

QUESTIONS AND ANSWERS ON LABOUR'S

CURRENT POLICY TOWARDS BREXIT

1. **What did Leavers expect from the June 2016 EU referendum?**

Those of us who supported Leave during the run up to the June 2016 referendum envisaged that this would lead to the UK having a similar relationship to the EU27 to the one already enjoyed by countries as diverse as Israel, Mexico, South Korea, Chile and Canada. All of them have free trade deals with the EU. We would then, as they do, have tariff free access to the EU27 market, but – again like them - without our being in either the Single Market or the Customs Union. Although we would expect to continue to pay the administration costs for joint programmes with the EU27 with which we were still involved, we would no longer have to pay every year a large general membership fee to the EU. We would not be under the jurisdiction of the Luxembourg Court. We would be in control of our own borders. We would be outside the Common Agricultural and Common Fisheries Policies and we would be free to cut our own free trade deal with countries outside the EU. On this basis, we could continue co-operation with our continental neighbours in all the many ways in which this makes sense – on everything from anti-terrorism to educational programmes and from protecting the environment to military co-operation - but on an inter-governmental basis rather than as part of a political project. If there was a relationship like this, it would, we believe, satisfy all Leavers. It would leave most Remainers reasonably content, and it would be strongly in the long-term interests of the EU27. We would then have a settled relationship with our European neighbours, laying to rest UK Euroscepticism, with all the divisions it has engendered over the years. This seems to have been very much what the Prime Minister had in mind when she made her Lancaster House speech in January 2017. It is not, however, by a very long chalk, what currently now looks like being on the agenda

2. **What is likely to happen instead?**

The current outcome to the Brexit negotiations now looks like being very different from the scenario set out above. It now looks likely that the price the UK will have to pay for

tariff free access to the EU27 market – far from being free, as it is for other countries with free trade deals with the EU - will be continuing compliance with all the Single Market requirements which, in turn, will make it effectively impossible for the UK to strike trade deals with third party countries. Nominally we may be outside the EU, the Single Market and the Customs Union, but in practice they will continue exercising more or less the same control over the UK as they do now. Single Market rules will continue to apply to all UK companies whether or not they trade with the EU – even though at least 90% of them don't. We will be locked into the CAP and the CFP. We will almost certainly have to continue paying a large annual membership fee. Even worse, however, because the UK will no longer be an EU member and thus participating in EU policymaking, we will have no say on the way that the EU institutions and legal framework develop and evolve. All new legislation will apply to us. We will probably not even have a consultative role. And because we will still be justiciable by the Luxembourg Court, we will have no way to stop the EU27 enforcing its sway over us.

3. **Why have we managed to get into this bind?**

How have we managed to find ourselves in such a poor position, likely to satisfy neither Leavers nor Remainers, leaving the UK as a resentful junior partner to the EU27 with Euroscepticism still a force in UK politics? The chain of events began by getting negotiations started on the reverse footing from where they could have been. We should have taken the initiative, rather than allowing it to fall into the EU27's hands. Our starting point should have been to tell the EU that we were willing to trade with the EU27 on World Trade Organisation (WTO) terms but that we much preferred not to do so. Our strong preference would be to have a free trade deal instead, on the same basis as other countries outside the EU. We should then have asked the EU27 for their proposals as to how this should be done, putting them in the position where they had to make a sufficiently attractive offer to us to secure our agreement, rather than the other way round. Not least because we have a very large trade and payments deficit with the EU, we should have been in a strong negotiating position to agree a free trade deal without all the Single Market and Customs Union encumbrances. Unfortunately, however, the 2017 general election produced a Parliament which was not prepared to accept trading on WTO terms as an imperfect but nevertheless acceptable fall-back position. As soon as this became clear, our negotiating position was greatly weakened.

4. **How crucial is the Single Market?**

Even before the general election, the UK agreed to discuss citizenship, the Irish border and divorce payments before discussing trade. This immediately put the UK into a position where concessions had to be made to ensure that trade talks could begin. Now even these have been deferred until discussions are complete on a transitional or implementation period, which no doubt will require the UK giving further ground to secure progress. This process of retreat is inevitable as long as there is a large majority in Parliament prepared to see the UK paying almost any price to stay in the Single Market. While the EU27 actually have much to gain from having the kind of

relationship originally envisaged by the UK, they also have powerful reasons for trying to do much better if they can, partly to secure larger divorce payments to ease their budget pressures but also to discourage others potentially following the UK's lead. In addition, however, the UK is now asking the EU27 to agree derogations from the Single Market which they are bound to resist and which they will inevitably only agree to accept if there are major concessions in return. If we were completely outside the Single Market, as originally envisaged, we would have to comply with EU product standards – as does everyone else - but otherwise the way we run our affairs would be in our own hands. As soon, however, as we start asking the EU to allow us to stay in the Single Market but to make exceptions to its rules for the UK – on free movement of people, Luxembourg Court jurisdiction etc.- we will be asking them to undermine the foundations of a political project which they hold very dear. No wonder this leads to the prospect of fraught negotiations and more and more concessions – not only by the UK but, from their perspective, painful ones by the EU27 as well.

5. **What is likely to be the impact on UK politics of a bad deal?**

The danger now is that the UK is going to finish up with a poor deal, encapsulating all the disadvantages of our existing terms of membership while excluding all of the benefits such as external tariff reduction, cheaper food, regaining control of our fisheries and our borders, re-establishing the supremacy of our laws, and making far smaller annual payments to the EU which could have been secured from the outcome of the Brexit negotiations as originally envisaged. The implications may be seriously adverse and long-lasting, They may well include further distrust of our governing elite for handling the Brexit negotiations in a way which is likely to achieve such a poor outcome, diminishing respect for House of Commons and the House of Lords if they approve a disappointingly unsatisfactory deal, erosion of support for the Labour Party if the Party's reluctance to see Brexit through convincingly is perceived to be a major contribution to a bad deal, and continuing Euroscepticism.

6. **What can now be done to retrieve the situation?**

What can be done now which has a reasonable chance of securing a better outcome than this? The best way ahead may still be for the UK to be ready to fall back to trading with the EU27 on WTO terms rather than to accept a poor deal and then to move from this position to negotiating a free trade deal with the EU27. At the moment, however, there are perhaps 50 Conservative MPs, maybe 10 DUP members and only a handful of Labour MPs who might be prepared to support restarting negotiations again on WTO terms, to shift the discussions away from where they are now and onto a different plane. Given this situation, there seems little that can be done except to contain the downsides of these arrangements as much as possible. This means time-limiting the concessions we will have to make as much as possible while leaving ourselves with as much room to diverge from the Single Market as we can get the EU27 to agree to without involving too a high a cost.

7. **What could change this situation?**

The House of Commons has insisted on having a vote on whatever deal is finally achieved, although it is not now clear when this might be. Under Article 50 of the Lisbon Treaty, our membership of the EU expires at 11.00pm GMT on 29th March 2019. It may be that by then there will be at least a reasonably definitive framework deal in place on which MPs can vote. It is also possible, however, that the negotiating period will be extended. It is also likely, if the transitional or implementation period goes ahead, that there will be no final deal until 2021 or possibly even later. Eventually, however, there is going to be a Bill put before Parliament which sets out the terms on which the UK is to leave the EU. It may then be the case that there will be a majority of MPs who will then support the terms for the Bill to be enacted. There is, however, at least a possibility that there will not be the required majority. Some combination of Leavers who think that too much has been given away and Remainers who want Brexit reversed may lead to an impasse where there is no majority for the negotiated terms.

8. **What would happen then?**

.In these circumstances, it seems likely that opinion would harden further broadly into two camps. One would like to see the whole Brexit process reversed, despite the weight of the democratic decision in June 2016. The other would be prepared to see the UK leaving the EU with no deal and trading with the EU27 on WTO terms, at least initially, pending the possible negotiation of a free trade deal at a later stage. It is much too early to speculate realistically what would then happen. What is clear, however, is that, with anything like this potential outcome, the way in which our Brexit negotiations are going is problematic. It has always been vital that we reach a settlement covering our relationship with the EU27 which is enduring, in the interest of both the UK and the EU27, and one which is broadly acceptable to both Remainers and Leavers. We currently appear to be drifting away from this prospect with potentially damaging consequences. Attempts to reverse Brexit would leave the country even more bitterly divided while trading with the EU27 on WTO terms, even temporarily, appears at the moment to be a course of action which is beyond what most MPs are prepared to contemplate, although it is possible that this may happen by default. Our membership of the Common Market, the European Economic Community and now the European Union has had a baleful impact on UK politics for nearly fifty years. This is not a condition which looks likely to change soon.