

# LABOUR EURO-SAFEGUARDS CAMPAIGN

# **BULLETIN**

JULY 2016

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## **QUESTIONS AND ANSWERS ON WHAT**

## **LABOUR NEEDS TO DO NOW**

### **1. Why did Labour Party policy on the EU fail to persuade the electorate to vote for Remain?**

The Labour Euro-Safeguards Campaign has for many years, but especially recently, warned that too uncritical an attitude to the EU by the Labour Party, with no significant reform agenda having been developed, would play very badly with large numbers of Labour-leaning people when the referendum took place. This is exactly what happened. Of the nine million people who voted Labour in May 2015, some 37% - about 3.3m people altogether – chose Leave when the referendum came. Indeed, it was the late swing among left-leaning voters during the run-up to the referendum which - as much as anything else – was responsible for changing what was apparently the narrow Remain lead into defeat. Just as it was the refusal of the Labour Party to include a manifesto commitment for a referendum on our EU membership which lost Labour enough seats to secure a Conservative majority at the last general election, so it was Labour's unbridled enthusiasm for the EU, untempered with any serious criticism, which caused it to lose the support of millions of Labour voters, bringing about the referendum result which was the exact opposite to what most Labour MPs and activists wanted.

### **2. Where does Labour go from here?**

While a majority of Labour Party members may be disappointed by the referendum outcome, it is essential that we all recognise the force of the democratic decision which has been taken and that we now do all we can to make the new situation in which we find ourselves work to both our advantage and that of the rest of the EU to the greatest extent that we can. We now need to fight for a reform package which will use the referendum result to achieve, as far as possible, an acceptable way ahead for both those who voted for Remain as well as Leave. The Leave

margin of victory was comparatively narrow and there is no desire across nearly all the electoral spectrum for the major rupture with the EU which only a very small minority might welcome. On the contrary, we need to use the opportunity now in front of us to achieve a relationship with the other members of the European Union which combines together all the co-operation which has been successfully achieved with discarding the political control which the recent referendum rejected. How should this be done?

3. **What kind of trading relationship should we aim to achieve with the EU?**

The best solution on commerce would be an agreement between the UK and the remaining EU countries for there to be free trade on industrial goods and service with the UK outside the Single Market. The UK would then be free of EU regulation, with its rules no longer justiciable by the Luxembourg court, with the UK able to set its own immigration policy, and no longer obliged to make the current large net payment to the EU every year. To get to this position, however, we would have to be willing to be outside the Single Market without a free trade agreement, otherwise we would have no negotiating leverage. This is no worse than the position, however, which many large suppliers to the EU market, such as the USA and China, are in. Once it was clear that we would be willing to pay the low but not negligible World Trading Organisation(WTO) tariffs which would be involved – averaging about 3% on industrial goods and zero on services– it would make no sense either for the EU or for the UK not to establish free trade, and this should be our objective. Of course if the UK was outside the Single Market we would not be part of its decision making process, although we could regain our seats on world bodies such as the WTO. We could also progressively reduce to zero our tariffs on goods coming from outside the EU which we presently have to impose as a result of the EU's Common External Tariff. Removing tariffs on agricultural products, in particular, would have substantial benefits especially for poorer people.

4. **What should we do about the Common Agricultural Policy (CAP) and the Common Fisheries Policy (CFP)?**

The short answer is that we should disengage from both the CAP and CFP. We will need to continue to support the UK farming community but we should switch back to doing this – as far as we can, bearing in mind WTO constraints - along the lines of the deficiency payment system which used to be in place before we joined the Common Market, thus lowering food prices to world levels instead of having them about 20% higher. The CFP has been a commercial and ecological disaster which we need to reverse by recovering control of our fishing waters and then conserving and sustaining fish stocks in the same way that Norway and Iceland – both outside the CFP – have done. Both the CAP and the CFP have been highly regressive and damaging to third world countries and Labour now has the

opportunity to disengage the UK from both these policies, neither of which the Party has ever supported.

5 **What would happen to investment in the UK – and to the City?**

It is undoubtedly the case that a considerable amount of investment in the UK depends on access to the EU market. We do not need to be in the Single Market for companies based in the UK to trade with the EU but we do need to be competitive. Provided we take any strain on our competitiveness as a result of EU non-cooperation with us on trade barriers by letting the value of sterling drop, there is no reason why the UK should not continue to be just as much a magnet for inward investment as we always have been. There may be some discrimination against the City by the EU but this needs to be seen from the perspective of world competition for financial services where the main competitors to the UK are not Frankfurt and Paris but Hong Kong Singapore and New York. By freeing the City from unhelpful restrictive EU regulation the City will probably have as much to gain from being outside the EU as by staying in it.

6. **What would happen to other areas of co-operation?**

The UK has numerous ways in which it co-operates with our neighbouring states in Europe – on education and health, on counter-terrorism and climate change, on diplomatic and sometimes military initiatives, and in many other ways. All this co-operation happens because it is in everyone's interest that it should do so. We should do all we can to foster and encourage all this working-together to continue.

7. **Are there risks that Brexit can help us to avoid?**

It is easy, nevertheless, to regard the wrenching changes engendered by an event like our recent referendum on the EU as frightening and negative. Of course they are upsetting and, particularly in the short term, they have costs. The outcome of the referendum, however, needs to be seen in a wider perspective. Neither the UK nor the EU can continue as they are. The UK is deeply unbalanced and divided both politically and economically. The benefits and downsides of globalisation are too unevenly spread. The gulf in living standards between those individuals – and indeed those parts of the country – which have done well and those which have done badly over recent decades has become untenable. The result of the recent referendum is largely a reflection of these developments, and a shock of this sort was very probably bound to materialise soon or later. We will have to see whether policies can be implemented within the UK to remedy matters – and Labour ought to be thinking hard about what these policies might be - but at least we have the freedom and control to try to tackle them.

8. **Where does this leave the other countries in the EU?**

The other countries in the EU suffer in varying degrees from all the same divisive problems stemming from globalisation and the overhang of the 2008 crash, but their situation is in many ways worse than ours because many of them are also trapped in the euro. The only way of protecting the Single Currency is greater integration but this is not what most people want. There is thus a huge and mounting gap in intentions and aspirations between the ruling elite and the EU electorates. Because of the way the EU is structured, there is currently no easy way for democratic pressure to be brought to bear on Brussels to stop the moves towards a federal state being continued. The dilemma is, however, that if these democratic pressures were to be effective, they would tend strongly to inhibit the steps which have to be taken to keep the Single Currency in being. It would then be in major danger of collapsing, plunging Europe into a major depression, although this may be the only way back eventually to growth and full employment. The problem for the EU is that the democratic upset which has taken place in the UK may well be a harbinger for what could occur in other Member States. It is just that the first really serious electoral test of the way that the EU is going took place in the UK.

9. **What should our overall aim be?**

There are, therefore, substantial risks to both the EU and the UK, which the outcome of the referendum may highlight, hopefully providing us with time to take countervailing action. It should help us to distance ourselves from some of the political and economic threats facing the EU. At the same time, it may now be possible for us to move much further towards the relationship which the vast majority of people in the UK would like to have with all the other countries in Europe, and which now may well be within our grasp. This would be to have free trade, maximum friendship and co-operation, and as much free movement of people as is sustainable, but all organised on an inter-governmental basis rather than as part of a federal political project. We would recognise that the Eurozone countries have little alternative but to create banking and monetary union, and then to move towards fiscal and then political union if the euro is to be saved, and we should not stand in their way if that is what they are determined to do. It may well be that the UK will then finish up in something of an Associate status with the rest of the EU – outside the euro, Schengen, the Single Market and the EU's political structure – but working with the EU as a partner wherever this makes sense. If this is the outcome which could be achieved, surely most people in the UK would welcome it