

LABOUR EURO-SAFEGUARDS CAMPAIGN

BULLETIN

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QUESTIONS AND ANSWERS ON THE EU AND

A LABOUR GOVERNMENT ELECTED IN 2015

1. What is Labour's attitude generally towards the UK's membership of the European Union?

The UK's membership of the European Union has not for a long time been a particularly salient issue within the Labour Party. As a result, there is not as much discussion as there might be taking place currently within the Party about our relationship with other EU members. Labour has a long internationalist tradition, which tends to provide a default attitude of support for trans-national organisations such as the EU. Some of the achievements of the EU, particularly the provisions of the Social Chapter, resonate strongly within the Labour Movement. The nationalism which motivates so many Eurosceptics on the right of the political spectrum largely passes Labour Party members by. Labour politicians and members of the Party both tend to be more interested in domestic policies on Education, Health and Transport than they are in the EU. As a result, Labour MPs and party members tend to take our membership of the EU more or less for granted, with not a great deal of thought being given to its impact on a future Labour government.

2. How much impact is our EU membership likely to have on the next Labour government?

If we have a Labour government in 2015, however, as has been the case with all governments elected since we joined the Common Market in 1973, our membership is going to be a major factor, shaping and constraining what the government will - and will not - be able to do. It is clear that there are problems looming which are going to involve difficult decisions and awkward negotiations on a number of different fronts. Some of the issues are general while others are more specific. There is a widespread feeling in the UK – and

elsewhere – that the EU has over-reached itself and that it tries to do too much to too little effect. Notwithstanding these widely shared concerns, there are still strong centralizing trends within the EU Commission, the European Parliament, the European Central Bank and the Luxembourg Court, despite the general lack of democratic legitimacy among these organisations. There is little support in the UK for the creation of a United States of Europe along the lines strongly supported by most of the mainstream political class on the Continent. More specifically, if the Single Currency is to survive – which it may not – this can only happen if there is much tighter political union among the Eurozone countries. Where is this going to leave all the countries outside the Eurozone? If the strains within the Single Currency prove to be too strong for the euro to survive, leading to a major downturn in the EU economies, how is this going to impact on Labour's economic policies? And what of the cost to the UK of our EU membership? This is now running at about £12bn a year net, and still rising, with all of these sums being paid abroad and thus being a very heavy burden on our already weak balance of payments. And what, if anything, is Labour going to do to promote its longstanding wish for reform of the Common Agricultural and Common Fisheries Policies? And how about immigration?

3. How is the Labour government likely to react?

Simply listing out the many ways in which our EU membership impacts on what any UK government can do indicates how substantial its influence is bound to be. All governments ever since we have been members have started by taking the line that the best approach for advancing UK interests is to play within the rules and to use our best endeavours to change from the inside the way the EU operates along the lines we would like to see. No doubt, as far as it goes, this policy makes sense, but few governments have been successful in making this approach work. The problem has always been that we do not really have a shared vision with our EU partners as to what the EU is trying to achieve. As a result, even with careful management, we tend to finish up with too few countries supporting not only the changes we would like to see being made but the direction of travel of the whole enterprise. The result has been that successive government leaders in the UK have finished up feeling frustrated and resentful of EU constraints as, at the same time, the electorate becomes increasingly disillusioned and Eurosceptic.

4. What are the best tactics for a Labour government to adopt?

Faced with these difficulties, what is the best line for a Labour government, elected in 2015, to take? Very probably the most immediately crucial issues are going to be in connection with the steps which the Single Currency countries are going to have to take if they are to have any reasonable chance of maintaining the Eurozone intact. These are going to have to involve both debt mutualisation and moves to centralise budget making decisions, leading towards much more political unification than is wanted by the UK. The problem then is to avoid the UK becoming a member of an outer ring of EU

states outside the euro with relatively little power over decisions taken by the Single Currency core countries, which may well conflict with UK interests, particularly if more and more countries join the euro, as they are – at least in theory – obligated to do. If, at the same time, there is mounting pressure from within the UK to change relationships between EU Member States more towards free trade and less towards political integration, the prospects of tough negotiations to protect UK interests are easy to envisage. It is going to be hard, in these circumstances for the UK to avoid finding itself in a minority position, with the government having a difficult task in protecting UK interests.

5. What about economic policy?

Economic policy within the Eurozone is also likely to have a heavy impact on the UK. At the moment the tensions within the Eurozone appear to have abated, but the underlying imbalances are still there. Some time between 2015 and 2020 it is therefore likely that the future of the Single Currency will be resolved either by it breaking up or by it triggering rapidly accelerating moves towards political union among the Single Currency Member States. Both of these scenarios are going to present problems for the UK. If the Single Currency does break up, it is likely that this will result in a substantial fall in Eurozone GDP at least temporarily, which may further increase the very large trade deficit which the UK has with the EU. If, on the other hand, the Single Currency survives, all the current evidence suggests that the price to be paid for this to happen is going to be a long period of very slow growth among the Single Currency economies – again impacting adversely on the UK's trade balance with the other EU countries. Neither of these outcomes suggests that tying the UK more closely to the EU is going to do anything to improve the growth prospects of the UK economy. With trade negotiations entirely in the hands of the EU rather than the UK, however, the Labour government may well find that there are increasing tensions between the reality of EU economic trends and what the UK government would like to do to boost trade with countries outside the EU.

6. What about the increasing cost to the UK of our EU membership?

A number of studies have been carried out on the total cost to the UK of our EU membership, with conflicting results depending on the assumptions made about some of the elements which are more difficult to quantify. Our budgetary membership cost, however, is clear cut and beyond dispute, although the true figures are surprisingly difficult to find in official documents. This is partly because the main focus tends to be on the gross and net amount we pay into the main EU budget rather than the total costs, including all off budget items such as the heavy fines we have had to pay from time to time, capital as well as revenue cost on projects such as Galileo, and items such as some CAP and aid payments which go through separate budgets from the main one. If all these items are included, the current net cost to the UK is about £12bn per annum. Furthermore, it is on a rising trend partly because of phasing down of the rebate we have had and partly because of rising EU expenditure. The Office for

Budget Responsibility estimates that these costs are going to rise by a further £10bn over the period between 2013 and 2018. Is Labour going to allow these trends to continue or to press for changes?

7. What about the CAP, CFP and Immigration Policy?

Labour will also be faced with difficult choices on the Common Agricultural Policy, the Common Fisheries Policy and immigration. Few people in the UK support either the CAP or the CFP. EU policies on the free movement of people, as well as capital, goods and services within the EU, have rather more support within the UK but mainly among a minority of the population who tend to be the better off. Is any serious effort going to be made to achieve reforms in any of these policy areas? The likelihood of any real reform of the CAP and CFP may be fairly remote, but immigration is going to be a very pressing issue to handle, especially if the economic conditions within the Eurozone fail to show any radical improvement, which does not look at all likely.

8. What about a referendum?

Perhaps the really key issue in all of this is what the Labour government is going to do if it finds that it is getting little response on any of these topics from other Member States. There have recently been unconfirmed reports that the Labour Party may be going to go into the next general election offering a referendum on our EU membership but only once it is clearer what is going to happen both to the euro and what the outcome is of any Treaty changes and renegotiation which take place over the next few years. This makes sense not least both because a referendum is badly needed for democratic reasons but also because the prospect of one being held and the UK electorate being asked to endorse our membership must strengthen the UK government's hands in all the negotiations which are going to have to take place. It is fairly clear from all the polls that, if there are substantial changes to our terms of membership towards free trade and away from political integration, there might well be a majority for staying in. If, on the other hand, the trend is towards more and more centralisation, there would very probably be a majority for coming out. The dilemma the Labour Party is going to have to face is to see whether it can defend UK interests sufficiently effectively to stop its sympathies with the aspects of our EU membership which it supports being overwhelmed by a tide of Euroscepticism. The reality is that the less successfully Labour stands up for UK interests in dealing with the difficult issues which our EU membership is likely to throw up over the coming years, the more likely it is that eventually there will be a referendum leading to the UK leaving the EU.