

QUESTIONS AND ANSWERS ON LABOUR AND CURRENT BREXIT DEVELOPMENTS

1. **What is going to happen in the immediate future?**

The decisive majority achieved by the Conservatives in the December 2019 general election has now made it certain that the UK will formally leave the European Union at the end of January 2020. A vote in the House of Commons on Friday, 19th December 2019 showed a majority for leaving of 358 to 234, with six Labour MPs voting in favour of the motion to leave as well as all Conservative MPs. 32 Labour MPs abstained. In addition to confirming that the UK is now going to leave the EU, the Conservative government, through a parliamentary enactment, enshrined in law that the UK would not agree to an extension beyond 31st December 2020 of the transitional period which will cover the current calendar year. Subject to some final skirmishes with the House of Lords, which did not cause any major problems, the die was therefore cast for the UK leaving the EU at 11.00pm UK time on Friday, 31st January 2020, just over three and a half years since the 2016 EU referendum..

2. **Does this mean that Brexit is done and dusted?**

Unfortunately, not. We are now entering a transitional period less than a year long, during which, the trading and other relationships between the UK and the EU will remain substantially as they are while intensive negotiations take place about the future. Essentially, there are two major components to these discussions, although they are closely intertwined. On the one hand agreement has to be reached about the trading arrangements between the UK and the EU and on the other there are all the other relationships - from aviation to counter-terrorism and from military cooperation to education - which will need to be resolved. A key objective is bound to be to secure a trading outcome which

means that trade between the EU and the UK will remain as seamless as possible, so that there is no sharp break at the end of 2020. This seems likely to take the form of a free trade agreement for goods which will ensure that, as far as possible, there are no tariffs or quotas in place. This would thus avoid a “No Deal” cliff edge reversion to World Trade Organisation terms of trade, which most people want to avoid. An agreement along these lines covering most goods should not be very problematic although in some areas, such as agriculture and fishing, there may well be more difficulties. It is probable that any trade agreement negotiated during 2020 will not include any special arrangements for services which will have to be dealt with later

3. **What could go wrong?**

There are a number of ways in which the negotiations could run into difficulties. Any agreement which is reached will have to be concluded by the summer of 2020, to allow time for ratification by all Member States, the European Parliament and various other bodies, making timing very tight. Fishing is likely to be a contentious issue. Trade in agricultural products, such as lambs, which depends for its viability on high tariff protection through the CAP, is going to clash with one of the major potential advantages of Brexit which is lower food prices. The EU may be difficult generally, perhaps to discourage other potential Leavers, but also because of probably largely unfounded worries that the UK may disrupt EU markets by undermining EU social provisions. The UK will want to be able to diverge from EU standards, which could cause problems with EU regulations. There may be attempts by the EU to bounce the UK into making concessions by making the UK's free trade proposals conditional on the UK giving away more than it wants to in other areas. How difficult are all these problems likely to be to resolve?

4. **How should we handle the trade negotiations?**

Surely the key to getting an agreement on free trade with no tariffs or quotas at least on industrial goods in the limited time available is to keep the negotiations as simple as possible. The UK and the EU start from a position of complete alignment which makes the starting position much easier than if there was a large measure of divergence to begin with. Agriculture and fishing are not going to be so easy to resolve and may have to be left out of an initial trading agreement, probably by maintaining current arrangements on a temporary basis. The EU has a strong incentive to reach an agreement on tariffs and quotas. It has a very large visible trade surplus with the UK – close to £100bn a year - which should give us a fair amount of leverage. The EU may argue that the UK market accounts for only about 15% of the EU's total exports compared to the EU taking around 40% of the UK's exports, but in absolute terms the EU still has much more to lose from the re-establishment of tariffs and quotas than we have. Furthermore, we are

still paying well over £10bn a year net into the EU budget, which should give us further purchase over the negotiations. Rationally, therefore, both sides have a huge positive interest in getting a free trade deal in place during 2020.

5. **What about all the other issues?**

Whereas failure to agree a trade deal in time for this to be operative at the end of 2020 would produce a No Deal cliff edge which most people want to avoid, almost all other issues are considerably less time-sensitive and can be resolved over a period. The UK and the EU have large common interest in finding mutually satisfactory outcome to arrangements covering the many ways in which we work and co-operate with our EU neighbours. Because all these various forms of co-operation entail running costs which have to be shared out, we should expect to have to make a reasonable contribution, although the net figure should be much lower than our current £11bn a year net contribution to the EU budget. Clearly, the UK will then be outside the EU's political structure and without a vote on the ways in which the EU develops. Relations will therefore have to be established on an inter-governmental rather than a politically integrated basis – but this is true of most international relationships throughout the world.

6. **Where does this leave the Labour Party?**

Our exit from the EU leaves Labour with two large and integrated strategic choices, the first of which is the attitude which, as the largest opposition party it takes to the negotiations which lie ahead, some of which will be difficult. An opposition's job is to oppose so Labour should be expected to be critical at times, but there is a lot of difference between taking this sort of attitude in a constructive way and being as deliberately obstructive as possible. There will undoubtedly be pressure from the membership to adopt the latter approach, but the Party needs to realise that this is not where the electorate now is. Even a substantial number of those who voted Remain now recognise that prevaricating about leaving has done us little good over the last three and a half years. The democratic decision made in 2016 needs to be implemented and the best outcome fought for in the circumstances which now exist.

7. **Will Labour become the Rejoin Party?**

The second big issue for Labour is whether it will allow itself to become the party which most forcefully advocates re-joining the EU. It is not difficult to see how this might happen. If the line taken by the Party during, the renegotiations and subsequently is that the UK ought to stay in both the Single Market and the Customs Union, it will be advocating a position which most people think is the worst of all worlds. We would still be subject to all the disadvantages which led

to the vote to leave in the first place. At the same time, because we would be outside the EU's political structures, we would have no say on how the EU develops, including ways which would still have a major impact on us. From this position, it would be an easy step for those inclined in this direction to advocate that the solution is for the UK to apply for renewed membership.

8. **Would this become a losing strategy?**

The Labour Party, however, needs to think very carefully about allowing a strategy of this sort to develop. It will inevitably involve the Party taking up a negative stance on the way our relationship is likely to develop over the next few years outside the EU. It may well entail the Party advocating a policy which has little general support, especially if re-joining entails accepting worse terms than we have had up to now – for example losing our current budget rebate, having to join the euro and having to join the Schengen free movement arrangements. We might well also have to re-join the Common Agricultural and Fisheries Policies as well as having to accept the jurisdiction of the Luxemburg Court, in addition to continuing to make large net contributions to the EU budget. Re-joining would also inevitably involve another upheaval which businesses and public opinion would not welcome.

9. **What would be Labour' winning strategy?**

Especially in the light of the recent general election, it seems likely that a substantial majority of public opinion over the next few years will be in favour of the UK making the best possible job of being outside the EU – and equally resistant to policies entailing re-joining the EU. Clearly, there is a great deal to be done to make sure that our exit from the EU works well for both the UK and the EU. Achieving this objective, however, will entail taking a positive approach to the negotiations to come to make them successful - not carping at every difficulty and hoping that negotiating problems and inevitable compromises – all dressed up as failure to make a success of Brexit - will make the electorate change its mind about membership in future. This essentially London-centric view of the years to come is exactly what the Labour Party needs to avoid if it is to rebuild the trust of its erstwhile electoral majorities, especially in the Midlands, the North of England and in Wales. Attitudes to the European Union and Brexit were by no means the only factors which lost Labour the recent general election, but they were an important part of the explanation, which Labour needs to bear in mind in future - if it is ever again to be able to form a majority government.