines and codes of best practice. It assists coordination of employment policy, research and development, enterprise and immigration, and social policy.

As to overseas aid, an independent UK will have the freedom to make its own policies. It can use aid to pursue our own policy objectives, such as the relief of migratory pressures in a way that will directly or indirectly reduce unwanted immigration to this country.

The UK is committed to spending 0.7 percent of GDP in this area, equivalent to about £12 billion a year. This includes a contribution to the EU aid budget amounting to about £1.4 billion a year (16 percent of the total spend).

The majority of the money directed to the EU (nearly 70 percent) is part of the UK's contribution to the EU's budget, over which it has no control. Recovering this could ensure that it was better spent and the so-called development impact effectively harnessed.

As to the UK's *modus operandi*, it takes what is called a "selective approach", working on a limited number of policy areas. It has chosen to focus on anti-corruption, transparency, trade and climate change as areas in which to promote the coherence of its policies. Work on anti-corruption has intensified, and work on the environment and climate change has been maintained. In addition, a new cross-government approach is integrating development and security for countries in crisis.

Nevertheless, leaving the EU will not automatically improve UK policy. Inefficiencies will doubtless remain afterwards, unless specific improvements are made. Stopping aid payments to the EU and redirecting them to other areas may be the only immediate effect of withdrawal.

Redirection could, in itself, improve policy coherence. For instance, the UNHCR in 2013 presented a global needs-based budget of US$3,924 million, revised to the unprecedented level of US$5,335 million. Payments to this UN agency instead of

the EU could have a measurable effect in reducing migratory pressure.

However, since the evidence suggests a level of incoherence in policy formulation, the development of linkages with other policy areas would in fact be a continuation of what is currently regarded as the "new" approach. In other words, aid policy is so under-developed, both at EU and national level, that improvements in the administration of aid policy are needed before any benefits accrue from leaving the EU.

Agriculture

The food and farming sector is important to the UK economy, with the whole food chain contributing £85 billion per year to the economy and 3.5 million jobs. In policy terms, it is dominated by the EU and its Common Agricultural Policy (CAP), so its treatment will be an important illustration of how policy in a post-EU world will be handled.

Because the continued export of UK agricultural products to the EU will require a high degree of alignment of EU regulation, and farmers will be looking for continued public support, it is most likely that stability rather than reform might be the immediate priority.

To secure this, the UK might shadow EU policy until the industry is prepared for and could cope with a degree of measured change. Even then, divergence would need to be carefully gauged. As long as the EU remains an important trading partner, we will need to keep equivalence with EU rules. Creating unfair trading advantages within the overall system would prejudice market access.

Given that the current CAP, after successive "reforms" is substantially different from the original policy, there are substantial areas of EU policy which the UK government could support. They include focusing on the EU policy objective of attaining "higher levels of production of safe and quality food, while preserving the natural resources that agricultural productivity depends upon".

What is helpful here is that CAP expenditure for 2014-2020 is frozen at the levels set in 2013 which, in real terms, means that funding will decrease. This is a policy that the UK would have no difficulty shadowing. It would also allow us to focus on reducing some of the overly bureaucratic aspects of the policy.

In seeking to shadow EU policy, one problem that will emerge is that the EU policy itself is constantly changing. Maintaining regulatory convergence will become an ongoing process, and the UK will have to liaise closely with the EU on long-term planning. Autonomy will be restricted if trade is to continue uninterrupted.

These constraints may prove unacceptable in the long-term, or they may be seen as the necessary price of access to the Single Market. Whether to accept them will be a political decision for the future, after the UK has completed the leaving formalities and the system has been allowed to settle down.

It will always be open for the UK to stop shadowing EU policy, or any parts of it. This will apply if new markets can be found for some products, or if export trade is insignificant.

There is also scope for independent action in rural development. Initially, the UK might run its rural policy in parallel with the EU, with no significant differences. Eventually, however, non-agricultural demands might increasingly dictate policy, setting what is known as a "multifunctionality" agenda.

The term "multifunctionality" describes a policy that deals with more than just the strict needs of agriculture. It recognises that rural areas do more than just grow things. The environment, cultural landscape, land conservation, flood control, biodiversity, recreation, cultural heritage and the promotion of small business all come within the ambit of rural policy.

Looking to the longer-term, the best and most persuasive argument against continuing the CAP is the very concept of a *common* policy stretching from the tundra of northern Finland to the arid hills of Athens, and all points in between. The very idea is absurd.

What applies to Europe though, also applies to the United Kingdom. There may not be the same extremes, but there are huge differences between the dairy country of Cornwall and Devon, the green hills of Wales, the arable plains of East Anglia, the lush Vale of York, the barren but beautiful hills of the Pennines and Cumbria, and the extraordinarily diverse Scotland.

Freedom from the constraints of the EU could eventually allow for a fundamental rethink of how we manage (and regulate) agriculture.

Eventually, policy might be devolved to regional and even county level, where

it can be tailored to the specific conditions on the ground. There would then be not one policy, but many. National administrations would limit themselves to providing oversight, strategic direction, and dealing with external trade and international relations.

Fisheries

While there are aspects of the CAP which may be tolerable, at least in the short to medium-term, there are no redeeming features of the EU's Common Fisheries Policy (CFP). Limited reforms have been largely cosmetic and do not address the main flaws in the policy. Root and branch reforms are only possible if we leave the EU.

However, there are many different ways of managing commercial fisheries. No single way is necessarily best. But the UK would be free to look at all possible options, including devolution of fisheries management to local bodies (sometimes called Fisheries Management Authorities, or FMAs).

After the overly centralised CFP, we may prefer this local approach, working within a strategic and legal framework devised by central government. In this scenario, the fisheries ministry would not manage domestic fisheries directly. It would supervise and offer general direction. However, it would handle international relations and manage vessels operating outside the 200-mile limit.

A contentious area within the EU is the choice of scientific advice. Withdrawal permits the UK to choose its own sources, the accuracy, reliability and timeliness of which are crucial to successful fisheries management. The type of data on which management systems are based can also be decided, without having to abide by EU decisions.

Another area that needs addressing is the way policy is implemented by regulations which form part of the criminal code. The effect is to criminalise the industry, creating a situation where even minor technical and administrative infractions are deemed to be criminal offences. It puts fishermen on a par with drug pushers, thugs and thieves. Yet this is an industry where people put their lives at risk in order to provide the nation with a vital food.

An independent UK could use the civil code and contract law. Companies or individuals could contract with the state or the FMAs. We would foresee contracts permitting the exploitation of certain areas of sea, subject to terms and conditions enforceable in the civil courts or specialist fisheries tribunals. This would not exclude the use of the criminal code to deal with fraud and theft.

Rather than relying on the quota system as the primary method of limiting fish catches, the days at sea system could be used. Allocations could be geared to vessel size, target species and style of operation – with incentives for selective fishing capabilities in mixed fisheries.

Combined with the use of mandatory selective fishing techniques and a system of immediate fishery closures based on results from real-time catch monitoring, this removes the need for discarding over-quota fish. Anything which is caught must be landed, and can be sold.

In any system, accurate records must be kept. Something which has eluded the EU, which has been looking for uniform Europe-wide solutions, is the implementation of standardised electronic record-keeping. Freed from EU constraints, the UK could develop its own system.

Physical monitoring is also necessary, through surveillance by fisheries patrol vessels, with random boarding and inspection. This could be augmented by use of on-board scientific observers and compliance officers, plus aerial surveillance with the possible adoption of unmanned aerial vehicles (UAVs) and satellites. These assets can also be used to deal with illegal fishing.

An example of the detail into which policymakers must delve, though, comes with the difficult task of enforcing the prohibition of discarding. This includes "high grading" – the practice of dumping fish already caught to make room for catches of higher-graded fish. Use of statistical models of catch composition for different types of vessel and fisheries is needed to detect the practice.

There then remains the issue of sanctions against transgressors. It is self evident that these will need to be fair, and proportionate. But they must bite when the occasion demands. Without being hampered by the CFP, the UK could use civil code penalties, written into standard contracts.

In a "days at sea" system, the most effective sanction is withdrawal of allocations. Authorities can also place official observers aboard vessels, and charge for them.

For multiple offenders, licences can be withdrawn for varying periods, up to a life ban.

As to costs, UK annual financial contribution to the CFP was estimated at about £40 million, a sum notionally saved by Britain's withdrawal from the EU. It is anticipated that administration and enforcement will progressively become self-funding, affording further savings, delivering an annual saving to the Treasury in the order of £130 million a year.

Environment policy

More so than perhaps any other policy area, environment is an amalgam of international, EU and domestic measures, although new environmental legislation is still a shared competence.

We might expect an independent policy to concentrate more on the national interest, although the Government's Review of the Balance of Competences does draw attention to the difficulty of defining the national interest. This is further complicated by the strong national support for EU environmental laws. National, EU and international interests are difficult to separate.

During a referendum campaign, we need to be aware that promises to slash environmental laws could alienate the "green" lobby and reduce support for an EU exit. Thus, we need to reassure voters that the bulk of environmental law will be kept in place until there has been a "national conversation" on the direction post-exit policy should take.

Furthermore, if we choose the EEA route (Norway option), there is little flexibility in the shorter term to change environmental law. Most legislation is of "EEA relevance". It will have to be carried over or, where necessary, re-enacted without change.

However, that does not stop us from "chipping away" at the more obtrusive and expensive laws, without dismantling the EU's programme. Listed by the European Commission, this covers eleven headings, including: tackling climate change; sustainable development; waste management; air pollution; water protection and management; and noise pollution.

But before there can be effective and representative policy-making in these areas, a major imbalance in the debate must be addressed, where "stakeholders" are very often powerful, international environmental NGOs.

What is not generally realised is the extent to which environmental NGOs and other "civil society" organisations are funded directly or indirectly by the EU. The UK might need to curtail their activities. It would not be sensible to withdraw from the EU without doing this.

After 40 years of integration, though, environmental policy is delivered by a single, integrated system, working as one – through which global initiatives are also channelled. Removal of the EU component would leave a non-functional system, so it will have to be rebuilt before complete separation can be achieved.

Thus, rapid detachment from the EU is clearly not a practical option. Nor, across the board, is it desirable. No moves should be taken unless or until we are certain of what is involved, allowing assessments to be made of the possible consequences of removal, the advantages and disadvantages. These things, rather than the origin of any measure, may need to be the guide to action.

Climate change and energy

Initially an integral component of the environment movement, from the late 1980s, climate change has emerged as a separate policy domain with its own body of law.

Despite the EU's heavy involvement in resultant policy, little change might be expected in the UK after departure from the EU. From its inception, the UK has been the leader in climate change policy. Much of that which forms the core of EU policy was driven by the UK.

In fact, the UK's Climate Change Act 2008 goes further than EU requirements, so the broader UK policy would be largely unaffected by withdrawal. Certainly, as far as Article 50 negotiators might be concerned, there would be little to be lost in the short-term by accepting conformity with the entire climate change *acquis* as part of the exit settlement.

Another crucial element of climate change policy is the way it defines energy policy. Between London – with the Department of Energy and Climate Change

(DECC) – and Brussels, "energy policy" and "climate action" have been merged to become one.

As to UK energy policy, this is currently dominated by the policy imperative of decarbonising electricity production in order to meet the 2050 target of reducing emissions by 80 percent. Leaving the EU would not in itself solve any problems but it would remove any European barriers to reassessing policy. We would, however, still be bound by international commitments.

Nevertheless, there is concern that security of supplies and affordability have not been given sufficient priority in policy formulation, and that electricity supplies are dangerously vulnerable to disruption. Leaving the EU may, therefore, afford the opportunity for a fundamental policy review.

Specifically, we would expect a national debate on whether it is wise to continue pursuing the 2050 target – which is committing us to reliance on renewables (mainly wind) and large-scale nuclear power, neither of which is capable of delivering the power load required at an affordable cost.

Given the freedom to devise our own policy free from constraints, one might expect wider use of local, gas-fired combined heat and power (CHP), together with small modular nuclear reactors, also delivering combined heat and power. We would expect continued deployment of proven demand management techniques, aimed at smoothing peaks and cutting the peak capacity requirement, ongoing support for better insulation and more efficient energy usage.

Clearly, this minimises emissions, but it is not a "zero carbon" strategy. There is thus no point in pursuing the electrification of transport or heating – this simply transfers emissions. If increased energy efficiency could reduce emissions by half, doubling consumption of electricity without decarbonisation would merely restore the *status quo*.

That still leaves room for a small number of large, centralised plants, to provide some base load for the national system, and to provide technology test beds. These form the fourth pillar of the policy. A few large nuclear reactors could be part of the mix, especially if "thorium enabled", so constructed as to allow conversion to use thorium as a fuel.

Coal also should be included in the energy mix, but rather than look to carbon capture and storage (which the government now seems to have abandoned) a new

energy mix might include high-efficiency, low-emissions (HELE) coal plants, bringing efficiencies to well above 45 percent (up from less than 30 percent in older plants).

Using such technology on a national scale might yield higher emissions than alternative technologies. But if it is used to help less developed countries exploit similar systems, global fuel efficiency can be increased and emissions reduced, making real contributions to climate change and energy security targets.

In effect, withdrawal permits the development of rational policy that has a chance of working, and is the best proposition for security of supply. It allows the pursuit of realistic, achievable and desirable energy efficiency targets, as opposed to pursuing unachievable emission targets, the outcome of which risk increasing emissions rather than reducing them.

Financial services

The international origin of much of EU law is no more evident than in the financial sector. Much of the regulation comes to us via the EU but originates elsewhere, mostly at global level.

Key standards-setting organisations include the International Association of Insurance Supervisors (IAIS), the International Accounting Standards Board (IASB), the International Actuarial Association (IAA) and nine other agencies alongside the World Bank and the IMF. At a European level, all of these work with the EU's Frankfurt-based European Insurance and Occupational Pension Authority (EIOPA), and with Member State regulatory bodies.

At a technical level, the G20 works through the Financial Stability Board (FSB). Founded in April 2009, it brings together national authorities, international financial institutions, sector-specific international groupings of regulators and supervisors and committees of central bank experts.

The FSB counts as its members the Basel Committee on Banking Supervision the Committee on the Global Financial System; the Committee on Payment and Settlement Systems (CPSS); the IAIS and the IASB, and the International Organisation of Securities Commissions (IOSCO). This, in effect, is the standards setters' standards setter, at the centre of a web of international bodies concerned

with regulation at a global level.

Significantly, the FSB is chaired by Mark Carney, Governor of the Bank of England. Its secretariat is hosted by the Bank for International Settlements in Basel, Switzerland. This institution shifts the focus of power to Basel, where the global agenda is monitored and steered, with regular cross references to its sponsoring body, the G20.

Such global dimensions again mean that leaving the EU, *per se*, would not entail any significant change in the way financial services were regulated. Furthermore, much the same costs would be incurred. Whatever European issues currently apply, the eventual ambition is to have harmonised global legislation for what is, after all, a global industry.

Furthermore, UK regulators are not ill-disposed to this idea. Unencumbered by the EU, the UK would be a major player in the development of the global regulatory system.

The DIgital Market

Another example of where the UK will have greater freedom to develop its own policy is in the development of the digital market. We include it here, though to show how difficult it is to decouple UK and EU policies and develop an independent regulatory framework.

The "digital market" comprises the physical infrastructure relating to the provision of telephones and electronic communication generally, television and radio, and the content providers, including state broadcasters. But it extends also to the sale of goods and services online (i.e., via the internet).

In one of the most important areas of the digital market – mobile communications – the EU's laws assisted initial development of the current industry standard, GSM – standing for Global System for Mobile Communications (originally *Groupe Spécial Mobile*). But the actual standard emerged through intergovernmental co-operation and industry initiatives.

Now that the system is truly global and is being exploited internationally, the EU is no longer a dominant player and the UK gains no special advantage from membership. Systems and technology are so complex and developing with such

rapidity that the regulatory "reach" of the EU is relatively limited. We need to work at a global level and also with the private sector, which is driving the development of many standards.

This has seen the growing phenomenon of Transnational Private Regulators, where non-governmental bodies regulate the conduct of private actors across jurisdictional boundaries. Additionally, we are seeing the emergence of global "super regulators" in the form of the World Standards Cooperation Alliance, which was established in 2001.

The industry works primarily though voluntary standards. This makes the digital market an excellent example of how we will be developing outside the EU. And independent Britain will be working with these bodies, and in particular the International Electrotechnical Commission (IEC), the International Organisation for Standardisation (ISO) and the International Telecommunications Union (ITU).

Outside the EU, we should experience no problems as this cutting edge industry is also pioneering what amounts to a revolution in technical regulation. The driver of change has been the UNECE, which has been developing and continues to develop an "International Model" of regulation, through its WP.6 (Working Party on Regulatory Cooperation and Standardisation Policies).

This has a far wider application than the digital market, and points the way to the future. The Working Party creates a forum for dialogue among regulators and policy makers, where a wide range of issues is discussed, including technical regulations, standardisation, conformity assessment, metrology, market surveillance and risk management.

It makes recommendations that promote regulatory policies to protect the health and safety of consumers and workers, and to preserve our natural environment, without creating unnecessary barriers to trade and investment. While they are non-binding, they are widely implemented in UNECE member states and beyond, setting the global standards for a range of industries.

In the telecoms industry, the "International Model" relies on the WTO Agreement on Technical Barriers to Trade (TBT), creating a framework for the practical implementation of technical harmonisation. It draws on existing schemes for good regulatory practice, as catalogued by the WTO. Organisations

involved include APEC, ASEAN, OECD, UNECE and the World Bank.

The "model" provides a set of voluntary principles and procedures for countries wishing to harmonise technical regulations. Some international regulations exist, but they tend to be cumbersome and over-detailed. They are difficult to prepare and to amend once in place.

The new system, under the aegis of UNECE, brings interested countries together to discuss and agree a regulatory framework. This is then turned into a "common regulatory objective" (CRO). For the detailed requirements that implement CROs, international standardisation bodies are used. They provide a forum for all interested parties (including regulatory authorities), and have established a degree of trust at international level.

On a procedural level, when the need for regulatory convergence has been identified and supported by governments, the "model" opens up a dialogue on how safety, environmental or other legitimate requirements can be met by technical regulation.

This discussion identifies "agreed and concrete legitimate concerns", which become the "common regulatory objectives". Countries then agree which existing international standards could provide for technical implementation or, where necessary, they call for new standards. These are then implemented using the principles in the WTO/TBT Agreement.

Effectively, this new system binds together the relevant "top tables", at which the UK can readily participate, without needing EU membership. It is so flexible that Britain leaving the EU actually improves its ability to influence regulation on a global scale.

Stage 5: Trading with the rest of the world

Britain outside the EU will be able to craft its own external trade policy. In this, it could act independently, it could act with EFTA, or it could work through *ad hoc* alliances.

There are sometimes gains to be made from negotiating as part of a formal bloc, not least for the protection afforded in times of financial crisis. There are also disadvantages to formal collective action, so the UK government should keep its options open, keeping the advantages of EU membership while minimising the disadvantages. It also needs to avoid the downside of being an independent actor, while making the most of opportunities presented by changes in global trading patterns.

The best way to do this is to keep policy as flexible as possible. Trade doesn't have to be locked into formal free trade agreements, and nor do agreements have to be permanent or geographically-anchored. They can involve *ad hoc* alliances with blocs such as the Cairns Group, and can cover groups of geographically unrelated countries.

To stay influential, Britain will need to re-acquire skills and capacity for working with the global community – this may take a little time. Then, arrangements negotiated must be compatible with Britain's new-found independence, and be politically sustainable. In this respect, the government may find itself confronting major reforms in foreign and trade relations that are heavily influenced by domestic policy. This may become a crunch issue.

The essence of the supranational EU is that legislation agreed in Brussels is binding and superior to national law. The longstanding distrust of this system will require that new relationships are based on an intergovernmental model.

Whatever provisions are made, Britain will remain party to a bewildering multiplicity of agreements. Only some deliver actionable instruments. OECD members, for instance, agree legally binding directives, similar in manner to EU. Such instruments will then have to be processed into useable law.

With the UK having become an independent nation, it rather than the EU will be doing this job, with the risk of divergence from standards applied elsewhere in Europe. We will, therefore, have to continue close liaison with the EU and other parties, to ensure that harmonisation is maintained.

An important part of any post-exit settlement will be the formalisation of trade relations with the United States. Depending on the timing of British exit negotiations, the Transatlantic Trade and Investment Partnership (TTIP) will be in progress or may have come to a conclusion.

However, there is no certainty that a TTIP talks will be successfully concluded but, if they are, Britain will be drawn into the slipstream of the process which will facilitate global trade generally. Developments in the WTO may accelerate this process.

Putting all the requirements for an effective trade policy together, we can link them to emerge with an eight-point programme.

The first action is to continue the process of regulatory repeal and replacement, initiating a fundamental review of the entire legal framework. The second action is to make improvements to the regulatory system. In many instances, that involves changing the philosophy of regulation, creating different, less onerous ways of achieving results.

The third action is to grip the unparalleled surge in transnational organised crime (TOC), estimated to have cost roughly 3.6 percent of the global economy, or $2.1 trillion (USD) in 2009. This is undermining the entire global trading system.

Therefore, no sensible trade policy can be complete without measures to reduce system vulnerabilities and improve enforcement, all directed at reducing crime. There is no point is freeing trade and reducing "red tape" if the main beneficiaries are criminals.

The way forward is to integrate controls and restraints into the regulatory and administrative systems, giving them higher priority than is currently afforded. Costs of potential criminal activity should be factored into assessments of the cost-benefits of trading arrangements.

The fourth action is continuing the global programme of regulatory convergence – aligning trading law. In this, we need to distinguish between

enabling and proscriptive legislation, keeping the laws which facilitate trade and removing those which unnecessarily stop people doing things.

As part of this, far greater account needs to be taken of the little-known but massively important phenomenon of regulatory hysteresis. This is a divergence effect which happens when agencies in developing countries are presented with complex laws that they find too difficult to enforce. In this case, harmonising laws can have the reverse effect on the ground. More emphasis needs to be placed on convergence through better enforcement.

Action five requires addressing the resolution of trade disputes. In many respects, trade agreements are no better or worse than the dispute systems on which they rely. Investment in better or more equitable systems is, therefore, worthwhile.

Dispute resolution is becoming the fault line between advocates of bilateral free trade agreements and the WTO/UN-administered multilateral rule-based system. It is argued that improved dispute resolution could be more cost-effective than increased regulatory convergence and harmonisation inherent in modern "second-generation" free trade agreements.

Undoubtedly, better systems would ensure that trade law was more uniformly applied, but there is unease over the growing remit of international courts and quasi-judicial bodies, while some proposals are provoking fears of a "corporatist power grab". There is actually no best system, so the topic is wide open to debate and an independent Britain could take an active part in it.

The sixth action focuses on "unbundling". This means moving away from large scale free trade agreements such as TTIP which promise much but which often deliver little. Instead, we negotiate smaller, more manageable deals ("unbundling") covering single sectors or even small groups of products. This is sometimes known as the "single undertaking" approach. When agreed bilaterally, they are similar in principle to Partial Scope Agreements (PSAs), which deal mainly with tariffs.

In determining priorities, we can look for the sectors or products which will yield the greatest benefits. Motor vehicles, electrical machinery, chemicals, financial services, government procurement and intellectual property rights are thought to be the most promising.

	Actions	Target
1.	Regulatory repeal and replacement	Agriculture, fisheries and regional policy – more efficient/localised and less regulation
2.	Better regulatory systems	Risk-related measures; targeted outcomes; emphasis on functionality; better, more timely intelligence
3.	Tackling transnational organised crime	Emphasis on total effect of trade deals; focus on vulnerabilities to crime improved enforcement
4.	Convergance and harmonisation	Targeted activity; high value sectors recognition of regulatory hysteresis; emphasis on cost-benefit
5.	Improved dispute resolution	Development and reform of Investor State Dispute Resolution: greater transparency
6.	Unbundling	Sector-specific deals to reduce TBTs rather than relying on FTAs ... sub-sector deals, if appropriate
7.	Modifying freedom of movement	Development of global policy on migration; global co-ordination on “push” and “pull” factors
8.	Capital and payments control	Restoration of tax sovereignty; reduced money laundering and corruption

Figure 3: The eight-point programme for global trading.

The seventh action covers freedom of movement and related matters at a regional and global level. This is one of the more complex issues. Although, in the shorter term, changes to EEA Agreement are not anticipated, we do have greater flexibility in managing the flow of migrants from the EU.

But EU issues are less important than dealing with ECHR provisions, international conventions and other agreements. In order to resolve issues, the UK needs to be fully engaged at a global level. It also needs to integrate diverse policies, where they have impacts on "push" or "pull" factors.

Insofar as there is a correlation between prosperity and population stability, and a further correlation between international trade and prosperity, it can be argued that international trade policy is one means by which migration pressure can be reduced. Currently, with trade policy ceded to the EU, the priority is not directed at containing migrant flows. More usually, the policy intensifies migration pressures, causing an increase in flows to Europe.

To prevent this, an independent Britain needs to be part of the global dialogue. Supplementing local activity on its own specific problems, it needs to be working directly with international agencies such as the Geneva Migration Group and the International Organisation for Migration. And while it needs the freedom to act locally in support of the national interest, effective measures will often need to be integrated with regional and global initiatives.

Finally, in the eighth action covering free movement of capital and payments, it is essential that the UK regains tax sovereignty, to control money laundering and to limit corruption (and transnational organised crime generally), as well as preventing the funding of terrorism.

Stage 6: Domestic reform

The plan so far deals largely with external matters, but leaving the EU also gives us a chance to make domestic reforms. These form the sixth and final stage of our plan.

The driver of reform is the simple premise: there is little point in taking back powers from the EU, only to return them the same institutions that gave them away in the first place.

Further, even without EU influence, the UK is an overly centralised state, so repatriating powers from Brussels only for them to reside in London or one of the other devolved capitals does not improve democracy. The effect of leaving the EU would simply be to swap one ruling élite for another. Ordinary people would not benefit.

In order to improve democracy in this country, a small working group of concerned individuals was set up in Harrogate in July 2012 to prepare a programme, which came to be known as The Harrogate Agenda (THA). This framed six demands, modelled on the Chartist petition of 1836.

THA was not framed specifically with EU withdrawal in mind but it serves as the basis for post-exit reform. The demands are as follows:

1. **Recognition of our sovereignty:** the peoples of England, Wales, Scotland and Northern Ireland comprise the ultimate authority of their nations and are the source of all political power. That fact shall be recognised by the Crown and the Governments of our nations, and our Parliaments and Assemblies;

2. **Real local democracy:** the foundation of our democracy shall be the counties (or other local units as may be defined). These shall become constitutional bodies exercising under the control of their peoples all powers of legislation, taxation and administration not specifically granted to the national government;

3. **Separation of powers:** the executive shall be separated from the legislature. To that effect, prime ministers shall be elected by popular vote; they shall appoint their own ministers, with the approval of parliament, to assist in the exercise of such powers as may be granted to them by the sovereign people of England, Wales, Scotland and Northern Ireland; no prime ministers or their ministers shall be members of parliament or any legislative assembly;

4. **The people's consent:** no law, treaty or government decision shall take effect without the consent of the majority of the people, by positive vote if so demanded, and that none shall continue to have effect when that consent is withdrawn by the majority of the people;

5. **No taxation or spending without consent:** no tax, charge or levy shall be imposed, nor any public spending authorised, nor any sum borrowed by any national or local government except with the express approval the majority of the people, renewed annually on presentation of a budget which shall first have been approved by their respective legislatures;

6. **A constitutional convention:** Parliament, once members of the executive are excluded, must host a constitutional convention to draw up a definitive codified constitution for the peoples of England, Wales, Scotland and Northern Ireland. It shall recognise their sovereign status and their inherent, inalienable rights and which shall be subject to their approval.

Given that the EU is slated as an anti-democratic construct, the reforms proposed are directed towards strengthening democracy. The word stems from the Greek, *dēmokratía*, comprising two parts: *dêmos* "people" and *kratos* "power", meaning "people power". Without a *demos*, there is no democracy. But if people have no *kratos*, there is no democracy either.

The current system is based on "representative democracy", where MPs have the power and are held to account in periodic elections. However, general elections can turn on as little as four percent of the electorate, decided by floating voters in marginal constituencies. In by-elections, an MP can be returned by less

than twenty percent of the electorate. Local elections routinely engage even less of the electorate.

In practice, power is diffuse. Even once we have left the EU, it would be shared by unaccountable local administrations, by the executives (governments) based in the capitals of the United Kingdom, and their agencies. MPs and most certainly councillors individually have very little power. This is rarely exercised independently on behalf of the people. Mostly, politicians follow their party whips, the power residing in the party system.

These and other defects suggested that maintenance of the status quo following UK withdrawal is not an option. Rather, it was considered that the nation should rely more on the system of direct democracy adopted by the Swiss which, with other attributes, formed The Harrogate Agenda. This is what we propose as the mainstay of our domestic reform.

Conclusion

Summarising the salient points of this "Flexcit" plan, we must stress once again that the plan must be taken as a whole. It is greater than the sum of its parts.

Crucially, we go further than simply focusing on the exit, dealing with two important issues. Firstly, no exit option is ideal. None provides a complete solution for a post-exit Britain. Secondly, negotiating an exit through the Article 50 procedure is only the start.

Joining the (then) EEC by adopting the Treaty of Rome was the start of a process of economic and political integration. Leaving the Community is likewise only the start of a process, one of divergence from the EU. It permits us to take our own path for the decades to come.

Dealing with our exit as a process rather than an event makes "Flexcit" unique. Whether we adopt the "Norway option" or some other exit solution, it will only be a stepping stone. Ours is a strategy of flexible response and continuous development. It is flexible in the sense that we allow for a range of responses in order to accommodate the uncertainties with which negotiators doubtless will be presented.

Furthermore, although we offer several exit options, we don't rely on any one. If, for whatever reason, the EFTA/EEA route is not open, we have fallbacks.

In looking to a longer-term settlement, we seek the creation of a genuine, Europe-wide single market, relying on the Geneva-based UNECE rather than starting afresh and reinventing the wheel. We aim to break the already weakening grip of Brussels and work at regional and global levels.

The six stages make Flexcit what it is. In stage one, we leave the EU. Moving to

stage two, we deal with immigration and asylum. Stage three looks at a genuine European single market, breaking free from the EU-centricity of Brussels and building a European village where every "house" is equal. In stage four, we rebuild independent policies, and stage five has us reinvigorating global trade, adopting an eight-point programme.

The sixth stage deals with domestic reform. Simply to withdraw from the EU and hand over the powers acquired by Brussels back to the parliament that gave them away in the first place is not a particularly attractive proposition. We must strengthen democracy in the UK, and stop our representatives ever again handing power to a supranational body.

With that, we have a continuous process of improvement and development. Like political integration, it never ends. Unlike political integration, it gets better all the time.

This pamphlet summarises the online book, Flexcit, setting out how the UK can leave the European Union. It is intended to show that an orderly exit is plausible and practical and can be largely risk-free. This is the précises of the definitive EU exit plan for Britain.

Our vision is for a United Kingdom as a self-governing, self-confident, free trading nation state, releasing the potential of its citizens through direct democratic control of both national and local government and providing maximum freedom and responsibility for its people.

Title: Flexcit
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