

Britain must be outside both EU and the Single Market

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VIEWPOINT



The Remain side cried wolf. Financial Armageddon was prophesied and did not occur. We did not have a repeat of the 2008 financial crisis. Global contagion did not materialise. Interest rates and mortgage rates rather than going up, came down.

Since the Referendum we have also seen economic statistics suggesting the economy has held up well, despite an initial fall in confidence.

Of course, policy has helped. But it was obvious that if the country voted to leave then policy would change. And it did. It is no surprise that a Leave vote led the Bank of England to ease and the pound to fall. Indeed, given the size of the UK current account deficit a weaker pound was inevitable at some stage, whatever the referendum result.

The focus now needs to move to other areas of policy, not least in moving on from austerity, to a focus on infrastructure, an industrial strategy and simplifying the tax

system to boost the supply side of the economy. We need infrastructure, innovation and investment, and helping the banks lend more to the non-housing parts of the economy.

At the same time, what happens next in the EU debate is key.

Despite the good economic news of recent weeks, it is far too early to talk about the full consequences of Brexit, because we haven't left the EU yet and are still some way from doing so.

Congratulations should be given to the Prime Minister for the news that Article 50 will be enforced, and that parliament will not have the opportunity to delay it.

This should also put paid to the idea that we will not leave the EU. From an economic and business perspective there is not only a case for minimising future uncertainty, but also to recognise the opportunity that Brexit offers.

That being said, the comments of remainers need to be heard. Lord O'Donnell, for instance, at the weekend suggested the EU would reform sufficiently to change the public mood here. It is true that if this were to occur it may impact the future UK-EU relationship in ways we don't yet know. But even if the EU were to reform now - which I doubt - the referendum result holds.

While I would like to see a truly

reformed EU the evidence to date is that this is not the direction of travel. Last week's meeting of the leaders of Germany, France and Italy suggested, as always, that their response is more Europe, not less. Part of their problem is that political union is still necessary if the euro is to survive.

Whitehall seems to be gearing towards the UK having EEA (European Economic Area) membership. This has been called the Norway Option.

Peter Lilley MP has written an excellent critique of this option. "It is an ante room, not a departure lounge" he says. The EEA was devised for countries whose governments wanted to join the EU. So it was a stepping stone to being in, not for those wanting to leave.

To regain sovereignty and to have a sensible points-based migration system it is necessary to be outside both the EU and the Single Market. That should rule out the Norway option.

That fills some with fear, but it should not. The UK is remaining global in its focus, while at the same time ensuring more share in success through a better migration and domestic economic policy.

There is every reason to expect us to remain a strong and attractive economy in which to invest, while key challenges we face - like our twin deficits - are not the result of Brexit.

Now it is possible the UK may agree a specific deal with the EU. After all, they need the City, and also we are a huge export market for them. But we can't assume anything.

Hence we should proceed based on leaving and trading under the World Trade Organisation (WTO). On that basis, we can leave at the end of Article 50 being concluded, whatever happens.

The UK is already a member of the WTO and it is there to facilitate trade, not stop it. Outside the EU, we can trade freely under WTO rules and reduce import tariffs.

If we accept that is what would happen if we leave, then that should give the UK greater bargaining power in any EU negotiation. Also, from that base, in time, we could conduct trade deals in our best interests, focused on services, with fast growing markets as well as with the EU.

It is people and firms that trade, not bureaucrats. Being competitive and having something that others want to buy are key. Globalisation, the internet and technical change point to new networks, and highlight that ideas and trade in the 21st century know no bounds.

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