

# The European Union and Britain – stronger and more competitive together

## Executive summary

AmCham EU believes that the UK’s continuing membership of the EU brings substantial benefits to both parties. Access to the world’s largest single market makes Britain an attractive destination for investment. As an EU member, the UK has a strong voice in international trade negotiations and standard setting. The UK also plays a leading role in driving policies that support entrepreneurship and innovation in the EU while cutting red tape. An EU with an active and committed UK as a member will be a better place for business, growth and jobs.

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*AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate US investment in Europe totalled €2 trillion in 2014 and directly supports more than 4.3 million jobs in Europe.*

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22 October 2015

## **Introduction**

The American Chamber of Commerce to the European Union (AmCham EU) speaks for American business operating in and committed to Europe. Our member companies have significant investments in the UK and other EU countries, underpinning millions of local jobs in the UK and the US. Aggregate US investment in the EU totalled €2 trillion in 2014, and Britain alone accounts for some €500 billion of this US Foreign Direct Investment (FDI). US companies launched 501 new investment projects in the UK in 2013, creating some 23,424 new jobs.<sup>1</sup>

## **EU membership means more investment and jobs in the UK**

The UK's EU membership is good for the British economy; it has played a key role in helping the UK obtain the largest slice of inward investment to Europe - 19% of FDI in 2014<sup>1</sup>, while accounting for only 12% of the EU population. At a time when attention is focused on fast-growing markets in the East, it is easy to forget how economically significant the UK and the entire EU remain for US business. Strikingly, when comparing US companies' aggregate investment in China, not only is investment higher in the UK, but also in smaller EU countries like Belgium. UK Trade and Investment (UKTI) stresses in its Trade & Investment 2014/15 report that the UK is currently the leading destination for foreign investment in Europe and credits many of the new jobs created to US firms.

As such, ease of access to the European single market is of crucial importance to American companies. Much of US corporate investment in the UK is geared towards access to the EU and its internal market, therefore the UK's active engagement in the EU generates very real commercial advantages for AmCham EU member companies. The UK sells 50% of its exports to other EU Member States, and benefits immensely from doing so: seven of the UK's top importing and exporting partners are other EU countries. UKTI's 2012 Inward Investment report states "*The UK is a proven gateway to the \$17 trillion EU market*".

AmCham EU is keen to see a renewed commitment from the UK and EU to a trade relationship that accounts for 16% of the UK's Gross Domestic Product<sup>2</sup>, supporting many businesses and jobs in the process. London is also Europe's largest investment banking centre, providing a range of financial services to US corporations based in Europe and operating globally, who enjoy access to the EU single market.

## **UK membership supports European competitiveness and makes Europe attractive for investment**

Given the critical importance of the transatlantic economy, American companies with a presence in Europe strongly encourage the UK to continue to stay fully engaged within the EU. Britain's consistent and committed advocacy of free trade, competition and the single market have been crucial to creating a more business-friendly EU. The UK has made a leading contribution to making Europe more attractive to inward investment from the US and other markets, working consistently with its neighbours to push for EU decision-making reform. These efforts are already bearing fruit: the European Commission recently committed to take steps in its Better Regulation package to cut red tape and make the EU work more efficiently in the service of European citizens. While we believe that

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<sup>1</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/341601/UKTI\\_Inward\\_Investment\\_Report\\_2013-2014.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/341601/UKTI_Inward_Investment_Report_2013-2014.pdf)

<sup>2</sup> Combined EU and EFTA figure for 2012: [http://www.cbi.org.uk/media/2451423/our\\_global\\_future.pdf](http://www.cbi.org.uk/media/2451423/our_global_future.pdf)

these are steps move in the right direction, a great deal more could be achieved with a UK engaged actively in EU regulatory cooperation and convergence to help promote investment and boost competitiveness on both sides of the Channel. Nevertheless, it's important to remember that there is room within the EU for countries to take different approaches: Britain has in the past opted out of initiatives it does not wish to pursue, such as the adoption of the Euro and certain justice policies.

Being an active member of the EU offers the UK access to a zone with a stable and coherent regulatory environment in a market that is a commercial priority for international businesses. Perhaps even more significantly, the EU's single set of technical and safety standards creates a large and very deep market for goods and services; these more than trade and tariff barriers determine market access in most advanced economies. If the UK chose to leave the EU and develop its own regulatory provisions, commercial investment in the UK would be undermined and the launch of innovative new products and services for British customers could be significantly delayed. Britain would also lose the benefit of having EU institutions like the European Medicines Agency (EMA) and European Banking Authority (EBA) headquartered in the UK.

### **The EU gives the UK a stronger voice on the international stage**

A comprehensive EU-US trade agreement is an example of how EU trade policy can deliver tangible results. Such an agreement, which the British Prime Minister has played a leading role in advocating, represents an opportunity to deliver new jobs and significant growth and competitiveness gains for the UK, EU and US. Consumers would benefit from wider choice and lower prices, while SMEs could trade unencumbered by remaining trade barriers. AmCham EU continues to urge all governments involved to focus their political efforts and energies on delivering a successful agreement. However, the UK is unlikely to be able to negotiate this or any other bilateral trade agreement as effectively alone as it can as part of the world's largest single market<sup>3</sup>. Simply put, EU membership affords the UK greater influence in international trade negotiations.

US companies committed to Europe have a strong stake in ensuring that the EU further improves its competitiveness in the face of challenges to its prosperity from emerging markets, which are likely only to intensify in the future.

### **Conclusion**

AmCham EU believes that we urgently need to remove the remaining barriers that prevent the EU from fully realising the benefits of a single market of 503 million consumers. This means acting now to complete the internal market, particularly in the areas of services, digital economy, energy and transport. It means allowing the most efficient providers to reach customers wherever they live and increasing workers' mobility within the EU. It requires renewed efforts to remove inefficient and burdensome regulation where it stifles entrepreneurship, innovation and growth. Finally, it calls for the UK to participate fully as an advocate for the reforms needed to make the EU globally competitive, reinforcing its position as a global hub for trade, investment and ideas.

As President Obama recently reiterated, everyone with a stake in Europe's (and the UK's) continued prosperity wants a strong UK in a strong EU<sup>4</sup>. AmCham EU supports Britain continuing to play a leading role in the EU and, together with its EU partners, driving forward policies that ensure the European Union as a whole remains a competitive trade partner on the world stage. As the world

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<sup>3</sup> <http://ec.europa.eu/trade/policy/eu-position-in-world-trade/>

<sup>4</sup> <http://uk.reuters.com/article/2015/06/07/uk-britain-eu-exit-idUKKBN00M0XT20150607>

emerges from the most severe economic crisis in decades, an EU with active UK participation in shaping decision-making will be a better place for business, growth and employment - to the mutual benefit of both parties.