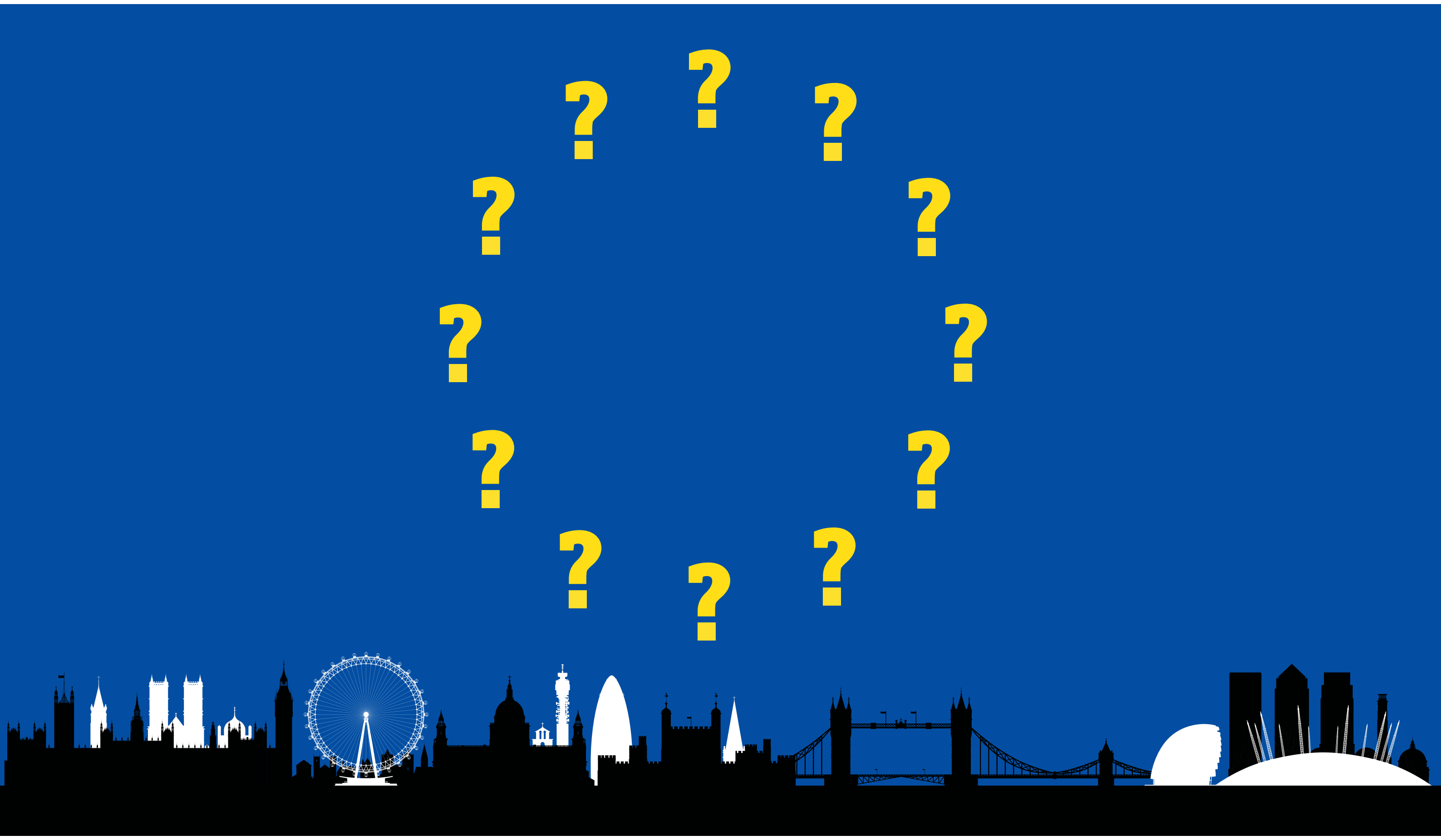

Help or hindrance?

The value of EU membership to London business

LONDON CHAMBER of COMMERCE AND INDUSTRY

CONTENTS

London Chamber of Commerce and Industry (LCCI)

LCCI represents London businesses' interests to the Mayor and the GLA, national Government, Parliament and other relevant stakeholders. LCCI's research focuses on business-related matters led by the views and experiences of our member companies and is characterised by its independence and solution-focused approach.

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LCCI would like to thank everybody that contributed to this report.

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FOREWORD

The relationship between the UK and the European Union has never appeared harmonious and the economic crisis has brought into sharp focus the simmering tension between London and Brussels. The Prime Minister's recent commitment to seek to renegotiate the terms of UK membership of the EU promises to make for an intense debate.

London businesses broadly agree with the Prime Minister that there is a need for reform and that for EU membership to be meaningful it must work for them. While welcoming being part of the single market, the functioning of that market needs to be reviewed and renewed.

Many of the companies we speak to talk about regulations emanating from Brussels which are both costly and time-consuming especially for small and medium sized businesses. They need to be able to trade freely in a competitive European marketplace.

It may be that the UK's relationship with the EU will be remodelled. Certainly a reformed EU with a strong focus on trade, enterprise and competition would help drive economic growth, increased employment and greater prosperity in London and in other EU capitals.

This report is an attempt to rise above the emotion that the EU provokes and move towards an evidence-based assessment of the impact and value of continued UK membership of the EU. It is a contribution to the debate that is now before us – one that the business community needs to be fully involved in.

Colin Stanbridge, Chief Executive, London Chamber of Commerce and Industry (LCCI)

1. EXECUTIVE SUMMARY

In January 2013 Prime Minister David Cameron announced that, subject to the Conservative Party winning the next General Election, he would seek to renegotiate the UK's relationship with the European Union (EU) and then hold a referendum on whether or not the UK should remain or leave the EU altogether. In his speech the Prime Minister asserted that there were a number of challenges in the functioning of the single market that need to be addressed in order to make the EU work to the advantage of British businesses.

While recognising the benefits of being part of a single market of over 500 million people, London Chamber of Commerce and Industry (LCCI) broadly agrees with the Prime Minister that the nature of the UK's current relationship with the EU is not satisfactory and the economic potential of the single market is not being realised. This must change. However, LCCI is clear that being part of a reformed EU is in the long-term interests of the UK.

The aim of this report is to rise above the emotional responses that arise when the UK relationship with Europe is discussed and present a clear, evidence-based assessment of the benefits of EU membership to London business.

Based on a survey of 130 London businesses of different sizes and sectors conducted in March 2013 and 13 in-depth interviews with business representatives, our report found:

- 52 per cent believed that remaining within the EU under the current terms is not desirable
- 60 per cent believed that remaining in the EU but with specific powers transferred back from Brussels to London would have a positive business and economic impact
- 62 percent believed that competence over employment legislation should be transferred back to national governments

The prevalent view of LCCI is that the benefits of continued EU membership outweigh the disadvantages. As a result, we ask the Government to consider the following points:

(i) Business supports the Prime Minister's assertion that maintaining the status quo is not an option

More than half of London businesses believed that remaining within the EU under the terms of the current relationship would have a negative impact on their business and on the UK economy.

London businesses view the European single market as an integral benefit of EU membership. However, there is a clear view from businesses that the process of building a true single market is still not complete, with barriers such as inconsistencies in the way regulations are implemented remaining in a number of sectors, particularly services.

The UK Government must relentlessly drive efforts to advance single market harmonisation to ensure a level playing field across Europe, while demanding that the European Commission actually enforces EU regulations consistently across member states.

(ii) There is an appetite for transferring powers from Brussels to Westminster

The majority of London businesses believed that remaining within the EU but with specific powers transferred back from Brussels to London would have a positive business and economic impact.

EU regulations are among London businesses' top concerns. Although businesses agreed that product harmonisation plays a major role in removing barriers to trade, almost two thirds of London businesses believed that competence over employment legislation should be returned to national governments. Financial services are a particular area where EU-driven regulation has been perceived to have an increasing impact on London's economy.

To give certainty to London business, the UK Government needs to identify the areas that it will seek to negotiate on with Brussels at the earliest opportunity. Alongside this, the Government should seek more frequent reviews at the EU level on the applicability of business regulations.

(iii) Leaving the EU would damage the UK economy

Complete UK withdrawal from the EU is the least preferred option of London companies, as the majority believed this would negatively impact their business and the UK's economy.

EU member states constitute more than half of the UK's trade and the EU's single market enables UK companies to reach a much larger pool of customers, partners, suppliers and labour, effectively making EU countries an extension of the domestic market. If the UK were to withdraw from the EU, it would need to agree new trading terms with the remaining EU countries, as well as to renegotiate all free trade agreements that the EU has reached with countries across the world. This would involve periods of uncertainty harming UK business growth and foreign direct investment.

To shape a productive debate, the UK Government should produce and bring forward an economic analysis of the potential alternative arrangements to continued EU membership to enable London business to arrive at informed opinions.

(iv) Restricting EU migration would risk skills shortages in London

While the immigration debate is an emotionally charged issue, all evidence suggests that migration benefits London's economy. EU workers in particular are net fiscal contributors, paying more in taxes than they receive in public services. EU migration is vital for the Capital's businesses as EU workers bring many specialist skills that employers struggle to find within the national market, helping economic and business development. If the UK were to leave the EU and adopt a more stringent approach to EU workers, firms' abilities to do business and to compete internationally would be directly affected.

To maintain London's thriving economy, there needs to be a common-sense approach to migration. The Government must move to neutralise the increasingly negative public debate about migrants from other EU countries and promote the economic benefits to the UK of the free movement of workers within the EU.

2. HOW IT ALL CAME ABOUT – A BRIEF HISTORY OF THE UK'S EU MEMBERSHIP

The EU has been a divisive issue in the UK from the very beginning, with every new wave of European integration accompanied by fears of loss of sovereignty and hostile public opinion.

As cooperation through the European Economic Community (EEC)[1] began underpinning its members' post-war economic recovery, the question of whether to join the European project caused divisions not only between the UK's main political parties but within them as well. Generally speaking, while the Labour Party feared its economic policies would threaten UK workers' welfare, the Conservatives were largely in favour of joining the EEC, which they believed would spur economic growth.

After two rejected applications in 1962 and 1967, the UK finally joined the EEC in 1973 under Conservative Prime Minister, Edward Heath. This decision was supported by most British people with a two-to-one majority in favour when the Labour Party came into power and held a referendum on the accession treaty two years later.

While the overriding rationale for joining had been that economic integration would support economic growth, which had dominated the post-war period, the year that the UK joined brought an energy crisis that signalled a period of depression and stagnation accompanied by high inflation. Therefore, the economic benefits of EEC membership did not become immediately apparent and a negative association was henceforth attached to the EEC in British minds.

In addition, as European officials strove towards an 'ever-closer union'[2] and political integration began to be discussed in the 1980s, the British public, and the Conservative Party in particular, grew increasingly Euro-sceptic. They feared that deeper and broader integration through further transfer of competencies to the EEC would lead to a loss of national sovereignty in a number of crucial areas, such as fiscal and social policies.

Baroness Margaret Thatcher was a great supporter of economic integration as a way of promoting competition and open markets, so she signed the 1987 Single European Act creating a single market of goods, services, capital and labour, which she believed would *"be of long-term benefit to British firms"* trading across Europe.[3] However, she was sceptical about extending the use of qualified majority voting (QMV, as opposed to unanimous decision-making where each country can exercise a veto) to areas that went beyond the single market such as taxation, migration and employee rights. In 1979 Thatcher also opposed the Single Exchange Rate Mechanism (ERM) that would have fixed the value of the pound to European currencies and would have reduced the UK Government's control over monetary and economic policy.[4]

The 1992 Maastricht Treaty establishing the European Union (EU) was also met with scepticism in the UK. It added three new areas of integration: monetary union, which would lead to a European Central Bank and a single currency with pooled sovereignty; common foreign and security policy; and justice and home affairs, which were all based on unanimous

[1] The European Economic Community was established in 1957 between West Germany, France, Italy, Belgium, Luxemburg and the Netherlands
[2] The 1957 Treaty of Rome founding the EEC established as its goal to "lay the foundations of an ever-closer union among the peoples of Europe", at http://ec.europa.eu/economy_finance/emu_history/documents/treaties/rometreaty2pdf, p. 2
[3] Margaret Thatcher statement to the House of Commons on 5 December 1985, at http://www.margaretthatcher.org/document/106192
[4] Although the UK joined the ERM in 1990, it was forced to withdraw on 16 September 1992, which became known as Black Wednesday

decisions and explicitly intergovernmental cooperation. In addition, the Social Chapter was added to single market legislation, encouraging improved working conditions and social protection for employees. Following much debate, the UK decided to stay out of many aspects of foreign policy, justice and home affairs integration, as well as the single currency,[5] and was the only member to opt out of the Social Chapter.[6]

European enlargement and the free movement of European citizens across member states, however, has been the aspect of EU membership sparking the most heated public debate in recent years. The inflow of migrants from European countries has led to concerns that they would put pressure on jobs, wages, housing and public services like health and education. This was exacerbated in 2004 when, following the largest EU enlargement to date with the accession of ten Central and Eastern European countries,[7] the UK was one of only three countries not to introduce transitional measures limiting the right of accession citizens to work in the country and received a number of immigrants significantly higher than the official estimations.

UK anxieties about EU transfer of powers further escalated in 2004 when the Constitutional Treaty proposed, among others, to replace all existing treaties with an EU Constitution and adopt an EU flag, motto and anthem, and introduce a new EU President and Foreign Affairs Minister. The aim was to give the EU legal personality so that it could negotiate agreements on behalf of its members. All three main UK political parties promised a public vote on the Treaty in their 2005 general election manifestos, but this did not happen as the Treaty was rejected in French and Dutch referenda before then.

After a "period of reflection", the Lisbon Treaty was drawn up in 2007 agreeing not to replace existing treaties and removing the constitutional symbols.[8] In opposition, the Conservative and Liberal Democrat Parties demanded a referendum on the Lisbon Treaty, but the Labour Government believed most changes were procedural and a referendum was not needed, so the Treaty was ratified in 2008 by parliamentary vote.

In government, the Conservative-Liberal Democrat Coalition passed the European Union Act 2011 which included "a referendum lock" that any further EU Treaties involving the transfer of competences from the UK to Brussels would have to be put to a national referendum.[9] Furthermore, in July 2012 the Government launched an audit of EU competences and how they affect the UK concluding in 2014. British public opinion meanwhile has turned increasingly anti-EU, with 75 per cent of the general public expressing distrust towards the EU,[10] and a majority demanding a referendum on the UK's EU membership.[11]
It is in this context that Prime Minister David Cameron made his speech promising to hold a referendum within the next Parliament on a renegotiated relationship with the EU.

[5] When the Labour Party came into Government in 1997, it established five economic tests on which a decision to join the monetary union would be based. Their assessment was that although the financial services would be able to remain competitive, the economic compatibility, market flexibility, and employment or investment potential were insufficient to join
[6] Although in 1997 Tony Blair's Labour Government signed up to the Social Charter
[7] Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia joined in 2004, which enlarged the EU to 25 members, soon to be 28 with Bulgaria and Romania having joined in 2007 and the accession of Croatia in July 2013
[8] For more details on this please visit http://www.europarl.europa.eu/ftu/pdf/en/FTU_1.1.5.pdf
[9] HM Government (2010): *The Coalition: our programme for government*, p. 19
[10] European Commission (2012): *Standard Eurobarometer 77 Spring 2012: Public Opinion in the European Union*, pp. 89-90
[11] A Policy Network poll of 2044 adults carried out by Populus in April 2012 showed 56 per cent believed there should be a referendum on the UK's EU membership, at http://www.policy-network.net/uploads/media/17/7907.pdf

3. REACTIONS TO THE REFERENDUM PLEDGE

Mr Cameron's speech was addressed at a number of different audiences, from the general British public to politicians across the political spectrum and in countries across the EU. Given the slow rate of economic recovery, however, many have questioned the timing of the announcement as the impact of the referendum debate on UK businesses and international investors is unclear.

Among British parliamentarians, one purpose of the speech was to appease euro-sceptic Tory backbenchers but the Party remained split, with some potentially in favour of a British exit and pro-Europeans warning that would be a mistake. The Liberal Democrat coalition partners have warned that a referendum could threaten the economic recovery, and expressed the belief that the UK should negotiate on individual measures while remaining firmly within the EU's "inner circle".[12] Meanwhile, the Labour Party has come out against an in/out referendum in the near future although not ruling one out "when the time is right",[13] and Mr Cameron's promise of a referendum has failed to halt the popularity of the UK Independence Party (UKIP), as seen at the Eastleigh by-election where the party came second ahead of the Conservatives.[14]

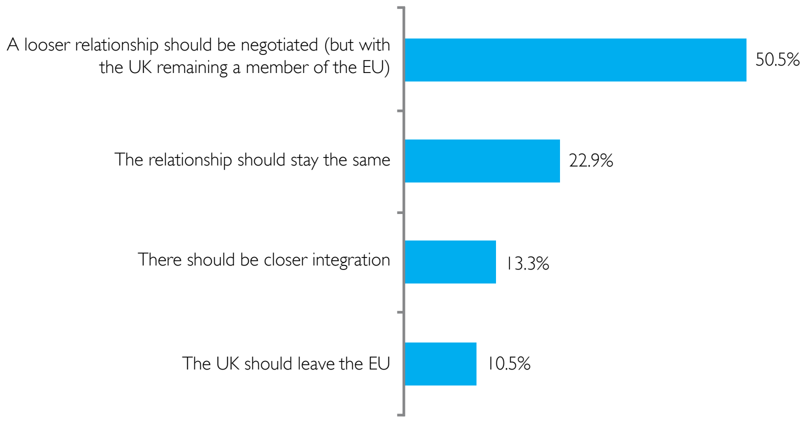
Among the general public, Mr Cameron's referendum commitment was largely welcomed, with 50 per cent supporting it and only 21 per cent opposing it. However, while 45 per cent believed that the UK still benefits from its EU membership as opposed to 34 per cent who did not, given an in-out referendum at the present time half would vote "out" against a third "in".[15] Yet, of those who would vote "out", 59 per cent would "definitely" or "possibly" change their minds if there was a successful renegotiation. To the British public, therefore, the emphasis does not seem to be necessarily on the UK's EU membership but on the conditions of that membership. The result of an in/out referendum seems to depend on the deal that the Prime Minister could potentially reach with his European partners.

Reactions in Europe, however, indicated a difficult road ahead. France and Germany both warned the UK could not "cherry pick" or "do Europe *a la carte*", with French president François Hollande warning that "Europe has to be accepted as it is", although German Chancellor Angela Merkel indicated she was open to negotiating a "fair compromise".[16] Since then, however, both France and Germany have refused to take part in the UK's Balance of Competences Review, which they saw as "a British domestic political exercise".[17] Other member states also warned that they would derail any negotiations and the European Commission's President warned that there was no appetite to reopen existing treaties.[18]

The business community in Britain is divided between the burden of EU regulations hampering their global competitiveness and the benefits of the single market. Thus, according to a 2012 LCCI survey, the majority of London businesses (87 per cent) wanted the UK to remain part of the EU, while only ten per cent wanted to leave the EU altogether (see Figure 1).[19]

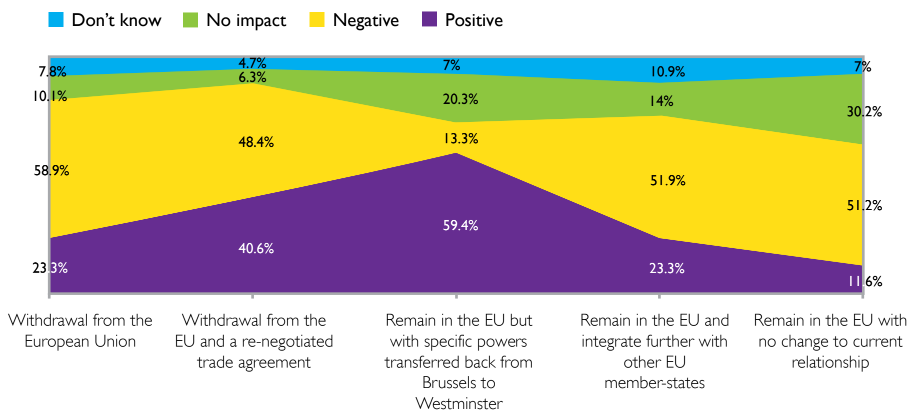
[12] Evening Standard: *Nick Clegg: PM's EU referendum 'not in national interest'*, 27 January 2013 , at http://www.standard.co.uk/news/politics/nick-clegg-pms-eu referendum-not-in-national-interest-8468615.html
[13] Mail Online: *Labour says the time for an EU referendum is coming, but not until the eurozone crisis has passed*, 1 October 2012, at http://www.dailymail.co.uk/news/article-2211281/Labour-says-time-EU-referendum-coming-eurozone-crisis-passed.html
[14] The Guardian (2013): *Eastleigh 2013 by-election: full results and charts*, at http://www.guardian.co.uk/news/datablog/2013/mar/01/eastleigh-byelection-results-2013
[15] According to a poll of 2,114 adults, conducted in January-February 2013 by Harris Interactive for the *Financial Times*. Jim Pickard: *Only one in three wants UK to stay in EU*, 17 February 2013, at http://www.ft.com/cms/s/0/cb2057fc-7917-11e2-b4df-00144feabdc0.html#ixzz2LL8GXgnW
[16] The Guardian: *EU speech: let's talk, says Merkel after Cameron's referendum gamble*, 24 January 2013, at http://www.guardian.co.uk/politics/2013/jan/23/eu referendum-speech-merkel-cameron
[17] The Guardian: *David Cameron snubbed as Germany and France ignore UK survey on Europe*, 1 April 2013, at http://www.guardian.co.uk/politics/2013/apr/01/david-cameron-eu-survey-merkel
[18] Herman Van Rompuy (2013): *Britain in Europe: channelling change together*, Speech at Policy Network Conference. London, 28 February 2013, at http://www.policy-network.net/uploads/media/164/8266.pdf
[19] According to a June 2012 poll of 105 LCCI members. 36 per cent believed the disadvantages around the rules and regulations imposed by Brussels outweighed the benefits of being part of the single market, while an equal proportion believed the opposite

Figure 1: London businesses' views on the most beneficial option for the UK economy in 2012



The referendum speech did not appear to have changed the view of the business community. In March 2013, remaining within the EU but with certain powers transferred back to the UK was still London businesses' preferred option (59 per cent thought this would have a positive effect on businesses and the economy, while only 13 per cent believed it would have a negative effect). Similarly, of all options withdrawal from the EU was believed to have the most negative impact, closely followed by retaining the status quo and further integration (see Figure 2).[20]

Figure 2: London businesses' opinion on the impact of different relationships with the EU on the UK's firms and economic prospects in 2013



The Director of a hotel and conference centre that we interviewed summed up businesses' views: *"ideally we would stay and renegotiate. Leaving would be a last resort as it's never good to completely fall out with someone. But if membership means putting all eggs into one basket and signing agreements which are not in the national interest, maybe we have to reconsider it completely."*

Nevertheless, many in the business community expressed concerns about the impact that the promise of a referendum would have. While some believed that businesses are resilient enough to cope with the uncertainty of a referendum,[21] others thought that the possibility of UK withdrawal from the EU would have a damaging impact on investment decisions and the UK economy more generally. As the Business Development Director of a translation company noted,

[20] March 2013 LCCI survey of 130 London businesses
[21] Institute of Directors (2012): *IoD verdict on Prime Minister's EU speech: 'realistic and pragmatic'*, Press Release, 23 January 2012, at http://www.iod.com/Influencing/Press-Office/press-releases/IoD-verdict-on-Prime-Ministers-EU-speech-realistic-and-pragmatic

"David Cameron's recent stance has created a lot of negative publicity across Europe and the general opinion is that Britain is excluding itself. This is creating a very uneasy environment and ambiguity in terms of long-term planning, which will impact direct investment and hinder business growth in the UK."

A Partner at an accounting and business advice company added: *"if the UK withdrew from Europe, we don't know exactly what the implications would be but I would imagine it would make a really significant difference. If nothing else, at least psychologically it would change outlooks on both sides. Some Europeans will be less keen to do business with UK organisations and companies that come here because the UK is a gateway to the European market, will no longer do so."* Worse still, some believed that if the UK were to withdraw from the EU, it *"would be a less attractive place to do business and multi-national companies might leave the UK, having a potentially very damaging impact on jobs"* (Director of Public Affairs at an international company).

With so much at stake and differing public opinions, it would appear that there is pressing need to put across the business case for continued UK membership in the EU. The rest of this report examines the four key areas where the EU has a bearing on UK businesses – trade, regulations, migration and funding – and whether they have a positive or negative economic impact.

4. TRADE AND FOREIGN DIRECT INVESTMENT (FDI)

First and foremost the EU is an economic union which combines the benefits of a free trade area and a customs union with a common external tariff and competition policy. With no quotas and goods travelling within the EU duty-free,[22] trade and other business transactions have become the main feature of the UK's relationship with the EU. So much so that, despite the fast economic growth of emerging markets, **the EU is still the UK's main trading partner**, with the EU countries comprising around 52 per cent of the UK's total trade in goods and services, in comparison to 5.6 per cent with China and 1.6 per cent with India.[23]

The economic value of this is enormous. In 2011 the UK exported more than £158 billion worth of goods and services to EU countries and imported almost £200 billion. Both have been growing at an average rate of 4.5 per cent over the last decade.[24] For companies in London the balance of trade is tipped slightly towards countries outside the EU, but the latter still forms a significant proportion: in 2011 London had £16.5 billion worth of exports to the EU compared to £18.8 billion outside the EU; and £22.2 billion worth of imports from the EU compared to £48 billion from outside the EU.[25] Trade with the EU is also crucial in terms of employment, as 3.5 million (around one in ten) UK positions rely on it.[26]

As well as enabling duty-free trade, to overcome non-tariff barriers to export, the EU established a single market enabling the free movement of goods, services, capital and labour across member states. In operation since 1 January 1993, it applies the principle of mutual recognition, whereby products legally sold in one member state are allowed to circulate freely throughout the EU.[27] Additionally, the EU works to gradually harmonise technical regulations for either specific sectors (like pharmaceuticals, chemicals or automobiles) or for larger families of products or hazards (like flammability), greatly reducing businesses' compliance costs and simplifying access to other markets.

[22] There are no customs duties within the EU on goods that are in free circulation, that is they have either been wholly produced within a member state or, if produced outside the EU, duty has been paid on entry
[23] Total UK trade (imports and exports) in 2011 was £691.3 billion, of which EU trade was £357.8 billion and non-EU trade was £333.5 billion, trade with China was £38.9 billion and with India £11.3 billion. HM Revenue and Customs (2012): *Summary of Import and Export Trade with EU and Non-EU Countries - Annual 2004 – 2011*, at https://www.uktradeinfo.com/Statistics/NonEUOverseasTrade/Documents/Webtables_2011.XLS
[24] Ibid.
[25] HM Revenue and Customs (2012): *UK Regional Trade in Goods Statistics*, Quarter 2 2012, at https://www.uktradeinfo.com/Statistics/RTS/RTS%20Releases/RtsPRDataTablesQ212.xls
[26] David Lidington MP blog: *20 years of the Single Market*, 15 October 2012, at http://blogs.fco.gov.uk/davidlidington/2012/10/15/20-years-of-the-single-market/
[27] For more details on this, please visit http://ec.europa.eu/internal_market/top_layer/historical_overview/docs/workingdoc_en.pdf

These provisions mean that fellow EU countries are effectively an extension of the domestic market. This makes member countries part of the largest consumer market in the world in terms of GDP (£11 trillion in 2011), with more than 500 million consumers.[28] Being part of a larger market has clear productivity and growth benefits, allowing for greater specialisation on areas the country is relatively better at, thus prioritising resources on them and achieving economies of scale. The single market also increases competition, which leads to lower prices and increased levels of innovation, while the free movement of workers gives employers access to a wider pool of skills and contributes to the transfer of knowledge and technical expertise.[29]

The economic benefits of the European single market are therefore considerable: in its first 20 years of operation it is estimated to have raised EU GDP by 2.2 per cent (or €518 per person) and created 2.75 million additional jobs across Europe,[30] while trade between the UK and EU member states has seen a threefold increase between 1992 and 2006.[31]

However, **the single market has been growing only gradually and it holds more as yet untapped potential.** Harmonisation has progressed through a number of sectors (from children's toys to machinery), but the single market principles of fair access and competition are still to be extended to sectors like energy, services, telecommunications and transport. The harmonisation of these markets could hugely benefit UK companies as their expertise in the area would make them world leaders in their provision.

Take services, for example. This is a sector where the UK, and London in particular, are highly specialised, particularly with regards to the financial and business services sector, and the EU is the largest single export market for UK financial services, generating 38 per cent of the UK's total trade surplus in financial services in 2011. However, while services represent 70 per cent of EU GDP, they constitute only 24 per cent of EU trade.[32] So, were the sector further liberalised, the UK would stand to gain more than countries like Germany and France, where manufacturing represents a higher proportion of GDP than in the UK, with the consequent economic value this would bring.

In addition, a recent government paper found that the complete elimination of all remaining barriers to trade inside the EU over a period of ten years could generate national income gains of around seven per cent of UK GDP.[33] However, **these potential gains for the UK would not materialise if the UK were to leave the EU. The UK's active involvement in driving efforts to advance single market harmonisation is especially important at a time when new harmonisation provisions are being adopted** in areas such as European services standards, electronic payments, and rail passenger services.[34]

The access to the EU single market that the UK provides, combined with factors like its time zone, the English language, legal structure and political stability, is also one of the main reasons why companies decide to invest in the UK and why 26 per cent of international companies choose the UK for their European headquarters.[35] US companies for instance tend to see the UK as *"speaking European with an English accent"* (pharmaceutical consultant), with business practices similar to their own. The UK attracts the second largest stock of foreign direct investment (FDI) in the world after the US with investment from EU countries accounting

[28] HM Government (2012): "The European Union Single Market – what has been achieved in twenty years?" in Centre for Economic Policy Research (Ed.) (2012): *Twenty Years On: The UK and the Future of the Single Market, p. 9*
[29] Oxford Economics (2009): *An Indispensable Relationship: Economic linkages between the UK and the rest of the European Union,* pp. 12-15
[30] HM Government (2012), p. 9
[31] British Chambers of Commerce (BCC) (2009): *Manifesto for 2009 European Elections,* p. 2
[32] BCC (2010): *The European Union in 2020: A business view*
[33] Department for Business, Innovation and Skills (2011): *The economic consequences for the UK and the EU of completing the Single Market,* BIS Economics Paper No. 11, p. 23
[34] These provisions form part of the EU's wider growth strategy for the coming decade, *Europe2020*, as well as the two recently approved Single Market Acts (IP/11/469 and IP/12/1054). For more on this, please visit http://europa.eu/rapid/press-release_MEMO-11-239_en.htm?locale=en; http://ec.europa.eu/internal_market/top_layer/services/index_en.htm, and http://ec.europa.eu/europe2020/index_en.htm
[35] Oxford Economics (2009)

for half of that,[36] and it has been estimated that EU FDI in the UK creates 50-60,000 jobs and safeguards a further 40-50,000 jobs every year.[37]

However, if the UK no longer provided this gateway to European markets, many companies currently operating in the UK might leave the country or scale down their presence, and international companies looking to invest might choose to locate elsewhere. This may affect particularly organisations from emerging economies which have not previously invested in London. In addition, there may be a belief that London-based lawyers and accountants would not have the best expertise in EU regulation in comparison to Brussels, Frankfurt or Paris and *"a lot of people would question if we had the skills and the knowledge, as the UK would be distancing itself from the global market"* (Business Development Director of a translation and localisation company).

London is attractive to international companies in the pharmaceutical sector not only because having a presence in an EU country is a requirement to holding legal titles in Europe and to participating in some EU programmes, but also because the European Medicines Agency (EMA), responsible for the scientific evaluation of medicines developed for use in the EU, is based in the Capital. This is the case for a Swiss-based pharmaceutical consultancy interviewed for this report, whose Director believed that *"if the UK chooses not to be in the EU, I assume that the EMA will need to relocate, along with any direct and indirect associated business that it generates. If this was the case, I would immediately close my UK base and I expect that there are a lot of other non-EU companies which have European offices in the UK that would do the same."*

A UK withdrawal from the EU could also threaten the country's Medicines and Healthcare Products Regulatory Agency's outstanding reputation. As the same Director explained, *"the EMA is a coordinating agency that allows marketing approval in the entire EU, but all the reviewers and coordinators come from the national health agencies that support companies with product development. The UK health authority right now is the agency of choice for companies from many countries and its members are very well respected. It has always been very open to have discussions with companies and their attitude is very constructive – they want companies to have success and they want to give them guidance, so that their products can come on to the market and benefit patients. It's important for the UK to be in the EU because otherwise this interaction would be lost."*

Another implication from being within the EU customs union is its power to negotiate as a single entity on behalf of its members in international trade deals with non-member countries, so membership in the EU facilitates trade not only with member states but also with many other large economies across the world.

The EU currently has free trade agreements (FTAs) with more than 40 countries, including South Korea, Mexico, Chile, South Africa, Egypt and Morocco.[38] In addition, the EU is in the process of negotiating FTAs, which would go above and beyond World Trade Organisation arrangements, with more than 70 countries, including a number of important UK trade partners such as the USA, India and Japan, as well as growing economies like Brazil, Singapore, Malaysia and Vietnam.[39]

[36] EU countries were responsible for 48 per cent of the total inward flow of FDI in 2011, and received 48 per cent of the total outward flow in FDI from the UK. TheCityUK (2013): *Reviewing the case for EU membership: how can the UK manage its relationship with the EU more effectively*, p. 13
[37] Oxford Economics (2009), pp. 43-44
[38] For more on this, please visit http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/agreements/
[39] For more on this, please visit http://trade.ec.europa.eu/doclib/docs/2006/december/tradoc_118238.pdf and http://ec.europa.eu/trade/creating-opportunities/

The economic potential of such trade agreements is immense. For example, it has been estimated that, depending on its depth, a trans-Atlantic trade agreement could increase EU exports to the US by between 16 and 28 per cent, bringing between €68-119 billion a year worth of economic benefits to the EU.[40] This is of particular importance to the UK because the USA is our largest non-EU trade partner, with £30.3 billion worth of imported goods and services and £39 billion (one fifth of all non-EU trade) worth of exported products in 2011 alone.

Should the UK leave the EU, it would not only need to renegotiate trade terms with the EU member states but it would also lose access to bilateral agreements that the EU has with other countries. This includes bilateral air transport agreements (ATA) and air service agreements (ASA), which regulate the right of a country to use the air space of another's. The process of renegotiating all existing EU-brokered agreements is likely to be lengthy and the uncertainty that this would involve would impact business investment.

When negotiating new trade agreements, all interviewees were concerned whether the UK would be in as strong a position as an individual country as it would be as part of a trade bloc: *"if the UK would have to negotiate new trade agreements, it wouldn't be able to do it from the position of strength as a trading bloc but as an individual country. Probably the biggest one would be the EU-US trade and investment negotiation and to get the full benefit of that, we have to remain a full member of the EU. Going it alone afterwards will not be the same"* (Public Affairs Director of an international company). Despite its considerable economic strength, the UK with a population of 70 million would not be able to supersede a trade bloc of 500 million: *"if we weren't part of the EU in the future and there was a new trade negotiation with say Japan, of course Japan would go to the EU first as the larger market. I think it would be unlikely that they would make an exception and let the UK join in on that, we would have to join the queue"* (international trade specialist at a business representative organisation).

The collective power of the EU member states also supports the UK's wider macro-economic position: *"it pays to have clout on the world stage and a market the size of the EU can have more impact than being a small player. It's much easier to take on China when there's a big chunk of us working together than individually. We bring our relationships with the Commonwealth to the table just as France, for example, with North Africa, and this helps all EU partners"* (Director of a promotional merchandise company).

So, if the UK were to leave the EU and had to renegotiate its trade relationships with the remaining member states, what would the alternatives to full membership be?

The UK could maintain a customs union with the EU member states, like Turkey does.[41] This would preserve access to the single market but limit it to certain specific products, so the UK would need to negotiate terms on a sectoral basis. In addition, under a customs union the UK would neither be bound by the EU's social and employment regulations nor by programmes like the common agricultural policy (CAP), common fisheries policy (CFP) or EU-wide regional policy. However, it would still be bound by technical regulation of products, competition, and intellectual property law, as well as by any future external trade deals that the EU agreed, but without any formal way of shaping them.

Alternatively, the UK could become a member of the European Economic Area (EEA), like Norway, Iceland and Liechtenstein. In this case the UK would maintain access to the single

[40] Centre for Economic Policy Research (2013): *Reducing Transatlantic Barriers to Trade and Investment: An Economic Assessment,* London
[41] For more detail on all these options, please see Booth, S. and Howarth, C. (2012): *Trading Places: Is EU membership still the best option for UK trade?* Open Europe

market in goods and services, but in contrast to a customs union, duties would be payable subject to complex rules of origin. Furthermore, although no longer bound to the CAP, CFP or regional policy, the UK would still be subject to EU product harmonisation and employment regulations, again without the ability to directly shape them. This lack of influence is the reason why some businesses were opposed to this option: *"the thing that worries me about coming out of the EU is that, if we want to do any business with the EU at any level, we are not going to go very far unless we comply with any specific requirements that the EU puts out but we would have no influence at all. At the moment, we might think some of the rules are crazy but at least we gave a chance to influence them and to have some flexibility about how we approach their implementation"* (Director of a promotional merchandise company).

Yet, the EEA option is favoured by some on the apparent basis that there would be no financial contribution to the EU Budget. However, while there would be a reduction in the financial contributions, non-EU EEA members still pay on an equal footing with EU member states towards the EU's social and economic funds (see more in the funding section).

Finally, the UK could negotiate a series of free trade agreements with EU member states, like Switzerland which has over 100 bilateral agreements with the EU. However, these trade deals would most likely need to be negotiated with all member states individually, so there would be no guarantee that preferential access would be given to crucial sectors to the UK economy such as services. Most of the benefits of a single market would thus be lost to the UK and, like the EEA countries, it would still have to contribute financially towards EU cohesion funds in order to keep preferential access to the EU market.

Table 1: Alternatives to full EU membership in relation to trade conditions

	Customs union (e.g. Turkey)	European Economic Area (e.g. Norway)	Free Trade Agreements (e.g. Switzerland)
Single market access	Limited to some product categories	Goods and services but duties payable subject to rules of origin	No, dependent on individual agreements
Product technical regulations	Yes, but no decision-making powers	Yes, but no decision-making powers	Yes, but no decision-making powers
Social and employment regulations	No	Yes, but no decision-making powers	No
Common Agricultural Policy, Common Fisheries Policy, regional policy	No	No	No
Financial contribution	No	Yes, towards specific programmes (e.g. cohesion and research funds)	Yes, towards specific programmes (e.g. cohesion funds)

All these options would provide different degrees of economic benefits, but they would involve periods of economic uncertainty and political risk, while losing influence in the development of new EU policies and maintaining a level of economic contribution to the EU Budget. Perhaps because of this, LCCI members were divided on the desirability of UK withdrawal from the EU with a renegotiated trade agreement as an option, as 40.6 per cent believed it would have a positive impact on the UK's economy while 48.4 per cent believed it would damage their economic prospects (see Figure 2). **London businesses were clear, however, that a clean-break withdrawal with no preferential trade arrangements would not be desirable** (59 per cent of surveyed businesses thought this would have a negative impact). Consequently, businesses' preferred option was remaining in the EU with a selection of powers transferred back to the UK. **To shape a productive debate, the UK Government should produce a full economic analysis of the potential alternative arrangements to continued EU membership and identify the areas that it will seek to negotiate on with Brussels at the earliest opportunity.**

5. REGULATIONS

The barrier to economic growth that comes from regulation has always been among businesses' top concerns. So much so that 45 per cent of London businesses thought lobbying central government to reduce the burden of regulation should be the Mayor's top priority,[42] and 36 per cent of firms saw their business cost increased due to new regulations.[43]

There is also a wide-spread belief that a large proportion of UK business regulation originates from the EU, but this is not entirely the case. The EU has the power to legislate in four main areas that impact on businesses: product technical specifications, competition, employment and social policy, and consumer protection. As already seen, the chief aim of EU legislation is to harmonise member state legislation and to remove barriers to competition to maximise the functioning of the internal market. It is binding to all its members and it takes prevalence over national regulations, but the power to harmonise national laws can only be used if this would remove distortions in competition or obstacles to the free movement of goods, services, people and capital across Europe.[44]

The London companies interviewed agreed that product harmonisation benefits businesses: *"being the odd one out makes things more expensive. Having the same product standards – the gradual replacement of bayonet light fittings with screw fittings is a good example – brings economies of scale to the manufacturer and to stockists"* (Director of a promotional merchandise company). Moreover, as a consultant in the pharmaceutical industry added, *"30 years ago we were doing one thing one way in Germany and another way in France but harmonised regulations have helped facilitate product development and marketing. The efforts of the International Conference on Harmonisation (ICH) for pharmaceuticals have helped to harmonise the global industry through a cooperative effort between the US, Japan, and the EU. The EU has made this possible as without that, all individual countries may not have cooperated with the US and Japan."*

However, there are a number of EU regulatory areas that businesses find problematic because they are felt to limit the UK's ability to compete globally. **The EU's drive to strengthen regulation of the financial services in the aftermath of the financial crisis, for example, has led to some legislative proposals that are particularly damaging for London's financial services industry.** To compensate for some of the public investment during the financial crisis, in September 2011 the European Commission proposed a financial transaction tax (FTT) of 0.1 per cent on trading of stocks and bonds and of 0.01 per cent for derivatives contracts. The tax would apply if any party to the transaction in euros is based in a participating member state, regardless of where the transaction takes place. This would affect London disproportionally as it is a major hub for euro trading.

The FTT was finally approved under enhanced cooperation rules by only 11 Eurozone states (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain).[45] Although this might encourage some trade to move from the FTT-affected countries to the UK and others outside it, there may be corresponding reduction in transactions between the UK and FTT states. In addition, it has been found that the FTT could increase the cost of capital for businesses and governments in non-participating EU member states and,

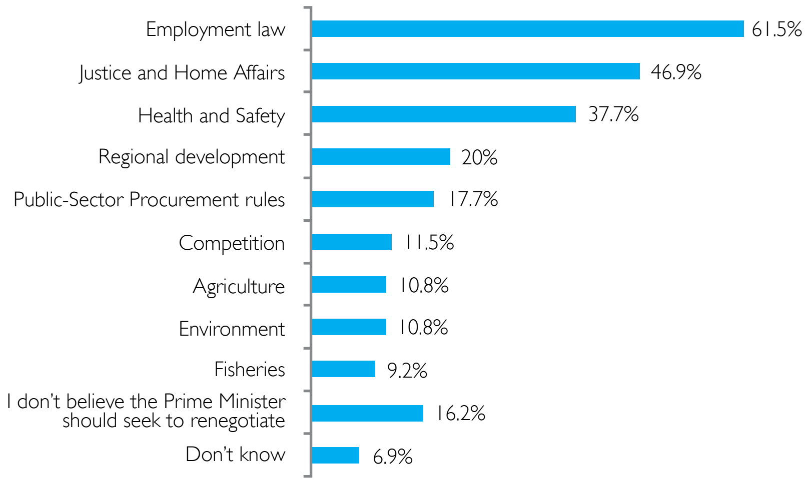
[42] LCCI survey of 156 London business representatives in November 2011
[43] Ibid. It is important to bear in mind that several significant pieces of legislation were introduced that year (e.g. Bribery Act, Agency Workers Directive)
[44] Department for Business, Innovation and Skills (2012): *Government Review of the Balance of Competences between the United Kingdom and the European Union: Call for evidence*, p. 10
[45] Taxation and customs union website, at http://ec.europa.eu/taxation_customs/taxation/other_taxes/financial_sector/index_en.htm

in turn, the cost of investment.[46] This is important to the UK because the financial services sector and related professional services make an enormous contribution to the whole of the UK's economy, amounting to £63 billion (more than 12 per cent of the UK total) and £60 billion respectively paid to the Exchequer a year.[47] The financial services sector is also by far the UK's biggest net exporter, generating a £47 billion trade surplus in 2011, with 38 per cent of this export due to the EU market.[48]

What is more, these EU regulations would not only affect the financial services sector but also many companies in supporting industries that rely on *"a responsible but thriving financial services sector"*. As the Business Development Director of business support services company explained, *"potentially financial services regulations can have a big impact on our clients and therefore in the way in which they deal with us, so we will always be wary of any unintended consequences of the regulations on third parties like us."*

Employment legislation is another major concern for London businesses, even more so as the majority of employment law in the UK originates in Brussels. It is also the top area of competence they believed should be transferred from the EU to the UK's national government (see Figure 3).[49]

Figure 3: Competences that businesses believe should be transferred from Brussels to Westminster as part of a renegotiation process



EU legislation can take the form of either Regulations, which apply directly in all member states from the day they enter into force; or Directives, which require transposition (i.e. incorporation) into national law by member states. Directives are more flexible than Regulations as they oblige member states to achieve a certain result but leave them free to choose the form and means of doing so. The flexibility that the Directives provide allow the UK Government to limit the impact they have on businesses. Nevertheless, any new EU law means an increase in businesses costs both in terms of human and monetary resources.

[46] London Economics (2013): *The Impact of a Financial Transaction Tax on Corporate and Sovereign Debt*, Report for the International Regulatory Strategy Group, City of London Corporation and TheCityUK
[47] Oxford Economics (2012): *The Contribution of Financial and Professional Business Services to the City of London, Greater London and UK Economies*, City of London
[48] TheCityUK (2013): *Key Facts about UK Financial and Professional Services*, p. 12
[49] March 2013 LCCI survey on businesses' views on the UK's EU membership among 130 London firms

The EU's 2008 Directive on temporary agency work (2008/104/EC), also known as the Agency Workers Directive (AWD), stipulated that temporary and agency workers should have the same rights and benefits as permanent employees from day one of their assignment. Businesses in the UK were opposed to the Directive as *"it was contrary to the UK philosophy of a flexible workforce and being able to have people employed on a temporary basis. It was particularly restrictive for businesses that have a very changeable workforce or seasonal businesses that need extra people during Christmas or summer time, for example"* (Partner at a top London-based law firm). The Government estimated this would cost businesses an extra £1.62 billion a year.

However, the AWD allowed national governments to deviate from the basic provisions as long as the social partner, i.e. the unions, agreed. Following negotiations with the TUC, the British Government secured a qualifying period, so that agency workers would have access to collective facilities and amenities such as a canteen or crèche from day one, but would only be entitled to equal basic terms and conditions related to working time, holiday entitlement and pay after a 12 week qualifying period.[50]

The UK also adopted the so-called "Swedish derogation", whereby agency workers who have a permanent contract of employment with an agency and are paid between assignments (at below their usual rate) do not have a right to equal pay, although all other rights to equal treatment (annual leave, breaks, etc.) still apply.[51]

Other EU members also made amendments to suit the local labour market,[52] although some, like Ireland, were less successful in negotiating exemptions. The AWD was implemented in the UK under the Agency Workers Regulations, which came into force on 1 October 2011.

The 1993 Working Time Directive (WTD) (93/104/EC) regulating working times (including minimum number of annual leave days and rest and paid breaks) limited working hours to a maximum of 48 hours a week. UK businesses saw this as overly restrictive, particularly on sectors like food processing and export that deal with perishable goods.

In response, the UK Working Time Regulations (1998) implementing the Directive included exemptions for certain job categories like the emergency services, security personnel and managing executives, and allowed individuals to opt out of the working week limit (but not other provisions of the regulations). In contrast, other European countries have implemented more stringent rules than even those required by the Directive, with France for example limiting working hours to 35 a week, and have attacked the British opt-out, which they see as creating an uneven playing field in Europe.

[50] Trades Union Congress (2012): Equal treatment for agency workers: A guide to the Agency Worker Regulations 2010
[51] Ibid.
[52] For example, France, Romania and Spain removed sectoral bans on temporary work; France and Italy extended the range of contracts that can be offered by temporary work agencies; and Romania and Poland increased the maximum length of agency work assignments. For more information, please visit http://www.eurofound.europa.eu/areas/industrialrelations/dictionary/definitions/temporaryagencywork.htm

In other cases, however, it has been the UK that has implemented EU Directives beyond the minimum necessary to comply with them. This practice, generally known as 'gold-plating', can involve adding procedural requirements, retaining pre-existing higher national standards, increasing reporting obligations or penalty regimes, or implementation before the required date.[53]

Businesses see gold-plating as placing an additional and unnecessary burden, putting them at a disadvantage to their European competitors. However, solicitors that we interviewed explained that **much of the so-called 'gold-plating' problem stems from the differences between the English and continental judicial systems:** *"European law is drafted in a way that works well within civil-code countries such as France and Spain. However, these countries operate a very different legal system from England. Domestic courts in continental Europe have a different approach to interpreting laws from England. So occasionally things need to be explained a bit more under English laws."*

In other words, to suit a variety of domestic circumstances and legal systems, EU Directives tend to be vague but when transposed into English law, additional provisions need to be included to avoid ambiguities on how the regulation applies in different circumstances; *"otherwise they would immediately be referred to the European Court of Justice the first time there is a problem"* (employment law specialist at an international solicitors firm).

The EU Acquired Rights Directive (77/187/EC), regulating what happens to employees when a business or part thereof transfers to a new employer, was first implemented in the UK in 1981. In 2006 this was amended under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) to include the so-called service provision changes. While the original regulations clearly applied to the transfer of a business whose assets were mainly physical (such as plant and machinery), they did not clarify what happened when the principle asset of the business was its workforce, i.e. for services businesses. As such, there was uncertainty as to whether the regulations applied whenever a service was outsourced, brought in house or retendered. As an employment law solicitor explained, *"that in itself was causing huge uncertainty for business that were trying to negotiate a sale and purchase agreement, raising the legal costs."*

Therefore, TUPE was ammended so that the majority of services provision changes were caught by the regulations, bringing many transfers that the original EU Directive did not apply to under TUPE. From a legal perspective, this clarified employers' and contractors' liabilities as *"the rule of law relies upon certainty and this is what the service provision change in TUPE gave, otherwise people would not know what they were getting into"* (employment law specialist at an international solicitors firm). However, TUPE is said to have sometimes prevented failing companies from being successfully restructured. As a result, the Government is currently consulting on whether this provision constitutes gold-plating and if it should be repealed, among other changes to TUPE.[54]

Although over-elaboration of legislation is sometimes required for legal clarity, such examples are rare, as a number of government reviews have shown.[55] In addition, according to some interviewees, stricter interpretation of regulations can stem from businesses' zeal to ensure compliance: *"having worked in HR in a number of EU countries, my impression is that overall businesses in the UK over-interpret regulations coming from the EU. Some HR managers are scared*

[53] European Commision (2012): *Better regulation – glossary*, at http://ec.europa.eu/governance/better_regulation/glossary_en.htm
[54] BIS (2013): *Transfer of Undertakings (Protection of Employment) Regulations 2006: Consultation on Proposed Changes to the Regulations*
[55] See for example Lord Davidson QC (2006): *Davidson Review: implementation of EU legislation,* Final Report; and BIS (2013): *Gold plating review: operation of the transposition principles in the government's Guiding Principles for EU Legislation*

about what comes out and go far beyond what is required in the legislation to exclude the company from any responsibility. Elsewhere it is much more pragmatic" (Business Development Director of a translation and localisation company).

Although *"the idea that gold-plating of employment legislation in the UK is widespread is something of a myth"* (employment law specialist at an international solicitors firm), **the Government needs to consult the business community on the impact of regulatory proposals and better communicate the reasons for amending EU Directives, as well as the minimum levels of implementation to ensure compliance.** In addition, even though we welcome the Coalition Government efforts to avoid early transposition and "copy out" EU Directives,[56] and support its current review on UK statutory legislation,[57] we believe **the Government should include EU rules in its drive to simplify business regulation.**

In addition to stemming gold-plating in new regulation, London businesses expressed concern that past regulations also need to be reviewed and simplified: *"cutting gold-plating on new regulations is not sufficient, as there are still huge chunks of legislation on the books with high levels of our civil service adding onto the basic legislation"* (Director of a promotional merchandise company). The European Commission is currently reviewing existing regulations that impact businesses and looking to simplify the ten "most burdensome EU laws", including data protection, public procurement, working time and other labour market-related legislation.[58] However, **the Government should ensure that the European Commission's review of existing business regulation is extended further and repeated on a regular basis.**

Apart from the process of transposing EU Directives into domestic law, a key variable is the implementation and enforcement of these regulations by other EU member states. In this regard, London businesses believed that **many EU member states do not implement and enforce EU regulations as effectively as the UK does, putting British businesses at a competitive disadvantage:** *"it appears that some of our colleagues in Europe are less likely to be strict about enforcing rules when they feel it's not beneficial to their country, whereas here we are rather keen on doing everything we are meant to do"* (Director of a promotional merchandise company).

An example of this is **the variable enforcement of EU competition rules in the telecommunications sector, which makes it difficult to achieve a true single market in this area.** As the Director of Global Public Affairs at a large telecommunications company explained, *"the role of national regulators is, among other things, to put measures to ensure a level playing field for open competition and to incentivise investment. The Netherlands and the Nordic countries are in better shape, but in some other member states, generally the southern and eastern countries and also Germany and Belgium, national regulators unduly use flexibility in the EU measures to obfuscate and delay. This means that UK-based operators doing business across the EU are placed at a competitive disadvantage to other European operators, who gain fair access in the UK but there is no reciprocal access in their home markets. This hurts jobs, growth and competitiveness."*

Public procurement is another area where interviewees felt some EU member states implement EU rules so as to *"create a more favourable outcome whilst sticking to the law"* (Director of a merchandise company). Although officials cannot discriminate on the basis of national origin, award criteria can be devised in such a way as to give local firms a better chance of winning, for example by basing them on a country's growth and industrial strategy or breaking up large public contracts into smaller specialist contracts, *"which encourage tenders*

[56] HM Government (2011): *Transposition guide: how to implement European directives effectively*
[57] For more details, see the Red Tape Challenge at http://www.redtapechallenge.cabinetoffice.gov.uk/home/index/
[58] European Commission (2013): *Commission wants to simplify life for SMEs by easing the top 10 most burdensome EU laws*, IP/13/188, 7 March 2013, at http://europa.eu/rapid/press-release_IP-13-188_en.htm?dm_i=HIE,1D066,5HQDOM,4M298,1

that will bring sub-contracting work to the area and build opportunities for businesses in the region, so money is effectively recycled" (Director of a merchandise company). Together with this and as the Business Development Director of business services company that works with UK public authorities commented, *"among those who scrutinise public spending, there is consistent concern that the obligatory use of EU procurement procedures leads to poor contracts and to unnecessary costs being borne by bidders and by the procuring authorities alike."*

Public procurement however can play an essential role in promoting local business and innovation. It is perhaps because of this that 18 per cent of London businesses believed that **public procurement competence should be transferred from the EU to national governments** (see Figure 3). The idea is that, since at the moment it is impossible to know whether the fault for poor public procurement outcomes lies with the EU Directives themselves or with UK Government guidance, *"if the UK held full competence to set all public procurement regulations while still upholding bidding access for all EU-based businesses, then at least accountability for securing value for money would only lie with UK policy-makers and the individual procuring authorities"* (Business Development Director of business support services company).

There is little real evidence that the UK implements EU regulations more stringently than other member states as *"if you look at the number of cases when France and Germany have come in front of the European Court for failing to comply with EU directives, it's minimal, whereas the UK has regularly been told by the Court to get implementation right"* (Partner at a top London-based law firm). However, to avoid uneven implementation between EU member states, a stronger emphasis on enforcement is needed. As a pharmaceutical consultant commented, *"enforcement of EU level regulation is extremely important, not only for consumers but also for companies as it ensures things don't go wrong."* **The UK Government needs to ensure that the European Commission effectively oversees the consistent implementation and enforcement of EU regulations across all member states to secure equal access for companies across the EU.**

It is true that *"a lot of regulation introduced because the EU mandated is unhelpful to business in the UK, and would not have been introduced had the obligation to do so not existed; a government freed from the constraints of the EU might well choose to remove many of the more unhelpful regulations"* (Partner at a top London-based law firm), for example parts of the AWD and WTD. Other regulations could also be simplified and diluted, either in terms of imposing minimum service requirements or caps on the levels of compensation available, or by including exemptions from some provisions for SMEs. However, the large proportion of basic regulation like anti-discrimination, maternity rights and health and safety at work would remain. As the Partner at an international solicitors firm said, *"unsuprisingly, there isn't a huge amount of debate whether it is a good thing that disabled people or black people should be given an equal opportunity with regards to employment. One wouldn't say this is holding up our economic growth."*

Furthermore, even if the UK was no longer a full member of the EU, in order to be part of the single market, it would still need to comply with the majority of technical product specifications and employment regulations, just like the EEA countries do but without the ability to influence them while drafted or to take a more flexible approach to their implementation (see previous section). **Even when it comes to regulations therefore, leaving the EU would not be necessarily beneficial to UK businesses, so the Government should continue to promote business interests in European regulations and negotiate the most favourable terms possible, while securing the UK's place in the single market.**

6. MIGRATION

EU enlargement has been one of the most controversial aspects of EU membership due to associated fears that EU migrants take up the jobs of UK workers, drive down wages and put a strain on public services. This has been especially the case following the biggest enlargement of the EU in 2004 when a Home Office commissioned report estimated that net migration from the eight new members states, the so-called EU A8 countries,[59] plus Cyprus and Malta would be between 5,000 and 13,000 per year,[60] when in fact it was 49,000 in the year of accession alone.[61] **The original estimates however were based on the premise that the majority of EU member states would not impose transitional arrangements but in the end only the UK, Ireland and Sweden allowed full access to their labour markets for A8 nationals.**

Yet, are there really reasons to be concerned about EU migration and what do London's businesses think about the issue?

The UK hosts about 2.2 million EU citizens and around a third of them (711,000) live in London.[62] Contrary to popular belief, however, the UK does not attract the highest EU migration of all member states, as Germany, Spain and France have larger EU migrant populations (3.76, 2.6 and 2.47 million, respectively). Moreover, while in some member states EU migrants account for a large proportion of the total migrants (Luxembourg 80.7 per cent, the Czech Republic 80.2 per cent, Ireland 73.2 per cent), in the UK they account for only 31.7 per cent of migrants.[63] Accordingly, of the just under 4.2 million non-UK born workers in the UK, one third (1.4 million) were EU while two thirds (2.8 million) were non-EU.[64] In other words, there are twice as many non-EU workers as there are EU workers. **The majority of UK migration is therefore non-EU.**

Also contrary to recent media reports, **EU workers are much more likely to be employed and less likely to be reliant on public welfare benefits** than both the UK nationals and non-EU workers: employment rates are 71.4 per cent for those born in the old EU member states, the so-called EU14 countries,[65] and 81.7 per cent for citizens from new member states, the EU A8 countries,[66] as opposed to 71 per cent for the UK-born population.[67]

Government welfare data confirms this: of the roughly 1.8 million (non-UK) EU citizens at working age, about 90,000 (about five per cent) are claiming out of work benefits, compared to about 13 per cent of the UK-born population.[68] What is more, EU A8 migrants alone paid in taxes over 35 per cent more than they received in direct and indirect public services. In particular, they were far less likely to claim benefits and tax credits or live in social housing, and they impose less than proportionate costs on the healthcare system, as they are more likely to be young and healthy.[69]

[59] The EU A8 countries are Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia
[60] Dustmann, C., Casanova, M., Fertig, M., Preston, I. and Schmidt, C.M. (2003): *The Impact of EU Enlargement on Migration Flows.* Home Office Online Report 25/03
[61] During 2004-2010, total net-migration of A8 citizens was 353,000. See Dr Vargas-Silva, C. (2010): *Migration Flows of A8 and other EU Migrants to and from the UK.* The University of Oxford Migration Observatory
[62] Dr Vargas-Silva, C. (2012): *EU Migrants in other EU Countries: An Analysis of Bilateral Migrant Stocks.* The University of Oxford Migration Observatory; and GLA (2012): *2011 Census snaphopt: Country of birth, Passports held and National Identity*
[63] Dr Vargas-Silva, C. (2012)
[64] Office of National Statistics (ONS) (2011): *Non-UK born workers – 2011*, at http://www.ons.gov.uk/ons/dcp171776_234559.pdf
[65] Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden
[66] Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia
[67] ONS (2011)
[68] Department for Work and Pensions (2012): *Nationality at point of National Insurance number registration of DWP benefit claimants: February 2011 working age benefits*
[69] Dustmann, C., Frattini, T. and Halls, C. (2010): "Assessing the Fiscal Costs and Benefits of A8 Migration to the UK", in *Fiscal Studies*, Vol. 31, No. 1, pp. 1–41

Moreover, a 2011 study attributed five per cent of the UK's GDP growth between 2004 and 2009 to immigrants from the A8 countries, which amounts to a £4.91 billion boost to Britain's economy.[70] Therefore, **all the evidence suggests that EU migrants are net contributors to the UK public purse, not a drain.** This economic contribution is also demonstrated by the fact that EU residents in the UK are not only more likely to be in employment but they tend to occupy upper middle and high-skilled managerial positions and/or have technical qualifications and work in the skilled trades.[71]

So what attracts employers to European migrants? Employers give many reasons to take on EU workers. Some pointed out that they have "better job-specific or practical skills" (56 per cent), while others emphasized their "work ethic" (34 per cent), or the fact that they are "better prepared for work" (26 per cent) and have "more work experience" (25 per cent).[72] Better attitudes towards work and a readiness to work longer and anti-social hours were also cited by our interviewees. An interview explained: *"we tend to fast-track applicants from Eastern Europe because they tend to have a different attitude and outlook, which is they want to work and they want to get results,"* while the Director of a promotional merchandise company believed *"they have the 'can-do' attitude and willingness to achieve."*

EU workers' different aptitudes to UK workers were a main attraction to most employers, especially in industries that require intricate work. The Director of a promotional merchandise company said: *"a number of our suppliers use Polish or Baltic workers to do quite menial tasks because they cannot get local people to do them. There are tasks like putting print transfers onto mugs that need to be done to perfection every single time because that's what our customers are paying for. We have plenty of unemployed local people but they are not prepared to do the jobs."*

The Director of a hotel and conference centre said: *"hospitality, particularly in London, is a growing industry and it has a high percentage of EU and non-EU workers. In my business the vast majority of employees are non-British and a third are from the EU. For some reason, not enough British people are interested in hospitality as a career. Hospitality is something you need to have a passion for. It's about customer service, making people feel nice. So we recruit the person that has the right attitudes and skills to fill a position regardless of their passport."*

Part of the problem with sectors like retail, leisure and hospitality is their poor image and the belief that they do not offer career progression opportunities. They are generally associated with low-skilled workers and heavily dependent on EU migrants, creating a false association in people's minds between low skilled workers and migration levels. However, as this Director explained, *"the whole discourse about skilled and unskilled workers is false. In my opinion there's no such thing as an unskilled worker. Even a housekeeper is a very skilled job and housekeeping supervisors have to be able to manage complicated inventory and company budgets, and to work under pressure and to deadlines. You also need to have very strong people skills to be able to persuade, influence and motivate them and you can't learn that in the classroom. Unfortunately, soft skills like that tend to be undervalued and for someone to be pigeonholed as unskilled seems very unhelpful."*

[70] National Institute for Economic and Social Research (NIESR) (2011): *Labour mobility within the EU: The impact of enlargement and the functioning of the transitional arrangements*
[71] Oxford Economics (2009), pp. 33-38; and ONS (2011)
[72] Chartered Institute of Personnel and Development (CIPD) (2013): *The state of migration: employing migrant workers*, p. 10

Language skills are also a major advantage of EU workers for whom they *"are part of the package rather than an extra like in the UK"* (Director of a promotional merchandise company). Industries of major importance to the UK economy such as tourism, leisure and hospitality, and translation services, are particularly dependent on language skills. This is also the case for the education sector: *"graduates with language skills are few and far between in the UK, therefore it is likely that a graduate from the EU, who will almost certainly have a minimum of two fluent languages, would be an attractive candidate for us,"* said the UK Regional Manager of an educational travel business, specialising in languages. This ability becomes even more important when linked to other skills: *"our business model is to work with translators who actually live in the country for their language ability and local knowledge. But we also have UK-based EU employees starting as translators and progressing to project management because they have specific ability in that area"* (Business Development Director of a translation business).

An important point frequently overlooked is the foreign workers' contribution to increasing overseas business contacts and trade links: *"when foreign workers return to their own countries they can often maintain links which can be beneficial to both sides"* (Director of a promotional merchandise company). Migrants also complement and even extent the resident workforce's skills and experience as they often train the latter in those skills they have. Their ability to do so plays a major part in a firm's growth opportunities and helps reducing their costs.

Migration numbers are therefore a response to market demand for employees with specific skills and attitudes, and the Government's strict migration policy towards non-EU nationals may be playing a role in the increased demand for EU workers. This situation could be worsened **were the UK to pull out of the EU and adopted a similar skills-based approach towards EU workers as they do towards non-EU migrants**, prioritising high-skilled workers through a variant of the Points Based System. Such an approach **could lead to a shortage of low- and high-skilled workers that a lot of businesses are dependent on, affecting the economy and businesses' ability to trade both nationally and internationally.**

Furthermore, **businesses such as travel and language training providers rely on the free movement of people across Europe not only for employees but also for customers.** As the Regional Manager of an educational travel business said, *"our whole product is largely based on EU citizens being free to travel and learn languages within the EU. The ease of travel across Europe means that we don't need to worry about visas or how long people can stay; it allows us to be flexible and that's one of the selling points of our product."*

A potential exit from the EU and subsequent travel restrictions would also impact significantly the tourism industry, of particular importance to London's economy. The Capital is the most visited city in the world with nearly 15 million international visitors a year and EU citizens make up the largest group of visitors to the UK (71 per cent of the total), having spent £7.8 billion on their visits to the UK in 2011.[73] In addition, 74 per cent of UK residents' visits abroad have an EU country as their destination, and over recent years visits by UK residents to the rest of the EU and by EU residents to the UK have increased.[74]

[73] Visit Britain (2012): *2011 International Passenger Survey Data, Office for National Statistics*, at http://www.visitbritain.org/bounce.aspx?PG=/Images/Full%20pivot%202011%20FINAL_tcm29-31964.xls
[74] Oxford Economics (2009)

This is unlikely to have been the case if European citizens had to apply for visas in order to travel across the Continent.

The importance of EU markets for UK businesses is also clear when looking at the number of flights from our airports to the rest of the world. In 2011, for example, out of 183 destinations (90 countries) served from Heathrow 41 per cent of flights had as their destination a European country, compared to 22.8 per cent to North Atlantic and 29.4 per cent to other long-haul destinations.[75] For Gatwick, two thirds of all 184 destinations served are to Continental Europe. Furthermore, London City Airport in east London serving predominately business passengers with quick transfer links to Canary Wharf and the City of London serves 42 destinations across Europe.[76]

Although the migration debate is a highly emotionally-charged issue in the UK, all evidence suggests that migration benefits the economy and EU migrants in particular are "unambiguously net fiscal contributors".[77] **Leaving the EU altogether would, therefore, have a direct impact on firms' ability to do business, their access to skills and the Treasury's coffers. The Government must move to neutralise the increasingly negative public debate about EU migrants from other EU countries and promote the economic benefits to the UK of the free movement of workers within the EU.**

[75] Heathrow Airport website at http://www.heathrowairport.com/about-us/company-news-and-information/company-information/facts-and-figures. Last accessed 4 April 2013
[76] Centre for Aviation (CAPA), at http://centreforaviation.com/profiles/airports/london-city-airport-lcy. Last accessed 4 April 2013
[77] Dustmann, et. al. (2010)

7. EU FUNDING

To function and implement its policies, the EU requires the financial contribution of all its member states, although five countries – Germany, France, Italy, the UK and Spain – contributed nearly half of the 2012 EU Budget. Each country's payment is divided into three parts: a fixed percentage of gross national income (GNI), currently set at one per cent; a standard percentage of the harmonised VAT income capped at 50 per cent of GNI for each country; and customs duties on imports from outside the EU and sugar levies collected on behalf of the EU (of which national governments keep 25 per cent to cover the cost of collection).

Approved for a period of seven years, the Budget for 2007-2013 amounted to €975.7 billion.[78] Monetarily speaking, **the UK is the third biggest net contributor to the EU Budget after Germany and France.** That is, overall the UK puts in more than it gets out, with a negative balance of €3.3 billion in 2007, €0.3 billion in 2008, €1.6 billion in 2009, €5.4 billion in 2010 and €4.7 billion in 2011.[79] This is so even after applying what is generally known as the "UK rebate", an agreement between the UK and the EU for which the former is reimbursed by 66 per cent of the difference between its contribution and what it receives back from the Budget.[80]

Although always a contentious issue, this year's discussions of the 2014-2020 Budget were more difficult than ever due to the current economic crisis and calls by the UK, Germany, the Netherlands, Finland and Sweden to lower EU spending in line with cuts being made by national governments across Europe. The final agreement of a 2014-2020 spending ceiling of €960 billion, down from an original proposal of €1.047 trillion and the first ever real-terms cut in the EU Budget spending, is expected to save the UK £3.5 billion over the next five years.[81]

Despite this victory, many within the UK still feel we pay too much compared to other countries. It is important, however, to put the EU Budget in perspective. The Budget agreed for the next seven years is less than one per cent of the EU economy and about two per cent of the all EU member states' public spending. Moreover, **the benefits of EU membership cannot be measured only through the direct revenues from the Budget.** As outlined in the trade and FDI section, **being part of the single market benefits the UK disproportionately in terms of increased trade and investment, while providing access to a broader pool of talent and skills, and contributing to the country's tax revenue.**

Nevertheless, the size of the UK's budgetary contribution is a recurrent argument for those wanting to leave the EU. **However, the belief that there would be no financial implications if the UK withdrew from the EU is false.** If the UK were to become a non-EU EEA member, for example, it would still have to contribute financially on an equal footing with EU member states towards EU programmes it would participate in (such as research, education and the environment), and towards the EU's social and economic cohesion funds, despite EEA countries not being beneficiaries of those. Thus, for the 2009-14 period, EEA countries' contribution towards the cohesion funds amounted to €1.79 billion.[82] Having free trade agreements with EU member states would not be free of financial implications either: Switzerland, for instance, contributed around €1 billion to the EU's structural funds, as well as additional funding for a number of other programmes.

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[78] European Commission (2012): *Financial framework 2007 – 2013*
[79] European Commission (2012): *EU expenditure and revenue*
[80] The rebate was negotiated in 1984. Back then 70 per cent of the EU Budget was directed to farm subsidies of which the UK got a very small share. Moreover, the formula to calculate the Budget was unfavourable to the UK due to its emphasis on VAT-related income. In 2011 the rebate amounted to €3.6 billion euros. BBC (2013): *Q&A: EU budget battle*, 8 February 2013, at http://www.bbc.co.uk/news/world-europe-20392793
[81] Although a weak pound may mean that the saving is worth less to the UK in real terms. Office for Budget Responsibility (2013): *Economic and fiscal outlook: March 2013*, p. 138
[82] Mission of Norway to the European Union website, http://www.eu-norway.org/about/ . Last accessed 5 April 2013

Moreover, **the UK benefits from a range of EU programmes and initiatives that contribute to enhancing the country's economic performance as a whole.** In this sense, two programmes are of particular relevance for the UK at a time when the Coalition Government is focusing its efforts on rebalancing the economy across regions and sectors: the European Regional Development Fund (ERDF) and the European Social Fund (ESF). Part of the EU's efforts to support regional development and to reduce structural imbalances within and between its members, they account for over one third of the EU Budget.

The ERDF aims to promote innovation and business growth, as well as cross-border and inter-regional cooperation. Between 2007 and 2013 it has invested €2.8 billion in the UK, although its real-terms contribution has been greater as it match-funds up to 50 per cent of the eligible costs of projects which otherwise would not happen. Managed by the Greater London Authority (GLA), the London region was awarded €181.9 million (around £158m, £330 million including match-funding) from the ERDF,[83] with more than half of it going directly to businesses and the remainder being spent in improving employment areas and developing employees.[84] The type of projects vary hugely and as examples over the last six years, the ERDF has assisted the printing industry to become more environmentally friendly, improved SMEs' take-up and commercial exploitation of new technology, increased access to investment capital and growth for entrepreneurs from under-represented groups, and helped the fashion, jewellery and accessories sector to identify and realise their export potential.

Running between 2009-2012, the Built to Compete project supported a total of 140 Croydon-based SMEs to develop their bid and tender writing skills and increase their ability to gain contracts from major buyers. Co-funded by the London Borough of Croydon and £300,000 from the ERDF, the project was delivered through one-to-one procurement support and advice, workshops and meet-the-buyer events. As a result of *Built to Compete*, 33 additional jobs were created as a number of participants SMEs successfully bid for contracts with big companies.[85]

The ESF on the other hand focuses on creating employment to ensure social inclusion and a skilled and adaptable workforce. To achieve this, the UK has received €3 billion (around £2.6 billion) for the 2007-2013 period, to be invested in 14 regions.[86] For this period, London has been awarded £410 million (£840 million including match-funding), which the GLA has invested in programmes supporting self-employment and access to health and childcare, engaging people in employment opportunities, providing training in a variety of areas such as construction, raising aspirations among young people, or working with parents and homeless people to get them back into work.[87]

[83] Department for Communities and Local Government (2013): *European territorial cooperation programmes*, at http://www.gov.uk/european-territorial-cooperation-programmes; and GLA website: *London and European Structural Funds*, at http://www.london.gov.uk/priorities/championing-london/london-and-european-structural-funds. Last accessed 5 April 2013
[84] Mayor of London: *London ERDF operational programme: 2007-2013*, at http://www.london.gov.uk/sites/default/files/London%20ERDF%202007-2013%20Operational%20Programme.PDF
[85] GLA website: *ERDF projects*, at http://www.london.gov.uk/priorities/business-economy/championing-london/london-and-european-structural-funds/european-regional-development-fund/erdf-projects. Last accessed 5 April 2013
[86] GLA website: *London and European Structural Funds*, at http://www.london.gov.uk/priorities/championing-london/london-and-european-structural-funds. Last accessed 5 April 2013
[87] For more information on these and other programmes, please visit http://www.dwp.gov.uk/esf/esf-in-action/esf-projects/

The *City Gateway* project, based in East London and part-funded by the ESF, runs training courses for young people and women to help them into employment. *City Gateway* apprenticeships and training programmes support 300 young people each year into permanent employment or brings them closer to achieving it, helping not only the individuals taking part but also benefiting their families and communities.[88]

The Seventh Framework Programme for Research and Technological Development (or FP7) is also of huge importance to the UK, as it is the second highest benefactor, receiving €840 million in 2011 alone of a total budget of €50.5 billion for the 2007-2013 period.[89] FP7 is the EU's main instrument for funding research and development (R&D), and it encourages collaborative research across Europe and other partner countries and support for researchers' career development. It distributes R&D grants to businesses and research organisations as well as research consortia. For example, €5.3 million has been awarded to the Plasticise project involving the University of Cambridge, University College London, GlaxoSmithKline and international partners researching new treatments to restore plasticity of neural connections in stroke, brain or spinal injury and Alzheimer's disease. Therefore, *"FP7 funding is really important for the pharmaceutical sector, particularly SMEs"*, as a pharmaceutical consultant explained. However, she continued: *"if the UK decided to withdraw from the EU and only had a trade agreement, it may still be able to participate, but I'm not sure UK applications would be viewed very favourably for such funding."*

FP7, ESF and EDRF are only three examples of EU-funded programmes that aim to support businesses and improve economic growth. There are many more (for some examples, see Appendix) and their importance for their business was mentioned by a number of interviewees. For example, a delivery company won a joint bid for subsidies to obtain electric delivery vehicles to reduce carbon dioxide emissions, and the educational travel company makes their clients aware of EU funding for language training courses for primary school teachers through the Comenius programme: *"it is a useful stream of additional business for us, an excellent CPD opportunity for our clients, and a good opportunity for us to make schools aware of what we do."*

Some businesses, however, expressed concern that such funding opportunities are not as widely promoted to SMEs as they should be: *"there are a lot of schemes available but not many know about them and I have heard that they are not being taken up. If this is the case, we need to ensure that such funding is well sign-posted to large and small businesses or regional governments. Even euro-sceptics should agree that we need to take advantage as much as we could of what is on offer"* (Director of a promotional merchandise company).

[88] Department for Work and Pensions website: *European Social Fund in England*, at http://www.dwp.gov.uk/esf/esf-in-action/case-studies/city-gateway.shtml. Last accessed 5 April 2013
[89] Germany is the country that benefits the most from the FP7 with €946 million in 2011. European Commission website: *Financial Programming and Budget*, at http://ec.europa.eu/budget/figures/interactive/index_en.cfm. Last accessed 17 March 2013

8. CONCLUSION

Periodically UK membership of the European Union has provided a contentious debate where emotions run high and facts are neglected. With this report, LCCI aims to bring balance to the discussion, looking at the issue exclusively from a business perspective to understand the benefits and the burdens associated with being part of the EU. Our research shows that the benefits of EU membership outweigh the disadvantages and that the costs of a potential withdrawal would be high.

The UK benefits from being part of the single market in terms of trade and investment. Further extension of the single market in areas like services, energy, transport and telecommunications holds huge potential to promote UK economic growth. The challenge is to get the EU to realise the full potential of the single market, to secure real competition and free enterprise for business.

The free movement of people provides businesses with access to a flexible and skilled workforce that helps to strengthen the UK's economic performance and global position. Industries as important to UK GDP as tourism and education also benefit from Europeans' ease of access to the UK.

Some still see the EU as hampering the UK's economic prospects. However, they often overlook the substantial costs of any withdrawal from the EU, which would not actually end UK financial contributions to the EU Budget and could potentially create economic instability. This would have direct consequences on UK businesses' ability to trade and create a barrier to foreign businesses wishing to invest in the UK.

Finally, it is often said that EU regulations and directives are burdensome and costly to business. Although true to a certain extent, it is also important to note that much of the 'extra' regulation attached to EU directives in the UK relates to the need to adapt them to the English legal system. Yet, more needs to be done to streamline existing rules and to make sure that the UK Government's simplification initiative is also applied to EU regulation. Regulations play a vital role in securing fair access to EU members' markets, although more should be done to ensure this is extended across more sectors to maximise the economic benefits.

The Government should make the case for continued EU membership on the basis of the economic benefits that it brings and engage fellow EU member states, with some vigour, to maximise the potential of the single market and secure more frequent reviews of business-related regulations. This is far from impossible but it requires time and commitment. It also requires constructive dialogue between Government and London businesses to ensure the UK's future relationship with the EU aligns with their commercial agendas to deliver sustained economic growth.

APPENDIX: OTHER EU-FUNDED INITIATIVES

The EU contributes to the betterment of the member states in economic and social terms through a variety of funded programmes. The list below is not meant to be exhaustive but to work as an example of the many areas the EU covers.

LEONARDO DA VINCI PROGRAMME

Aimed at graduates and school leavers older than 18 years old, this programme offers three months' work and training placements across the EU. The objective is to increase young people's employment prospects by helping them develop their knowledge, skills and competences. It also aims to promote the mobility of workers within Europe, to increase the overall competitiveness of the EU labour market, and promote best practices.

Placements taken under the Leonardo da Vinci programmes are not paid but the individual's expenses are covered and s/he is given a small living allowance for the duration of her/his training.

Created in 1995, the Leonardo da Vinci Programme has offered training and work experience to a total of 860,000 people. In 2007-2011 alone it provided €1.7 billion in grants and funded 16,700 mobility projects and 375,000 individual training periods, with the UK receiving 16 per cent of all the 2007-2011 placements. This represented a net import of 12,600 mobility visits in areas as varied as sciences, law or hospitality. For 2013 the EU has set itself a target of 80,000 placements a year.[90]

For more information, go to: **http://ec.europa.eu/education/lifelong-learning-programme/ldv_en.htm**

EURES

An employment service that promotes and facilitates the movement of people among countries within the EU, as well as Norway, Iceland, Liechtenstein and Switzerland, this portal provides information to workers on job and learning opportunities, each country's mobility regulations and requirement and facilitates job searches and recruitment.

For more information, go to: **http://ec.europa.eu/eures/home.jsp?lang=en**

THE EUROPEAN ENTREPRENEUR EXCHANGE PROGRAMME

Also known as the Erasmus for Young Entrepreneurs, this programme is directed at aspiring and experienced European entrepreneurs (i.e. those who have started their own business within the last three years or who have a firm, viable plan to start a business) to finance their stay with a "host entrepreneur" (i.e. owner-manager of a SME) in other European country for one to six months.

Besides benefitting from an open exchange of knowledge and experience, participants can also enhance their training opportunities, their network of contacts and commercial opportunities across Europe, as well as gain an insight from other business environments and build up their confidence and mentoring skills.

For more information, go to: **http://www.erasmus-entrepreneurs.eu/index.php**

[90] European Commission (2012): *Leonardo da Vinci Facts & Figures: EU support for vocational education and training 2007-2011*, at http://ec.europa.eu/education/pub/pdf/vocational/leonardo0711_en.pdf

EUROPEAN NETWORK OF FEMALE ENTREPRENEURSHIP AMBASSADORS

One of a number of programmes supporting and promoting entrepreneurship focused on minority groups, this is a network of around 270 female entrepreneurs from 22 European countries created in 2009 campaigning "to inspire women of all ages to become entrepreneurs and to set up their own businesses."

For more information, go to: **http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/women/ambassadors/index_en.htm**

ENTERPRISE EUROPE NETWORK (EEN)

EEN helps small business to make the most of the European marketplace by linking them to databases of potential business partners and technologies across Europe, and sharing information about European policies and regulations.

For more information, go to: **http://een.ec.europa.eu/**

The Enterprise Europe Network works very closely with the EU Small Business Portal. This website is designed to support SMEs to get finance, win public contracts, trade internationally and support them in any other way possible by helping them with translations or providing them information on policy issues such as copyright and intellectual property, or labour and environmental regulations.

For more information, go to: **http://ec.europa.eu/small-business/index_en.htm**

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