

LABOUR EURO-SAFEGUARDS CAMPAIGN

BULLETIN

MARCH 2019

QUESTIONS AND ANSWERS ON

LABOUR AND THE BREXIT NEGOTIATIONS

1. **Where did the Brexit negotiations start?**

As we approach 29th March 2019, it is worth recalling the chain of events which has led to where we are now. The 2016 referendum produced a 52% to 48% majority in favour of Leave which the Prime Minister's Lancaster House speech in January 2017 proposed should be implemented by the UK leaving the EU's Single Market and the Customs Union and negotiating a free trade deal along the lines of the CETA negotiations between Canada and the EU. With over two years to go between January 2017 and March 2019, a model agreement between the EU and Canada on which to draw, a starting point of 100% alignment and indications from the EU that they thought that this was a viable way forward, the omens for a reasonable outcome being achieved looked relatively promising. What scuppered this relatively benign potential outcome, however, was the result of the general election in June 2017.

2. **What went wrong**

The 2017 general election was called by the Prime Minister with the intention of strengthening her majority in the House of Commons, to achieve the best chance of a smooth passage through the House of the necessary legislation to implement her Lancaster House proposals. Unfortunately, from her point of view, the outcome was the opposite to what she planned. The Conservative majority in Parliament disappeared, leaving the Tory Party dependent on DUP votes to provide it with a working majority. Although all the Labour and Conservative Members of Parliament elected in 2017 – over 80% of the total numbers of MPs returned – had stood on manifesto promises that they would implement the referendum result, there was a large majority – between 75% and 80% of MPs elected - who were of Remain persuasion. They were not prepared to contemplate proposals along the Lancaster House lines. They were determined to keep the UK much more closely involved with the EU.

Specifically, they wanted to remain at least partly in both the Single Market and the Customs Union.

3. **What happened next?**

It was trying to maintain free movement of goods within the Single Market framework and attempting to stay within the Customs Union, particularly to avoid a border problem between Northern and Southern Ireland, which led to the Withdrawal Agreement which Parliament rejected in January and again in March 2019. The EU were always uncomfortable with the UK being partial members of the Single Market and the Customs Union for understandable reasons. Maintaining the four freedoms – the movement of goods services, capital and people – was a prime EU objective. Understandably, the new UK aspirations were regarded by the EU as a serious threat to their security and integrity. The situation was further muddled by the UK agreeing to discuss citizenship, the Irish border and money before trade. This led to the government getting desperate by late 2017 to get the trade negotiations going, leading to the UK conceding the Irish backstop arrangements in December 2017 which eventually got into the Withdrawal Agreement. The overall result was an Agreement so unsatisfactory to the UK that when a vote was held on it in January 2019, it was voted down by an unprecedented majority of 230, with a lesser but still large majority of 149 against it in March 2019.

4. **Where are we now?**

The problem is that rejection of the Withdrawal Agreement has left the House of Commons with no majority for any of the various possible ways ahead – and very short of time to get anything settled. Support for the so-called Norwegian option – with the UK in the EEA and EFTA - seems to have melted away. No majority in Parliament exists for a second Referendum, which has been voted down by a majority of 249. Asking the EU to agree an extension of Article 50 is clearly now on the cards but is unlikely to be granted unless there is some clear purpose to doing so other than simply to gain more time. A large majority exists for avoiding “no deal”, but this eventuality can only be stopped if there is some concrete alternative in place, and it is far from clear what this might be.

5. **What about “No Deal”?**

It is obviously far from an ideal outcome for the UK to be drifting towards “no deal” – the default outcome if nothing else is agreed before 29th March 2019 - with far too little preparation for it having been arranged and with no longer-term plans for this type of outcome as a favoured option having been made. Much then turns on a realistic assessment as to how disruptive and difficult “no deal” would be. Among some people – including evidently a substantial number of MPs – there appears to be an assumption that “no deal” would be so damaging that it is not worth even trying to make a detailed assessment as to

how difficult the situation might be and whether “no deal” might be better as an outcome than the Withdrawal Agreement. There is little doubt that there would be disruption at least for a while, with some sectors of the economy much more adversely affected than others. Overall, however, especially if mitigated by a significant number of mini-deals on such key issues as flows of traffic at Dover and Calais, aircraft rights of movement, supplies of medicines, etc, it seems likely that the challenges to the economy would be manageable. There are also a number of significant upsides to “no deal”. We would not be committed to paying the EU £39bn with no clarity as to what we would receive in return, The Irish border problem would have to be resolved by allowing trade to take place electronically for large companies and with exemptions for small ones, assuming that no-one wants a physical border. There would be no restrictions on the UK negotiating free trade deals. The huge trade deficit we have with the EU should put us in a reasonably strong position to negotiate a free trade deal with the EU on satisfactory terms. At the moment, however, Parliament has voted by a large majority against “no deal” as an option it is prepared to accept, although it remains the default outcome if nothing else is agreed. Whether it was wise to relinquish at this stage such a vital negotiating card with the EU remains to be seen.

6. **What about extending Article 50?**

If there is not going to be a “no deal” exit from the EU by the UK on 29th March 2019, an extension of Article 50 now seems inevitable. Unlike a repeal of Article 50, which could be done unilaterally by the UK, an extension requires the unanimous assets of all 27 EU Member States and the European Parliament, whose last sitting date before its forthcoming elections is 18th April 2019. If there is any kind of deal agreed before 29th March 2019, a short extension would be necessary to provide time for passing the necessary legislation to make the deal effective. If the Withdrawal Agreement is not agreed, however, the EU is likely to insist on a much longer extension, possibly for as long as two years or more. They are also likely to try to make any such a delay conditional on the UK either holding a general election or a second referendum, although it is difficult see how Parliament could be bound to follow through on any such undertakings. During this period, the UK would remain in the EU and we would be obliged to take part in the European Elections taking place in May 2019.

7. **What would this lead to?**

Postponement of any final decision on the UK’s fundamental relationship with the EU for a period of years would deal with the immediate problems faced by companies trading between the UK and the EU. It would maintain the status quo on the wide range of arrangements we have in place with our European neighbours, but it would also have heavy downsides. It would inevitably prolong the uncertainty hanging over our relationships with the EU. A further long period of potentially acrimonious negotiations would be in prospect,

providing a continuing major distraction from other pressing priorities. It is not clear that a general election would produce a Parliament any less split than the one we have already, and therefore in a better position to negotiate a deal more generally acceptable than the one enshrined in the Withdrawal Agreement. Another referendum would be fraught with all the problems which caused it to be voted down as a way ahead in March 2019. Apart from concerns about its democratic legitimacy, it looks like being foisted on a government which would not want a referendum, with all the difficulties that this would entail in terms of getting the necessary primary legislation onto the statute book. There are also obvious problems round, delay, uncertainty, cost, what the choices to be put to the electorate would be, let alone the impact on the country which a highly contentious referendum would entail – let alone no certainty about what the result might be.

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

Faced with all these difficulties, what should the country – and particularly the Labour Party do? There are essentially three options ahead of us, whatever processes and procedures we may have to go through to get there. We either accept the Withdrawal Agreement or some close variant to it, or we rescind Article 50 and remain in the EU or we leave the EU without an agreed way ahead. The vast majority of Labour MPs would undoubtedly like to see the second of these options as the eventual outcome. So would most Labour Party members. Traditional Labour voters, however, would be much more evenly split and a lot of these people live in marginal seats in Wales, the Midlands and the North. Few Labour MPs, Party members or voters are happy with the Withdrawal Agreement. While the electorate as a whole now seems much more inclined to go for “no deal” than they did before, this is not an outcome favoured by either the Labour Party leadership or by the majority of Labour MPs. What does the Labour Euro-Safeguards Campaign think should be done? We think that accepting the Withdrawal Agreement is an even worse option than staying in the EU and that there is less to fear from “no deal” than most people in Parliament seem to think. At the very least, therefore, we think that “no deal” is an option which should have been kept in play. We still believe, as we always have done, that a Canada +++ style free trade deal between the UK and the EU, with the UK out of the Single Market and the Customs Union and the Common Agricultural and Common Fisheries Policies would be the best outcome, but we recognise all the difficulties involved in getting there. There are no easy solutions