

LABOUR EURO-SAFEGUARDS CAMPAIGN

BULLETIN

MAY 2014

QUESTIONS AND ANSWERS

ON LABOUR AND THE EUROPEAN UNION

1. **What were the crucial parts of the Labour Leader's recent speech on Labour and the European Union?**

In his recent speech, delivered at the London Business School on 12th March 2014, Ed Miliband, the Leader of the Labour Party, set out Labour's stance on the EU, running up to the European elections taking place on 22nd May 2014 and the general election on 7th May 2015. Much of what he said echoes concerns which are widely held across the political spectrum – particularly on the three major themes he highlighted - economic issues, immigration and accountability. He aptly pointed out the difficulties confronting the Conservatives, with their unspecified agenda for reforming the UK's relationship with the EU and the lack of clarity as to what a Conservative government, if one were elected in 2015, would recommend if a referendum were held in 2017. This speech also marked a major change in Labour's commitments to opposing the further transfer of powers to the EU. Up to now, Labour has supported the Referendum Lock endorsed by all the major political parties in the UK, but this legislation only triggers a referendum on whether the specific transfer of powers concerned would be acceptable or not. The new commitment is not only that "Britain will not be part of an inexorable drive to an ever closer union" but that Labour will legislate for a new lock "that guarantees that there will be no transfer of powers without an in/out referendum."

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

While much of what this speech contains is welcome it leaves Labour still facing many of the dilemmas which have dogged successive governments ever since we joined what was then the Common Market in 1973. It is just as difficult as it ever was to see how Labour would be to be able to drive through the reforms which a Labour government – and many others in the UK - would

like to see implemented. Labour would like to see the Single Market extended more vigorously in services but the fact that a Labour government would fight hard to get Health Care exempted – for entirely understandable reasons – points all too clearly to how difficult it will be to get a consensus together on policies which will make any real difference. Unemployment generally – and youth unemployment in particular – is recognised as being a major problem by everyone but there is little which can be done to ameliorate the situation at an EU level while the Single Currency, which is by far the largest cause of the problem, remains intact. Radical reform of the Common Agricultural Policy has long been a goal shared by almost everyone in the UK but the chances of this happening in the face of entrenched opposition from most other EU Member States is remote. Negotiating new trade agreements would help but it is not clear that the EU, with disparate interests to be accommodated is really more likely to get them in place than individual countries. Negotiations to secure the EU/US Trade and Investment Partnership, for example, may well founder on French insistence that French culture should be protected, not to mention differing views among Member States on, for example, fracking, genetically modified foods and the enhanced rights of private firms to litigate against the laws and regulations of sovereign states.

3. **What should Labour's approach be to free movement of people within the EU?**

The Labour Leader was surely right to concentrate attention on the tensions created by large scale immigration to the UK from countries in the EU with much lower living standards than those in the UK. While free movement of people within the EU has always worked well between countries with roughly the same living standards, it is clearly far more of a problem where there is such a huge economic gradient as there is between countries like the UK with average GDP per head per year reported in 2013 by the IMF to be \$37,303 compared to \$14,499 in Bulgaria. Finding a solution, however, is far from easy. Free movement of people is a fundamental component of the EU treaties and any significant attempts to undermine it, for example by restricting benefits, is liable to challenge by the Luxembourg Court. If it is a major policy objective to restrict the number of immigrants to an extent which the country can afford and tolerate while there are little or no barriers within the EU, there is then great pressure to impose restrictions elsewhere, such as on students and the highly skilled from outside the EU, where the disbenefits from excluding them from the UK are much greater.

4. **What about accountability?**

The Leader's speech flagged up the lack of accountability in the governance of the EU as a major issue but then expressed his main concern as being that this allowed the EU to move in directions not wanted by its electorate, especially in the UK, rather than as a direct criticism of the lack of democratic control within the EU. There is obviously a connection. It is because the Commission, the European Central Bank and the Luxembourg Court, spread between which so

much power lies, are not subject to any electoral pressures that they can push ahead with policies however much they are disliked by voters. The problem is how to stop these kinds of policies being pursued, especially if they lead to more and more centralisation. Is there anything which the UK might be able to do to stop this happening despite all the pressures for more central control within the EU as a result of the Eurozone's problems?

5. **What would trigger the Referendum Lock?**

Perhaps the biggest single issue which the Labour Leader's speech left unresolved was what transfer of powers would actually trigger a referendum. Clearly a change in the EU treaties would qualify, but the fact that the Leader said that on the basis of "proposals coming from the EU for such a transfer of powers, I believe it is unlikely this lock be used in the next Parliament" strongly suggests that he thinks it unlikely that there will be any formal treaty changes before 2020. This may be a correct assumption – although it could turn out not to be, potentially leaving a Labour government with the obligation to hold a referendum at a time which would not be of its choosing. In the meantime, however, no doubt there will continue to be the flow of directives and regulations from Brussels which incrementally binds us ever more closely into the European Union. Very rarely do any of these changes on their own look significant enough to trigger the referendum lock provisions but their cumulative effect is nevertheless increasingly substantial. The likelihood is, therefore, that, in the absence of a new treaty materialising, there will be no change sufficiently large on its own to justify a referendum being held, leaving us very much in the same position as we are now.

6. **What is the overall direction of travel?**

The bigger unresolved issue is how a Labour government elected in 2015 would deal with the wider question of the direction in which the EU is going. The reality is not only that most of the reform agenda which the Labour Party – and the vast majority of the UK electorate – would like to see carried out is going to be very difficult to carry through. It is that, far from moving towards more decentralisation, the main thrust of EU policy developments is in the opposite direction. In particular, whether formally endorsed by treaty changes or not, maintaining the Single Currency is going to require radical changes in the way the EU functions. The euro will not be able to survive without both some mechanism for debt mutualisation being implemented and much tighter central control over the budgets for all the Eurozone countries being put in place. Movements of this sort towards both fiscal and monetary union among all the Eurozone countries, very probably implemented on an incremental step by step basis, are going to leave those outside the Single Currency in an outer ring of an organisation much more concerned with the Member States who are in the Eurozone than those outside it. The problem is that no single steps in this process may involve ones of significance enough on their own to trigger the transfer of powers referendum envisaged in the Labour Leader's speech. As the Commission is well aware that bundling all the changes which will have to take

place into a treaty is likely to provoke referendums not only in the UK which, from their perspective, they are likely to lose, it is easy to see why an incremental approach therefore has a lot appeal to Brussels.

7. **Where is this going to leave public opinion in the UK?**

There can be little doubt that the promise of a referendum in the Labour Leader's speech if further transfers of power to the EU were to take place was partly in response to the widely publicised desire by the UK electorate to have a say on our membership of the EU. There is, of course, nothing wrong with responding to electoral opinion in this way. Indeed, in principle, it is to be warmly welcomed. The problem from the Labour government's perspective may be, however, that over the coming years the electorate's perception of more and more sovereignty seeping away step by step to Brussels, but with no individual step being sufficient to trigger a referendum, may lead to the electorate becoming more and more eurosceptic. Most opinion polls clearly show that the UK electorate's preference would be to stay in the EU if our relationship with the other Member States could be one largely based on trade rather than on being part of a major political structure, leading to a United States of Europe. If the EU moves strongly in the opposite direction, however, UK public opinion is likely to become correspondingly more hostile.

8. **Where does this leave Labour's EU policy?**

Our membership of the EU is going to have both a major impact and to be a major constraint on a Labour government elected in 2015. While Labour is generally considerably more Europhile than the electorate at large, and this may help it to garner support for some reforms within the EU which the UK electorate would welcome, the danger must be that the overall thrust of EU policy towards more and more centralisation overwhelms the impetus for the kind of reforms which most people in the UK would like to see materialising. This could then make it more and not less likely that, sooner or later, there will be an in/out referendum which leads to the UK leaving the EU. All the more reasonably researched evidence indicates that the UK would be perfectly capable of surviving and prospering outside the EU so that, if this was the eventual outcome, it would be far from being an unmanageable one – and indeed one which many people would welcome. If, however, the 2015 Labour government has a different view and it believes strongly that the UK would be better off inside the EU than outside it, it will need to tread very carefully in its negotiations and relations with the EU to avoid the development of more and more anti-EU sentiment which could lead eventually to the outcome – an in/out referendum with an out result - which is the opposite to what the Labour leadership evidently wants.