

QUESTIONS AND ANSWERS ON

THE UK'S LONG TERM INTEREST IN BEING IN

THE EUROPEAN UNION

1. **Where are the current negotiations going?**

When the referendum to be held during the next couple of years takes place, the UK will decide whether it is to remain in the European Union or to leave it. Polls show that the overwhelming majority would like to stay in the EU on substantially revised terms, but that the outcome is likely to be much closer if the choice is “in” or “out” without any radical changes being made. This being the case, there should be a wide area of common interest between those whose underlying preference would be to stay in to join forces with those who want big changes to be made. All have a strong interest in making renegotiation as successful as possible, thus moving the likely outcome to what most people want. Unfortunately, there is little sign of this happening. The proposals for change advanced so far by the Conservative government look marginal and Labour has done little to put forward its own case for renegotiation. The referendum choice is therefore likely to be one between substantially the status quo and leaving altogether. This is a huge wasted opportunity.

2. **What are most people concerned about really want?**

It is not difficult to set out how most people would like our relationship with the other EU Member States to be changed, given the opportunity to do so. Almost everyone, including most of those who most strongly advocate us staying in, exhibit, when pressed, concerns about a number of factors. We pay an excessively large net membership fee every year - £11.4bn in 2014. Although free movement of people works well among countries with roughly the same living standards, it

causes far more problems across the very steep economic gradient there is between the UK and Bulgaria and Rumania – and even Poland. Few people in the UK favour either the Common Agricultural Policy (CAP) or the Common Fishery Policy (CFP) which between them still consume about 40% of the entire EU budget. Nearly everyone wants free trade between the UK and the other EU Member States but even a majority of businesses, when polled, report that the Single Market is more trouble than it is worth. There is a widely held perception that the EU regulates too much and is too protectionist. There are also generally felt concerns about where the EU is ultimately heading. Not many people in the UK want to see the UK becoming part of a federal United States of Europe, but this is the direction which much of the EU leadership would like to see being taken – and the travails in the Eurozone are pushing developments strongly in this direction. It is clear that the Single Currency can only survive if all the countries using the euro move towards banking, fiscal and political union.

3. **What would most people in the UK really like?**

Given these concerns, it is clear what most of the UK electorate would really like our relationship with the other EU Member States to be. We would like to continue with free trade and we would like to work together with the countries on the continent of Europe on an inter-governmental rather than on a federal basis on all the many issues on which we have a common interest. Clearly, this would mean that we had a different status within the EU than other member states, but this is going to have to happen anyway if we are the only major country outside the Single Currency. This may well be the case as early as 2020, according to the Accession Treaties signed by nearly all the EU countries not already in the euro. To produce a long-term stable relationship, with the UK in the EU but on an Associate rather than Full Membership basis, the way ahead to deal with all the concerns outlined could well be for the UK to come out of the EU Customs Union and to negotiate a Free Trade Agreement in its place. This would leave us outside the Single Market, with all its obligations on the free movement of labour, and no longer bound by Brussels legislation, which would be devolved back to Westminster. We would then probably finish up in the European Free Trade Area (EEA) but not in the European Economic Area (EFTA). We would then no longer have to be members of the CAP or the CFP, which would go a long way towards reducing the current very heavy net budgetary costs to us of our EU membership.

4. **Is renegotiation along these lines realistic?**

Would the other EU Member States be willing to contemplate changes along these lines? Undoubtedly this would not be their first choice. Everyone likes a quiet life, and few of the EU leaders would choose to get involved with the complex negotiations involved in these radical changes. On second thoughts, however, EU

leaders might realise that, despite the time and difficulties involved in dealing with a major change in the UK's status, this could be a much better way ahead than leaving matters as they are. In the first place, renegotiation along the radical lines proposed would almost certainly keep the UK in the EU, greatly reducing the risk that the UK referendum would lead to an "out" outcome, which would be a disaster – perhaps an existential threat – for the EU – and which would inevitably involve even more drastic changes being negotiated in a potentially considerably more disadvantageous environment. Second, it would leave the Single Currency countries free to establish their vision of a fiscally united European state, unimpeded by the UK as a major country outside the euro. Third, it would leave the UK formally inside the EU and thus still able to play a constructive role in all the many policy areas where it obviously makes sense for all the countries in Europe to work together. Fourth, there is every chance that a settlement along these lines would leave the UK a very largely contented member of the EU whereas the danger of continuing as we are, even if the referendum leads to a vote to stay in, is that it will leave Euroscepticism in the UK as strong a force as it always has been.

5. **What is likely to happen when the referendum is held?**

At the moment, it seems likely that the current round of negotiations being conducted by the Conservative government is going to lead to very little change of any real substance. There will probably be a declaration that the UK is not fully tied in to the EU goal of "ever closer union". There will be some further restrictions on the benefit entitlements of migrants from the EU to the UK. There are proposals for the sovereignty of national parliaments to be boosted, so groups of them can block proposed EU legislation, and for the role of the City to be safeguarded from excessive EU financial regulation. There are also hopes that steps will be taken to make the EU more streamlined and competitive. It seems unlikely, however, that changes along these lines are going to have any real impact on the concerns that many people have about our EU membership, while at the same time the EU is running into more and more difficulties. The austerity policies implemented to keep the Single Currency in being have meant that living standards in the EU are still well below what they were in 2007. The way in which Greece has been treated, particularly by Germany, has heavily undermined the perception of the EU as a force for tolerance and fairness. Nor is scepticism about the way the EU runs its affairs just a UK phenomenon. Eurosceptic parties are on the rise across the EU, making it ever more likely that the results of elections in the EU in future will be to produce unstable coalitions incapable of implementing the sorts of unpopular policies needed to keep the Single Currency from collapsing. EU wide policies in many areas from climate change to migration have been widely seen to have failed. The effect of all these adverse developments has been to make the UK's continuing EU membership a steadily less compelling and attractive option. The assumption, therefore, that the outcome of the referendum is bound to be a vote for staying in may turn out to be a major misjudgement.

6. **Where does this leave us?**

The UK currently has a major opportunity to refashion its EU relationship in a way which, if it could be achieved, would work best for the EU, which would be welcomed by the vast majority of our electorate and which would undoubtedly be best for the UK. The opportunity has arisen because the Eurozone crisis can only be contained as a result of all the countries using the euro coming together to form some type of unitary state. Whether this is a sensible target for the EU leadership to aspire to is another matter, but this is what they are going to have to achieve to save the Eurozone from breaking up. Because the UK is outside the Single Currency, we have to have a special dispensation and it is on this that we need to build our future. From everyone's point of view, it makes sense for radical changes to our EU membership to be made, to provide both ourselves and the rest of the EU with a stable basis for the future. This is the case which needs to be made.

7. **Is this going to happen?**

Is renegotiation along these lines going to take place? Unfortunately, it seems extremely unlikely that it will be. The Prime Minister and Chancellor of the Exchequer seem much more interested in negotiating the minimum changes which they think may be necessary to persuade a majority of the UK electorate to vote in favour of staying in. There is no pressure from anywhere else at Westminster, including from the Labour Party, for anything more radical than this. The outcome is therefore likely to be that either the referendum produces a "leave" outcome, which is not what most Labour members want, or that there is a narrow "remain in" vote which settles nothing. Opportunities for agreed radical changes in something as complex as our relationship with the EU come up rarely. Now we have one. We have a government with a mandate. We have a broadly agreed list of changes which most people in the UK would like to see made. It is strongly in the interest of the EU to keep us in and to have us committed to future membership on a stable basis. What we need now is the vision across the political spectrum to push for the changes which need to be made and to build alliances to make them happen. Those with whom we are negotiating need to know that, if there is not sufficient flexibility in their response, we may soon be outside the EU altogether negotiating from an altogether different position. It is easy to say that none of this is possible, but how do we know that this is the case if we are not prepared to try to achieve what almost all of us want to see accomplished?