

LABOUR EURO-SAFEGUARDS CAMPAIGN

BULLETIN

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QUESTIONS AND ANSWERS

ON A BRITISH EXIT FROM THE EU

1. **Will there be an “in or out” referendum on our EU membership?**

There is no doubt that a majority of the UK electorate would like to have an “in or out” referendum on our membership of the European Union. This majority includes a large number of people who are likely to vote for staying in as well as those who are either in favour of a UK exit or who have not yet made up their minds. While it is not yet certain that an “in or out” referendum will be held in the foreseeable future, there must now be an increasing likelihood that a choice along these lines will be put to the British people before very long. It may therefore be appropriate to look now at what the major issues in the campaign running up to a referendum might be.

2. **What would be the impact on jobs?**

Very probably the key issue will be whether leaving or staying in the EU will provide the better prospect for jobs. On various occasions, those strongly in favour of our continuing membership have claimed that 3m jobs might be at risks if we were no longer EU members. This claim is patently absurd. Apart from anything else, the EU countries export far more to us than we sell to them, so a much higher number of jobs in other EU Member States must depend on their continuing to trade with us than the other way round. There is, however, a real issue about what would happen to tariffs between the UK and the rest of the EU if the UK was no longer a Member State. It would certainly not be in the interests of the EU to stop free trade between us and them and no doubt we would want to retain our tariff free entry to their markets. Making arrangements for this to be done, however, will inevitably involve complications and may take a bit of time. Even if there was an interim period before matters were finally settled, however, it is unlikely that this would have any serious job implications for at least four reasons. One is that the EU external tariff is already very low on most industrial goods – around 2.5% - so that even if they were applied to most products, they would not make that much difference. The second is that even where the biggest problems might lie, for

example on the impact which UK withdrawal from the EU might have on motor vehicles and components where at worst there could be a 10% tariff, the EU, has an especially large trade surplus, led by Germany. It is therefore not remotely in their interest, to have mutual tariff barriers erected on these products. The third is that the EU is bound by its own treaties not to generate a trade war and the fall back position if the UK left the EU would be for both them and us to adopt World Trade Organisation (WTO) levels of protection. This would involve no increases in tariffs above what they are at the moment, which is nearly all low or zero. Fourthly, if we did – despite all – find ourselves facing unexpected tariffs, we could always neutralise their impact and level up the playing field, by making a small compensating adjustment to our exchange rate.

3. **Would there be a loss of foreign investments?**

Against this background, is it likely that there would be any significant losses to the UK's manufacturing capacity if we were no longer in the EU, particularly on cars where companies such as Honda, Toyota and Tata have invested heavily in UK plants? It is true that a very high proportion of the cars manufactured in Britain – about 80% - are exported but it is also the case that about 80% of the cars purchased in the UK are imported. It is thus in no-one's interests for markets to be disrupted by the erection of tariff barriers – although even if they were, the situation would be far from unmanageable. It seems far more probable, however, that everyone would agree to keep free trade in motor vehicles and components throughout the UK withdrawal process, perhaps by having a temporary stay on the erection of tariffs – if this became necessary – pending a long term free trade agreement being reached.

4. **Would the UK otherwise gain or lose economically?**

In some respects, there would be clear UK gains in no longer being an EU Member State. At present, we pay a very large membership fee of about £12bn a year, which is the difference between our total gross annual contribution of around £20bn and our receipts from EU budgets of about £8bn. This net contribution would be phased down if we were no longer an EU member. We would be able to run our own agricultural and fisheries policies, which should be a good deal less costly than they are at the moment, and much better attuned to our interests, particularly in the case of fishing where we could recover control over our traditional fishing grounds. We would also be able to decide for ourselves which of the regulations which pour out of the EFU we wanted to keep and which to reject. In some cases, such as with the provisions of the Social Chapter for example, there are important social benefits which have an economic cost. If we were outside the EU it would be for our own parliament and not Brussels to decide where the balance between benefits and costs should lie. On balance, despite the current strident Europhile claims to the contrary, it is hard to see that the UK would not be better off economically outside rather than inside the EU.

5. **What about our position in the world?**

Once we joined what was then the Common Market in 1973, we had to give up our ability to negotiate trade agreements on our own behalf and since then the steadily advancing encroachment of EU powers over its Member States has increased the international role of the EU in other areas at the expense of the nation states. This has been done by increasing very substantially the areas of competence enjoyed by the EU where Qualified Majority Voting applies. At present, we have no more than about 8% of the relevant voting power. It is often argued that we have more influence in world affairs because we are part of a large block of countries rather than acting on our own but it is hard to see that this is generally the case if we are in such a small minority. Practical experience suggests that countries such as Norway and Canada, which are independent, exercise much more influence in world affairs than comparable areas such as Scotland and California, which are respectively part of the EU or the USA. It is also more likely that, if independent, we would retain our position on the UN Security Council as well as having our own representatives at bodies such as the World Trade Organisation.

6. **What about the future of the EU itself?**

Another significant factor which needs to be taken into account are the trends surrounding the EU as a whole. Many of these are unfortunately not favourable. The demographic prospects of many EU countries are very poor because of their low birth rates and ageing populations. It is clear that a massive mistake was made in establishing the Single Currency and that its impact has been to undermine the prospects for economic growth in the Eurozone for years ahead. It is all too likely that years of stagnation will be followed by a deep depression as the Single Currency breaks up. This is in grave danger of undermining centrist and moderate politics and encouraging extremist and single issue political parties, potentially making at least some EU countries ungovernable by normal democratic processes. It is far from clear that the UK's best interests are to be found in tying its future more and more closely to an organisation with prospects as poor as this. Furthermore, the strains imposed by trying to keep the Single Currency in being are going to force the Eurozone countries to closer union which is neither what their electorates want nor in the UK's interests if the result is that we finish up in an outer circle of EU countries with relatively little control over what the core Eurozone countries decide to do.

7. **What shape are the EU for and against campaigns likely to take?**

Past experience, especially during the 1975 referendum period and the debate in the early 2000s as to whether the UK should join the euro, provide a foretaste of the way in which those who favour our continuing our EU membership are likely

to fight their campaign. There is still a big danger that the Europhiles will find themselves much better financed than the Eurosceptics, not least because of EU funding which should surely not be allowed to be used for this purpose. There will be much use of the fear factor, spreading alarm about what being outside the EU might be like – exactly as was done by those campaigning a decade ago to get us into the euro, with similar concerns being put about on the effects of our being excluded from the Single Currency. We may well see the mendacious claims about job losses which we have experienced before. Overall, there will be a negative approach to the UK's future, implying that we need to be members of a bigger club to enable us to fight our corner in the world rather than being capable of standing on our own feet.

8. **What should those who think the UK should leave the UK be fighting for?**

By contrast, those campaigning for an independent Britain need to have a much more positive and upbeat message. Unlike what happened during the run up to the 1975 EU referendum, much of the press is likely to be on the Eurosceptic side, especially if, before the referendum takes place, serious efforts have been made to change our relationship with the other Member States for the better, without success. This may well particularly be the case if, at the same time, the rest of the EU moves to “more Europe” instead of the looser relationship, built largely round free trade, which is what the overwhelming majority of the British people want. In these circumstances, the Eurosceptic campaign should emphasise the huge achievements of the UK in the past, our resilience and creativity and our undoubted capacity to make our future as an independent nation, if this is what the electorate wants. It is indeed a peculiar turn of events for the countries in Europe to be forging a new federal state from its reluctant constituent parts at the same time as, everywhere else in the world, people are gaining more control over their lives by moving in the opposite direction. While the world becomes increasingly globalised, individual nations almost everywhere have become more distinct and more determined to maintain their independence, while co-operating with their neighbours on exactly the inter-governmental rather than federal basis which most people in the UK would prefer to see as our future, given a fair choice to do so. The big issue, therefore, if a referendum comes, is how self-confident the British people will then feel. Are they going to be ready to stand on their own or do they believe that the only safe way ahead is to merge our sovereignty more and more with those of our European neighbours? Probably, before very long, we will find out.