

QUESTIONS AND ANSWERS ON LABOUR'S

CURRENT POLICY TOWARDS THE EU

1. **What is Labour's current policy stance on the European Union?**

The Labour Party is now committed to campaigning to keep the UK in the EU during the run-up to the forthcoming referendum, irrespective of what comes out of the current renegotiations undertaken by the Prime Minister and the Chancellor of the Exchequer. No doubt this stance reflects the highly Europhile views of the vast majority of Labour MPs, 213 out of 231 of whom have signed up as supporters of Labour In. Most Labour activists are also in favour or “remain” rather than “leave”, although Labour has sensibly agreed that Party members who do not agree with this line can campaign for the “leave” option. Is it, nevertheless, really in the best interests of either the country or the Labour Party to take such an uncritical line? Would a less uncompromising policy stance, on the contrary, stand both the country and the Party in better stead, not least because it would much more accurately reflect the views of many of Labour's lost voters?

2. **Are we really likely to achieve any radical changes to our terms of membership while we remain in the EU?**

Labour says it wants to be part of a “reformed EU” and claims that the UK stands a better chance of achieving the changes the UK would like to see if we work within the EU than if we leave. When you look at the unwillingness of the EU leaders to acquiesce to the current very modest UK renegotiation proposals, however, it is difficult to see how this policy can be made to work. The EU is in serious danger of losing its second largest member – and a very substantial net contributor to EU funds - as a result of the forthcoming referendum, with potentially existential consequences for the EU's future, as a result of its leaders' unwillingness to accommodate the Prime Minister's minimal proposals for change. It therefore seems extremely unlikely that the much more radical

changes which most people in the UK would like to see achieved have got any chance of being implemented as long as we are EU members on anything like the current basis.

3. **What do the vast majority of Labour members want to have changed?**

If, instead of asking Labour Party members whether they want to stay in the EU, you ask them whether they are happy with our actual terms of membership, it is clear that most of them would like quite radical changes. Especially against the background of austerity policies and damaging cuts in expenditure at home, few Labour MPs or activists are happy to see our gross payments to the EU running at about £20bn a year – close to £350m a week. They are even less happy to see our net contributions, after all rebates, coming in at £11.4bn in 2014, but on a strongly rising trend. It is hard to find any Labour Party members who really think that it is sensible to have unrestricted entry to the UK from unqualified migrants from Eastern Europe at the same time as we are turning away Chinese students, Indian IT programmers and US Ph.D scholars. Almost no-one supports the Common Agricultural Policy (CAP) and hardly a single Labour Party member is in favour of the Common Fisheries Policy (CFP). Nearly everyone supports the principle of subsidiarity and would like to have Westminster with more power over social policy and Brussels with less. Almost no-one wants the UK to join the euro or to become part of the centralised federal state which the Eurozone countries are going to have to establish if the Single Currency is to survive.

4. **What would Labour Party members really like our relationship with the other EU Member States to be?**

In fact it is not difficult to set out what most Labour Party members would really like our relationship with the other countries in the EU to be, noting that this is a vision which would also command support from the vast majority of the UK electorate. It would be for the UK to continue to have free trade with the EU – including in services, which is a long way from being fulfilled at the moment – while co-operating with our continental neighbours on every common interest we have – but on an inter-governmental basis rather than as part of an over-arching political project. A settlement along these lines would leave our own parliament and legal system as sovereign. We would be in charge of our own borders. We would have our own representatives on key international bodies such as the World Trade Organisation (WTO). We would be outside the CAP and the CFP. We would no longer have to pay our current very heavy net membership dues, nor would we be in danger of being second class members of a United States of Europe because we were not in the euro. Nor would we be constrained by EU law from implementing key parts of the Corbyn agenda such as railway nationalisation, keeping privatisation out of the NHS, bringing gas and electricity under tighter government control and clamping down on corporate tax evasion. If we could negotiate this kind of status while still formally being EU members – very probably on an Associate basis – there is little doubt that the vast majority of the UK electorate would support this being done. The problem we have is that it looks impossible to get anywhere near this state of affairs while we continue with our existing membership. The

EU is too inflexible to be willing to agree the changes which the UK needs as long as we are still full members, and most of the political leaders in Europe do not share the same devolved vision of the EU's future which the vast majority of people in the UK would like to see achieved.

5. **What can be done?**

This is why it now looks as though far the best way of recasting the UK's relationship with the other EU Member States is for us to vote to leave the EU in the forthcoming referendum and then to renegotiate our relationship with them on a new footing. There is a procedure for this to be done under Article 50 of the Lisbon Treaty. There would be two major elements to be covered, one to do with trade and the other with the political ties we currently have with the EU which would need to be disentangled. How difficult would it be to negotiate our way through to the relationship with our neighbouring countries which we would really like to have?

6. **Would we be able to negotiate a free trade agreement with the EU?**

Free trade is not an unalloyed blessing but on balance it is much better to have as few trade restrictions as possible. If we left the EU, it would be hugely in the interest of the remaining EU countries to negotiate a free trade agreement (FTA) with the UK, because they sell to us so much more than we sell to them. In 2014, our total exports of goods and services to other EU countries came to £229bn, whereas their sales to us came to £291bn, giving them a surplus of £62bn. It is likely therefore that the UK could negotiate an FTA without too much trouble, with the UK outside the European Economic Area and the Single Market, thus allowing us to regain control of our borders. If, against the odds, however, the EU refused to agree an FTA with the UK, this would still not present the UK with that much of a problem. The fall-back position would be the re-establishment of WTO tariffs, whose average is now so low – about 2% - that they would make little difference. There are some products, such as cars and vehicle components, footwear and apparel – as well as farm products – where the tariffs are higher but, because of their surplus with us, the EU would suffer much more than we would if they were introduced, making any kind of trade war very unlikely.

7. **What about the political ties?**

The key effect of triggering the Lisbon Treaty's Article 50 is that it would begin the process of enabling the UK to regain control over wide swathes of our affairs. These would include foreign relationships, allowing us, apart from anything else, to negotiate our own trading arrangements and FTAs with countries such as China and India, which has not been possible while we have been in the EU. On the domestic front, we would regain control over environmental, regional, industrial, immigration, social, and employment policies, as well as farming and fishing support. Responsibility for future law-making would return to politicians at Westminster, who are subject to democratic

control, instead of being in the hands of the unelected and unaccountable EU Commission. Inevitably, it would be necessary initially to leave all the existing accumulation of regulations and directives from the EU in place, subject to review over a period of time, but all new legislation would be under our own control.

8. **What would be the downsides to our withdrawing from the EU?**

No major change of policies is devoid of risk and there would, of course, be problems to be overcome if the referendum outcome was a majority “leave” vote. There might well be calls for further referendums elsewhere in Europe, including perhaps another one over Scottish independence, as peoples in Europe decide how they want to be governed. There would inevitably be a transitional period to be gone through while businesses adjusted to the new environment in which they found themselves, although the changes for most companies are likely to be small. We would lose influence over the formation of EU policy, although at the moment we only have a small minority of the voting power while most decisions are taken by qualified majority voting. The UK would need to renegotiate the FTA arrangements which the EU has in place which in most cases should not be very difficult as they are very much in everyone’s mutual interest. Overall, it is very hard to believe that the UK, the fifth or sixth largest economy in the world, could not prosper in association with but not part of the European Union.

9. **What will decide the future?**

It seems highly likely that the result of the forthcoming referendum will turn very largely on the voters’ perceptions as to where their safest future lies – in terms of jobs, economic prosperity and political and cultural security. Will it be in the EU, within a bigger organisation albeit one where our current terms of membership do not really reflect what the UK wants, and which manifestly has serious economic, migration and demographic problems – but which is the devil we know? Or will the UK have the self-confidence to take back control over large swathes of our economic and political affairs, enabling us to chart a future of our own, albeit while still looking for maximum co-operation with our neighbours wherever this makes sense? This is the crucial decision which the British electorate will have to make when the time for the referendum comes. At the moment, about one third of the UK electorate has already decided to vote to remain in the EU and an equal percentage to leave. About a third of the population is still undecided – including those who probably will not vote at all. It is these swing voters who hold the key to our future in or outside the EU. Many Labour activists may feel that our best interests would be served by our continuing membership, but this is not a conviction held by a large section of the UK electorate. They have a much more nuanced view of the choice to be made, and Labour needs to realise this.