

Lord Hill, EU-Commissioner, Financial Stability, Financial Services and Capital Markets Union addresses the 66th Königswinter Conference on 8th April 2016, New College, Oxford

As the last meeting of Koenigswinter before the British referendum we are here at an interesting time. It will be a decision which has huge consequences not just for Britain, but for Europe as a whole. So my first hope is that at next year's Koenigswinter we'll all be agreed that Britain has become boring and that we'll all want to talk about Germany instead.

We have all heard about the 400,000 French who live in Britain. I was a bit more surprised to hear from the German ambassador that there are also 400,000 thousand Germans living here too. Perhaps rather less noisily than the French, but contributing in the same way to the British economy and British culture.

And, of course, we don't have to look far from here for a great example of British-German co-operation.

That classic British car, the Mini, is assembled less than three miles away in a plant owned by BMW. Since BMW took over the brand they have produced more than three million Minis, 80 per cent for export. Its second, fourth and fifth largest export markets are in other EU countries: Germany, France and Italy. 40 per cent of the parts that go into making a Mini come from the UK, the majority of the rest from elsewhere in Europe. So not just a great British or German success story but a broader European success story, which shows how being part of a single market helps create jobs and growth.

Now today I want to talk a bit about scepticism, and why I think we need more of it – not less – in the debate about Europe and Europe's place in it.

I like to think of myself as a sceptic in the original sense of the word. I am mistrustful of grands projets, of fine visions, of pillars. I think it is good to ask questions, to listen to the little voice in your head which says "are you sure that's right"? It's how I think about business, about Whitehall, about the EU.

It's why I was not in favour of Britain joining the Euro, and why I helped the Business for Sterling campaign to keep Britain out.

But something strange has happened. Thirty years ago, when I first started working for the Conservative Party, it was the pro-Europeans who were the idealists, the utopians. The people who thought the main point was the pursuit of the European project. When asked about what the Euro might mean for exchange rate policy, or Britain's mortgage market or the financial services sector, they told people not to worry, and that the important thing was to move forward, not to be left behind. To be at the front of the train, not the back - when of course the point about trains is that they only run on one set of tracks.

But today it strikes me that it is the Outers who are the utopians, and the Inners who have become more sceptical. It's those who are campaigning to Leave who give the sweeping assurances, who say that we shouldn't worry about these tedious, pernickety questions about the future of our trade with Europe or the rest of the world, or indeed what it might mean for Britain's ability to get its way in the world, because well, we'll be completely independent and all those foreigners need us more than we need them. And if you do ask a perfectly reasonable question about what would happen after June 24th you are told that you are scaremongering.

I also think that it is usually a sign that scepticism is called for when the arguments that are advanced in favour of a position keep on shifting.

For me, ID cards in Britain was a classic example of the phenomenon. First, they were going to help with welfare abuse, then illegal immigration, then terrorism, then access to state benefits. One very senior civil servant explained to me that I should be in favour because it would help me manage my identity and interact with the state. He was quite

surprised when I explained that I knew who I was and that the last thing I wanted was to make it easier for the state to interact with me!

So, I have to say, it is with Brexit. A month ago its supporters were saying that it would be brilliant because Britain would be able to escape EU protectionism so we could forge our own free trade agreements across the world, with fast growing emerging economies and fellow English speaking countries like the United States. Now they're saying that Brexit would be great because we could put up tariffs, start a trade war with China and block TTIP.

Meanwhile old sceptics like me are still asking what Brexit would actually mean in practice. We have been told that we could have a relationship like Norway's, or Switzerland's, or Canada's, or just WTO rules, or a special relationship with the US, or the Commonwealth, or a made to measure deal just for Britain, nature unspecified but it will be better than what Britain has now. I'm reminded of the enterprise that advertised itself at the time of the South Sea Bubble nearly three hundred years ago as 'a company for carrying out an undertaking of great advantage, but nobody to know what it is'.

Let us look at six claims often made in Britain's European debate and examine them, with a sceptical mindset.

First, that the EU is an economic basket case and that consequently in the EU Britain is, I quote, 'shackled to a corpse', but if Britain left it would be free to link itself up to the fastest growing parts of the world.

Europe has been through some tough times but does the claim that compared to the rest of the world it's a 'corpse' stack up?

By the way, I don't understand why some of the advocates for Leave use such astonishingly violent language about our neighbours and then expect them to bend over backwards to give Britain a better deal than it has now if Britain walks away from the EU. But let's put that to one side and ask, how is the EU doing? The European economy is growing again and so is the Eurozone's – not fast enough, but growing. Britain and Germany have both had solid recoveries. Poland was the only country in the European Union to get through the Great Recession without a recession, Sweden is growing at over four per cent, Ireland at around 7 per cent last year.

Compare that to the Brics: three out of those five acronym'd countries – Brazil, Russia and South Africa – are now in nasty recessions.

And what about trade with the rest of the world? According to the WTO's database, the EU has more free trade agreements than any other trading bloc or country in the world, and more than twice as many as the United States, and that's without the trade agreements being negotiated, with the US, Japan, India, Australia, New Zealand and others.

Does the rest of the world agree that Britain cuts itself off from them by being in the EU? Well, the message from almost every government is that they hope Britain will stay in and think that our own influence would be diminished outside – which is of course precisely why the exception, Russia, wants Britain to leave.

This is the same message I hear from private investors into Britain from the US to Hong Kong. I'm not arguing that the only reason they want to come to the UK is because we are members of the EU. They like it in Britain for many reasons: it's business friendly, open to foreign investment, has a good work ethic, the English language makes life easy and its diversity makes people from abroad feel at home.

But being a member of the EU makes Britain a perfect launchpad for them for the whole of Europe and a single market of half a billion people. That's why nearly three out of four inward investors into the UK say that Britain's being in the Single Market is one of the reasons they want to invest here. So it's not "either or", it's "both and".

Far from being shackled to a corpse Britain is part of a group of countries that increases Britain's trade and investment and is in fact doing better than many other economies.

Second, the claim that Britain is drowning in EU red tape. Of course, there is EU red tape. And yes, it should be cut. Of course, there is some EU legislation which some people don't like. Incidentally, there is some British legislation people don't like.

But "drowning in regulation"? It's strange, because according to the OECD, Britain has the second most liberalised product market in the world, second to that other EU member, the Netherlands. It has one of the most flexible labour markets in the world, more so than an English-speaking country like Australia.

And if I look at my own area of financial services, is London drowning? Is it being strangled? Actually, Lazarus-like, it seems to be in quite rude health. Despite the financial crisis, Britain's surplus in financial services has more than doubled over the past ten years, from £23 billion to £58 billion. Last year London was once again voted the world's most competitive financial centre.

Perhaps, to misquote Stevie Smith, not drowning but waving. And looking to the future, I am glad to say that the Commission has brought forward 80 per cent fewer new legislative proposals than was the case under the last Commission and is reviewing two and a half times as much.

Third, the claim that Britain always loses. Let's take the big picture first. I recently re-read Mrs Thatcher's speech from Bruges in 1988. She made some big arguments, and the fact she had to make them forcefully shows how at the time they were still contested.

She argued against a superstate. The settlement agreed in February couldn't be clearer: there isn't one single destination for the countries of the European Union; it's for Member States to choose their own paths. 'Ever closer union' doesn't mean a superstate and, in any case, Britain is exempted from it.

She made the case for a Single Market, a market far broader now than then. She made the case for free trade, and trade is now far freer than it was then. She told us that we should never forget that Warsaw, Prague and Budapest were great European cities, and so they are: the Communism that enslaved them is a relic of the past and they are now free capitals of members of the European Union.

She didn't mention that she wanted French to be replaced as the EU's chief working language by English, but that's happened too.

Now let's take the small picture. In the previous Commission there was a mass of legislative proposals on financial services, the most sensitive area for the UK. The UK was outvoted only once.

Across the board, when it comes to a vote the UK is on the winning side 90 per cent of the time. The most recent academic study found that what Britain wanted from EU decisions is closer to the final result than is the case for all but three other countries in the EU. When Britain is outvoted it is usually because the UK, often in Dutch company, is making a point about the EU budget. Even there, as we know, the UK, the Netherlands, Germany and others succeeded in cutting the size of the Multiannual Financial Framework for the first time ever when the current one was agreed in 2013.

Britain has been far more successful in shaping today's EU than most people in Britain think. And that should, I think, give people in Britain some confidence about what a future in the EU would mean.

Fourth, it's claimed that the EU does nothing for Britain. To paraphrase the Life of Brian, what has the EU ever done for us?

To which I would say, open access to a market of half a billion of the most prosperous peoples on Earth, collective weight in trade deals, collective weight wielded for

international security, such as the sanctions that brought Iran to the negotiating table on its nuclear weapons programme, as well as the progressive abolition of roaming charges, cheaper flights through the liberalisation of air travel, visa-free travel across Europe, free healthcare elsewhere in Europe, compensation rights if your holiday's cancelled, and the right to work or settle for retirement anywhere you want in Europe.

In short, the EU has done quite a lot - and that's leaving aside the underpinning of peace, freedom and the rule of law across our continent, which we in this room know to our cost has not been a permanent feature of our history.

Fifth, it's claimed that the EU controls everything we do, draining our democracy of meaning. Where are the big decisions that most affect the everyday lives of British citizens taken: decisions of war and peace, over, in almost all cases, what to tax, how much to tax, over what and how much to spend it on, over how our schools and hospitals and welfare state should be run, over what is or isn't a crime and over border controls? Yes, here in the UK.

But if you want to have a single market with your neighbours, if you want people and businesses to be able to trade in your neighbourhood without barriers, if you want to be able to travel freely in your neighbourhood, if you want to be able to deal with problems that are shared in a neighbourhood, like air pollution, or the health of your seas, then you do need common rules, and a way of making common rules and a way of enforcing them.

Sixth, it's claimed that leaving and negotiating a new relationship with the EU would be quick and easy, that a divorce would be amicable, in short that the 27 other countries of the EU would bend over backwards to give Britain everything it wanted in a better deal than we have now.

This is where another dose of scepticism would be good.

Let me give you an example. Negotiations take time. Last month I reached an agreement with the United States on equivalence negotiations on central counterparties – CCPs. That negotiation on that one narrow issue took four years, even though there was good will on both sides and I and my counterpart wanted to do a deal quickly.

Greenland's negotiation to leave the EU simply as an overseas territory – the closest precedent – took three years even though there was really on one subject to talk about, fish, and no one minded very much.

Sadly, I don't think that would be the case were Britain to leave. I think there would be a deep sense of rejection, and some hurt, felt by Britain's European partners – particularly given that some of the Leave campaigners have spent many years accusing them of incompetence, corruption, you name it. They would certainly want to keep the European Union together and their voters would expect their elected leaders to stand up for their national interests. If Britain chooses to become a competitor rather than a partner, why wouldn't there be a wish to seek a competitive advantage in the new relationship.

And things come in packages. If Britain votes to leave, perhaps the main reason will have been immigration. Certainly the free movement of workers is an issue to which the Leave campaigns go back again and again. To be fair, many of the leading figures in one of the Leave campaign are liberals on immigration. I don't think they would mind much if free movement continued after Brexit much as it does now. But that is not the mandate they are seeking from voters. And, as the Swiss example shows, most EU countries see any kind of deep access to the Single Market as tied to the acceptance of free movement.

Those who want to leave the EU have one fundamental objection to the EU: the existence of a network of rules which Britain currently accepts. That network of rules is the Single Market, but if you want proper access to the single market, such as – in the area I know best – the right to passport financial services anywhere in the EU or the ability to do away with equivalence tests then you have to accept those rules.

But if you don't want to be in the Single Market then you will have to face up to some hard choices that are currently being wished away, including settling for much more limited access to that market in services and accepting that product standards will not be set by you or with your interests in mind.

Many Brits feel emotionally the appeal to our island history.

Obviously Britain, in or out of the EU, has great strengths and attractions. So the right question isn't: would Britain survive outside? But rather whether it would flourish.

In a world where access to markets is increasingly determined by regulatory barriers the pursuit of perfect legislative autonomy is a pipe dream – unless you fancy North Korea. In seeking greater sovereignty you can end up with less control, because the rules that govern your exports will be set without you. You will become not a doer but a done to. Normally in life you know you cannot have something for nothing. That you can't have your cake and eat it. All experience says that if something sounds too good to be true then it is too good to be true.

The EU faces immense challenges: the migration crisis, getting the Eurozone's structures right, a revanchist Russia. And I am the last person to claim that it is the answer to every problem.

But before turning our backs on our neighbours, before striking out into the unknown, before taking a step that would mean a profound change in the United Kingdom's economic and strategic relations with the rest of the world, I would hope that voters, in the long tradition of British scepticism, will listen to that questioning little voice in their head, and listen, in the words of the last line of my favourite hymn, to the still small voice of calm.