

QUESTIONS AND ANSWERS ON LABOUR'S

CURRENT POLICY TOWARDS BREXIT

1. **Where is Labour strategy on Brexit at the moment?**

The Labour Party is evidently in a difficult position on Brexit. It has a large majority of MPs who strongly supported Remain in the June 2016 June referendum as was the case with many – although certainly not all – party members. Much of the electorate on whose support Labour depends, however, was strongly in favour of Leave. In the constituencies which had Labour MPs at the time of the referendum, 70% had Leave majorities. If Remain strongholds in London and one or two other metropolitan areas are excluded, that ratio rises to about 90%. Of the 9.3m people who voted Labour in the 2015 general election, just under 3.5 million of them are believed to have voted Leave in the referendum and a recent poll indicated that half of these people are now not inclined to vote Labour in future, at least partly because they believe that the Party's view on the EU are so far out of kilter with theirs. Labour also has a problem, however, at the other end of the spectrum, especially among idealistic new entrants to the Party, who are strongly opposed to Brexit, and who might well like to see the referendum decision reversed. Many of them think that the Party would be selling out on what it really believes if it supports the triggering of Article 50, the start of the Brexit negotiation process. Bearing in mind all these conflicting views among voters which Labour very urgently needs to keep on board, what should the Party's policy be?

2. **How should Labour take matters forward?**

There unquestionably are large numbers of people in the Labour Party who regret the way the outcome of the referendum went. There was, however, a clear majority for Leave and the terms on which the referendum was held – with promises that the government would implement whatever the outcome was – really leave no wriggle-room for saying that no binding democratic decision was taken. Of course, it is also true that

the options on the ballot paper covered only the barest essentials, leaving it open to interpretation as to what exactly the implications of a vote for Leave should be. In broad terms, nevertheless, it was clear that a Leave vote meant the UK exiting the EU in a way which most people would recognise as having been accomplished. The vast majority of Labour MPs and party members rightly recognise this to be the position, so that the realistic options confronting the Labour Party are not opposing Brexit in principle but ensuring that the UK leaves the EU on the best possible terms. This may not satisfy those who are so opposed to Brexit that they would regard triggering article 50 as a betrayal but it simply is not possible to satisfy everyone all the time.

3. **What should Labour do about Article 50?**

Labour therefore really has no alternative but to support the triggering of Article 50 when this proposition comes before Parliament, probably in March 2017, although there have been suggestions that this should be done with conditions attached. The danger here is that any stipulations along these lines might be ones with the government will not be able to accept, potentially precipitating a general election which Labour would find it very difficult to fight successfully. There is also a major risk that Labour supporting Article 50 but doing so with riders – even if they had the support of Parliament - which looked as though they were designed to water down the Brexit negotiation process would further alienate just the sort of Leave-leaning previous Labour supporters whom the Party very urgently needs to retain. These factors suggest that making support for the triggering of Article 50 dependent on tying the government's hands in ways which they would resist is too high-risk a strategy to be worth pursuing.

4. **What sort of negotiating strategy should Labour support?**

Once Article 50 is triggered, there is going to be a lengthy period while negotiations proceed. The government has agreed to produce a paper outlining its negotiating stance in February 2017, and commitments to keep Parliament abreast of the way negotiations are going have already been given. Clearly, Parliament cannot micro-manage the negotiations, so one of the crucial things which Labour is going to have to do is to find ways of shaping the way in which negotiations develop which are constructive and effective instead of being negative and counter-productive. An opposition's job is to oppose but in this case acting very much to the benefit of the country as a whole rather than to short-term Party advantage is going to be crucially important. Both in the wider national interest, and for the longer term advantage of the Labour Party, scoring points off the government, if this is done in a way which makes it look as though Labour is trying to obstruct the Brexit process, is not likely to be helpful.

5. **What should the substance of Labour's approach be?**

If the UK is going to achieve the law making supremacy, the control over our borders and the reductions in cost associated with the EU, all of which were clearly voted for by

the Leave referendum majority, it is hard to see how these objectives can be squared with our remaining full members of the Single Market. Indeed, pushing the EU 27 towards the heavy derogations required to meet the minimum of UK red lines is likely to be counter-productive. Retaining UK access to the Single Market via European Economic Area (EEA) membership is another possibility, but the EEA is dominated by EU member states and – again - the sort of concessions required on legal supremacy, immigration and cost are unlikely to be agreed. It therefore seems that there is little alternative to the UK coming out of the Single Market and then probably leaving the EEA but re-joining EFTA, while also coming out of the Common Agricultural Policy (CAP), the Common Fisheries Policy (CFP) and the Common External Tariff, thus enabling us to negotiate our own trading arrangements with countries outside the EU. These arrangements should then be accompanied by completing a Free Trade deal between the UK and the EU. Arrangements along these lines should not be too difficult to negotiate covering most goods and services but there could be a number of areas where, subject to WTO agreement, it might well be seen to be in both the UK's and the EU 27's interest for us to opt back into the Single Market and the Customs Union on a sector by sector basis. Sectors where this might be appropriate might include vehicles and their components, aerospace, agriculture, some services and some industrial goods, such as apparel and shoes, which have always been particularly sensitive.

6. **What would happen if negotiations were unsuccessful?**

While there has been some initial hard-line grandstanding on both sides, the reality is that it is hugely in the interests of both the UK and the EU 27 for a reasonable deal to be agreed on a basis which would be to the lasting benefit of all concerned. It is extremely important that Labour supports this approach and that the Party does not drift in to supporting a stand-off, justifying doing so on the grounds that we should never have got involved in Brexit negotiations in the first place. There is, nevertheless, a possibility that the negotiations will not proceed smoothly and that, for probably a combination of reasons, the end of the two-year Article 50 period will be reached without an agreed way ahead in place and also without agreement that the negotiation period should be extended. It is also possible that, even if agreement on the way ahead can be reached with most of the EU countries, there may be hold-outs, as happened, for example, over the Comprehensive Economic Trade Agreement (CETA) negotiated between the EU and Canada. It is therefore vitally important that the UK has a fall-back position in place and the only practical option in these circumstances would be for the UK and the EU 27 to trade with each other on World Trade Organisation (WTO) terms. This would not by any means be a disastrous outcome. WTO tariffs on industrial goods average no more than about 2.5%, although they are higher on some products such as vehicles. If agriculture is included, the average rises to about 4% but if services are then added in – on which there are no tariffs although there are often non-tariff barriers - the average falls back again to about 2.5%. Falling back on WTO conditions ought not, therefore, to be treated as the best option either for us or the EU 27 – especially as they have a large trade surplus with the UK – but it is an outcome with which we could live. This would, however, be a much harder Brexit than most Labour MPs and party members would like

to envisage but it is difficult to see how this option can be discounted if negotiations go badly. A crucial test for Labour is going to be whether they accept that this is the case.

7. **What about non-trade relationships with the EU 27?**

The Brexit process is in essentially three parts. These cover first the process of the UK leaving the EU, second the trading relationship which will replace the current ones when Brexit is complete, and third all the many areas of co-operation between the UK and the EU 27 which will need to continue. The first of these is in the hands of the Commission and subject to Qualified Majority Voting and ought, therefore to be relatively easy to deal with, although there are some very difficult issues to be resolved, particularly to do with the very large overhang of financial liabilities which the EU 27 are likely to claim from the UK. Because it is so much in everyone's mutual interest to keep up co-operation on everything from academic co-operation to anti-terrorism and from diplomatic relationships to setting standards for industrial products, negotiating arrangements for the future in these areas should not be too difficult. The trade arrangements between the UK and the EU 27 post Brexit, on the other hand, may need the endorsement of all 27 EU Member States and some regions, and could therefore be much more difficult. This is why having the WTO fall-back position prepared in reserve, in case it is needed, is so important.

8. **Where does this leave Labour in the negotiations?**

It is likely that the next two or three years are going to be dominated by the Brexit negotiations and it is therefore crucially important for Labour that the Party handles these well. There are, of course, going to be difficulties and tensions, because Brexit was not Labour's first choice. It was, however, what the electorate decided and the vast majority of voters now want the Brexit negotiations not to be obstructed but to be brought as smoothly as possible to a successful conclusion. The really crucial strategy which Labour needs to adopt, therefore, is to go with the grain of where public opinion now lies and not to fight against it. By all means let Labour fight in a positive way to protect, for example, workers' rights more vigorously than the Conservative government might be inclined to do, and of course to ensure that we have a good trade deal and as harmonious relationships with the EU 27 on all the areas where co-operation counts. This needs to be done in a spirit which both lets Labour-leaning Leave voters see that the Labour Party is fighting firmly and positively for a good outcome to the negotiations. At the same time, however, the Party needs to provide those who would have preferred Brexit never to have taken place with confidence that Labour is going to do all it can to make sure that our new relationship with the EU 27 embraces, as far as possible, all the attitudes and values which they think are so important.