

Busting the Lexit Myths

Foreword by **Heidi Alexander MP & Alison McGovern MP**

Authors: **Catherine West MP, Nick Donovan, Dr Andy Tarrant, Richard Corbett MEP, Dr Mike Galsworthy, Sarah Veale CBE, Tom Burke and Lord (John) Monks.**

Edited by **Francis Grove-White**

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Open Britain is a national cross-party campaign, making the case for the UK to remain in the Single Market and the Customs Union, and for all options about our future relationship with the EU to be kept on the table.

<http://www.open-britain.co.uk/>

The Labour Campaign for the Single Market is seeking to shift Labour Party policy towards support for staying in the Single Market and the Customs Union. It is co-chaired by Heidi Alexander MP and Alison McGovern MP.

<http://www.labour4singlemarket.org/>

Author biographies

Catherine West MP is the Member of Parliament for Hornsey & Wood Green and a former Shadow Foreign Office Minister. Before being elected in 2015, she was leader of Islington Council from 2010-13.

Nick Donovan is a Campaign Director and investigator at an anti-corruption NGO, and a director of one of the UK's largest credit unions. He sits on Labour's National Policy Forum and is a member of the advisory group for the Labour Campaign for the Single Market.

Dr Andy Tarrant has a background in the telecoms industry, where he has worked in the public and private sector as an EU competition and regulatory lawyer. More recently he has been an advisor to Labour shadow ministers for pensions and for Europe. He currently works for a not-for-profit workplace pension provider.

Richard Corbett MEP is Leader of the Labour Members of the European Parliament, part of the centre-left Socialists & Democrats group. He was first elected as an MEP in 1996, and has represented Yorkshire & the Humber since 1999. He is also Vice Chair of UK European Movement.

Dr Mike Galsworthy is co-founder of the campaigns Scientists for EU and Healthier IN the EU. Previous to that he was an independent consultant in science policy and visiting researcher at London School of Hygiene & Tropical Medicine (LSHTM).

Sarah Veale CBE is the former Head of the Equality and Employment Rights Department, Trades Union Congress (TUC), where she worked since 1985, and is a member of the advisory group for the Labour Campaign for the Single Market.

Tom Burke is the Chairman of E3G, Third Generation Environmentalism. He is a former Director of Friends of the Earth and the Green Alliance, and served as Senior Advisor to the Foreign Secretary's Special Representative on Climate Change from 2006-12.

Lord (John) Monks is a Labour Co-operative member of the House of Lords and was the General Secretary of the TUC in the UK from 1993 until 2003, when he became the General Secretary of the European Trade Union Confederation (ETUC).

Foreword

Brexit is the greatest political challenge of our time. The sheer complexity of what our country is about to embark on, and the immense costs associated with it, mean it will dominate British politics for years to come. Despite the promises made by ministers that the deal with the EU will be “the easiest in human history” and that we will continue to enjoy “the exact same benefits” after we have left, two things are now clear: Brexit involves a series of political choices, and our future relationship with the EU will be inferior to the one we currently enjoy. Sitting on the sidelines is therefore not an option.

For the Labour Party, the challenge is huge. The majority of Labour voters backed remaining in the EU, but a significant proportion did not. As a party we campaigned to Remain, and most of us do not believe the challenges facing the country are best solved by leaving – quite the opposite – but since the referendum we have failed to reach a common and coherent position.

It is time for us, as a party, to come off the fence. When the referendum took place in June 2016, nobody voted to put jobs at risk, to prolong austerity, to open the floodgates to an assault on workers’ rights or environmental protections, or for Britain to go cap in hand to President Trump for a quick trade deal. The big decisions facing us, over membership of the Single Market and the Customs Union, can no longer be ducked. The millions of people we represent, and those we seek to represent in the future, need a strong Labour voice to challenge the Government’s vision. We need to offer a clear and compelling alternative that will genuinely allow us to protect jobs, invest in our public services and stop a race to the bottom on workers’ rights, consumer standards and environmental regulations.

But to reach a common position, we must first agree on the facts. Too often, the Brexit debate on the left has been characterised by misunderstandings and, occasionally, mistruths.

To cite a common example, it is often claimed that the UK can only remain part of the Single Market if it stays a member of the EU. This is incorrect, as Norway, Lichtenstein and Iceland’s participation in the European Economic Area show. Facts like these matter, because they are about the actual options that are available to us.

The truth is that while most on the left have long embraced collaboration with Europe as the best means of raising prosperity, promoting equality and protecting people and the planet against the worst impacts of globalisation, there are those who have taken a different view. Advocates of ‘Lexit’, and of leaving the Single Market and the Customs Union, see the EU quite differently. Many who hold this position have variously described the EU as a capitalist club, a protectionist racket and a harbinger of austerity. This paper seeks to tackle these misconceptions.

It begins with a chapter by Catherine West MP, who addresses the claim that leaving the Single Market and Customs Union will allow a Labour Government to end austerity. The opposite, she argues, is true. The economic impact of a hard Brexit will in fact be lower tax receipts and a likely extension or intensification of austerity.

Misunderstandings about the rules on state aid are dealt with by Nick Donovan, who argues that other European countries have demonstrated that the existing rules do not prohibit the kind of active industrial strategy that most in the Labour Party would like to see. Furthermore, the EU has been clear that reaching a trade agreement will also require accepting state aid rules and we know that anti-subsidy provisions exist at the WTO.

Andy Tarrant tackles the myth that Single Market rules prevent public ownership and would prevent a future Labour government from renationalising the railways. He points out that compensation for nationalisation is a matter for

UK law informed not by the EU but by the European Convention of Human Rights (ECHR), which few on the Left advocate leaving.

When it comes to immigration, myths abound from both left and right. It is too often argued that freedom of movement allows no control whatsoever over who comes into the country, and that this results in severe downward pressures on wages and on public services. Richard Corbett MEP provides a clear-headed analysis of the levers that are already available to us within the Single Market, and looks at what the actual impact of immigration is for workers and the economy. The impact of free movement on the NHS is also addressed by Mike Galsworthy, whose chapter on the health service debunks the argument sometimes made from some on the left that that Brexit will be good for the health service.

It has even been argued that leaving the EU will allow us to better protect the environment and workers' rights. But Tom Burke observes that another term for non-tariff trade barriers is 'environmental regulations', which will be on the chopping block if we diverge from EU standards in the pursuit of trade deals elsewhere. The same could equally be said of employment protections which, as Sarah Veale points out, will be entirely at the mercy of this or any future Tory government once we have left the Single Market.

Finally, John Monks tackles the notion that we can seek out more progressive trade deals if we have an independent trade policy. Quite apart from the bureaucratic burden that leaving the Customs Union would mean for British business

and the dampening effect on trade it would have, the idea that Britain will be in a position to secure better terms acting on our own, rather than as part of a bloc representing more than half a billion consumers, is a fantasy.

We believe there is no left-wing case for leaving the Single Market and the Customs Union. If as a party we want to be able to fund the anti-austerity manifesto we put to the public in 2017, we can't afford a multibillion pound hit to the public finances. We can only invest properly in schools, hospitals, social care and international development if our businesses thrive and our economy grows. Ultimately, if we want to build a modern, low-carbon economy that protects workers and tackles tax avoidance, we will only achieve it through collaboration and frictionless trade with our nearest neighbours.

So, the choice is clear. We can sit back and wait for the consequences of a hard Brexit to become so severe that it topples this terrible Tory government. Or we can stand up for those who will be worst affected and fight for membership of the Single Market and the Customs Union. Future generations will not forgive us for inaction or for perceived complicity in a Brexit that damages our country and our economy.

Those of us on the left who believe in building a more equal, more prosperous and sustainable country must not be duped into supporting a Tory agenda that would do the opposite.

Heidi Alexander MP
Alison McGovern MP





Austerity

The myth

Leaving the Single Market and Customs Union will allow a future Labour government to end austerity.

"A vote to leave is a chance to stop the following regressive policies: Austerity, which is a foundation stone of the EU, and has led to the slow, creeping destruction of pensions, education, social housing, the NHS and every local public service, as well as strangling local government, further adding to poverty and social inequality."

Labour Leave letter, 21 June 2016¹

"Post-financial crisis, agonising austerity has been imposed – especially on the periphery. Any attempt to create a different kind of economy from inside the EU has been forestalled through powerful legal impediments embodied in the treaties."

Joe Guinan and Thomas M Hanna²

"[Labour Leave wants to] rebalance our economy, helping firms to achieve higher productivity, with rising wages and investing in the infrastructure to support export-led growth."

Labour Leave campaign³

The reality

Austerity in the UK is a political choice, made by the Government, and has nothing to do with the EU or Single Market rules. In fact, the reverse is true. Leaving the Single Market and Customs Union will cause an economic loss which will reduce tax receipts and therefore risks an extension or intensification of austerity.

Don't confuse the Single Market with the Eurozone

Austerity is thought of by economists as an attempt to reduce the budget deficit through raising taxes or reducing spending. In the UK it is more commonly understood as simply cuts to spending on public services or social security.

There is a crucial difference between those countries in the Eurozone, and those outside – like the UK or Norway, which are either in the EU or European Economic Area (EEA) and members of the Single Market, but don't use the Euro as currency. In the Eurozone, monetary policy and interest rates are set by the European Central Bank and member states have signed up to sanctions within the Stability and Growth Pact, which limits the size of a country's budget deficit. When the financial crisis hit several EU member states – particularly Greece, but also others – were put under tremendous pressure to cut public spending and raise taxes.

None of this applies to the UK or Single Market member Norway – which are not members of the Eurozone, are not subject to any enforcement mechanisms under the Stability and Growth Pact, and can set whatever overall level of taxes, spending or borrowing they wish.

More generally, public spending as a proportion of GDP can vary widely within the EU and Single Market. The UK's public expenditure is about 40% of GDP, whereas in Ireland it is about 30%, in Germany it is around 44%, and in Denmark, France or Norway it is about, or over, 50%. If a future British government wished to increase public spending there is clearly scope to do so – inside or outside the Single Market.

EU rules impose no restriction whatsoever on the level of public spending. Its strictures are about deficits - that is about how much, in normal times, governments finance their spending by borrowing instead by taxation. Crucial is that the rules allow governments the flexibility to deliberately spend in a Keynesian manner during a recession and to invest.

Leaving the single market risks more austerity

Several reputable economic analyses, from the Centre for Economic Performance (CEP) at the London School of Economics, the Treasury and

National Institute for Economic and Social Research (NIESR) have estimated the long-term cost of Brexit. They each find the same hierarchy of effects: the further Britain travels from the Single Market, the greater the economic loss. Furthermore, most estimates of the cost of Brexit may well be conservative and do not include uncertainty, business confidence and flight of EU workers which will have a negative effect on the UK's productivity.

Moving briefly into the world of jargon, the economic pain can be divided into two types. First, there are the so-called "static" effects whereby fewer exports, a higher exchange rate, and lower foreign direct investment depress economic growth. These may accumulate over time – as leaving the EU means regulatory standards gradually diverge and make it harder for the exporters of vacuum cleaners, Welsh lamb or insurance products to sell in the European market. Second, over time trade also improves productivity – the amount we produce per hour. So-called "dynamic" effects also accumulate over time: so less trade leads to lower productivity and lower living standards.

By 2030 the official Government estimate is that:

- a hard Brexit in which we negotiate a free trade agreement, including tariff free access to the Single Market, could lead to a loss of GDP each year of 6.2%;
- the hardest Brexit in which we rely upon World Trade Organisation rules could lead to a GDP loss of 7.5% each year.
- By contrast, remaining in the EEA could lead to a loss of 3.8% of GDP.

One way to calculate GDP is to add up everyone's wages, business profits, and rents – 'national income'. Put simply, leaving the single market means fewer jobs and lower wages. As the TUC General Secretary Frances O'Grady has said: "If we leave the Single Market, working people will end up paying the price. It'd be bad for jobs, for work rights and for our living standards."

Lower wages and profits also means lower tax take. The Treasury estimate of a hard Brexit FTA agreement – which includes tariff-free access to the Single Market and which is what the Government and Labour Party (after a transition period) are currently aiming for – suggests that

this could result in an annual tax loss of £36 billion a year by 2030 compared to remaining in the EU. A Brexit where we rely on WTO rules, implies a loss of £45bn each year.

A £36 billion loss is equivalent to about eight or nine pence extra on the basic rate of income tax, or a third of the budget for NHS England. This would come at a time when an ageing population means that we need more tax revenue just to maintain existing public services. For example, in 2014 the NHS estimated that it would need an extra £30 billion each year by 2021. Leaving the Single Market would mean our public finances and, therefore our public services, going in the wrong direction.

Couldn't we just borrow more money? With an independent central bank and low interest rates it would technically be possible to borrow more money to pay for increased spending on public services and social security. However, it would be politically difficult to do this under the Labour Party's new fiscal rule. This rule states that: 1) Labour will close the deficit on day-to-day spending over five years, 2) Labour will make sure government debt is falling at the end of five years, and 3) Labour will borrow only to invest. As the deficit is measured as a proportion of GDP, this rule is probably consistent with a modest budget deficit on current expenditure (i.e. slightly more spending than tax receipts); but implies that most borrowing should be for investment, for example in infrastructure projects, rather than day-to-day current spending like much of NHS expenditure.

Raising taxes to pay for current, day-to-day, spending is the other alternative. However, this might require higher taxes on more taxpayers, not just the top 5% of earners. In the 2017 Labour election the Shadow Chancellor set out a range of new taxes to pay for the 2017 manifesto commitments and promised that those earning below £80,000 a year would pay no more in income tax and ruled out raises in VAT and national insurance contributions. If the economy is smaller because of leaving the Single Market, then higher rates on a greater number of people lower down the income scale may be needed. This approach is more politically challenging to do, so much so that it was explicitly not the approach taken in the 2017 election.

Austerity is a political choice. It is possible to both leave the Single Market and not cut public services. But it is not possible to do this without increased borrowing or higher taxes than originally planned in the 2017 manifesto. The politics of this scenario are difficult. The Bank of England has suggested that the new normal growth rate for the British economy will be 1.5%, rather than the 2.5% of the post-war period. Hard Brexit will make this worse. This growth path has huge implications for our public services and social security system. Public spending choices would be much, much harder for any future Labour government and if a Conservative government is in power, then leaving the Single Market risks the extension of austerity for years to come, on top of the last decade of public spending cuts.

Catherine West MP

Sources

¹<https://www.theguardian.com/politics/2016/jun/21/the-labour-case-for-a-leave-vote-in-the-eu-referendum>

²<http://www.independent.co.uk/voices/brexit-lexit-left-wing-economics-end-of-neoliberalism-a7882111.html>

³<http://www.labourleave.org.uk/manifesto>



State Aid

The myth

The Single Market's rules on state aid restrict the ability of the UK government to provide support to key industries. They also undermine public ownership through encouraging competition. If Britain leaves the Single Market, the next Labour government will be free from state aid rules and will be able to implement a proper industrial strategy.

"A vote to leave is a chance to stop ... the ban on state aid and renationalisation as a policy response to the further destruction of British industry and manufacturing."
Labour Leave letter, 21 June 2016⁴

"If we're inside the Single Market we will not be effectively out of the EU because we can't use state aid, public procurement."
Kelvin Hopkins MP, 14 September 2017⁵

The reality

Whether we are in or out of the Single Market, there is no escaping some form of state aid rules. Anti-subsidy rules will apply even if we traded solely on WTO rules, and they will be a feature of any but the most basic trade agreement with the EU, which doesn't like to offer access to its markets to subsidised competitors.

However, Britain can have an active industrial strategy, including providing support to companies, sectors and regions, and be a member of the Single Market, as other European countries have demonstrated. The EU's state aid rules shape how support can be given, not whether it can be given.⁶

There is no escape from state aid rules

State aid rules exist to create level playing fields. The thinking is roughly as follows: why would any country open up its domestic market if subsidised competitors could then compete unfairly with its own businesses? The Government says it is aiming for a 'deep and special relationship' with the EU, with a closer relationship envisaged than was achieved in the deal with Canada (CETA). All such trade deals – such as those with Ukraine, Switzerland or the EEA members such as Norway – contain rules on state aid.

Even the hardest form of Brexit, trading under WTO rules, means complying with WTO anti-subsidy provisions. While it might be technically possible to choose that hardest form of Brexit, the economic cost would be huge. The logic of harming our industries by leaving the Single Market in order to avoid state aid rules, so that we can aid those same industries is akin to that of the US Army Major who declared, during the Vietnam War, that they had to 'destroy the village in order to save it'.

State aid rules do allow an active industrial strategy

Luckily, EU state aid rules, which would apply if we remained a member of the Single Market, do not prevent an active industrial strategy. Many EU governments do far more to support their industries than the UK. The UK spends just 0.35% of GDP on state aid, compared to 1.22% in Germany and 0.62% in France. There is clearly scope for more state aid in the UK.

There are many ways to provide support within state aid rules. Obviously, states can support whole economies through actions such as changing tax rates – without engaging state aid rules. Where state aid rules are engaged because the aid is more selective in its application, then member states need to notify the European Commission (or, for countries in the European Free Trade Association, the EFTA Surveillance Authority).

Aid to specific companies and sectors is permissible if the outcome sought is in the public interest and the market cannot deliver that outcome, there is a clear and transparent public

policy outcome that can be attributed to the aid, and the benefits of the aid outweigh any costs in terms of damage to trade. So, for example, NEST, the publicly owned and operated default workplace pension provider, first proposed by the Labour government in 2008, was cleared under EU state aid rules. Member states can also distinguish between types of entities: they could, for instance, have a different tax system for co-operatives.

State aid rules do allow nationalised companies

States can also invest in, own or nationalise companies within Single Market rules. Indeed, the Treaty on the Functioning of the European Union (TFEU Art. 345) explicitly protects the principle that individual member state rules on property ownership aren't prejudiced by EU treaties: "The Treaties shall in no way prejudice the rules in Member States (MS) governing the system of property ownership."

The owners of nationalised companies need to be compensated at a fair price. This principle derives from European Court of Human Rights jurisprudence, not EU state aid rules – and no one on the left is suggesting that we should leave the European Convention on Human Rights.

Investments in companies where there is a functioning market need to be akin to an investment that a rational economic investor would make. However, this criterion does not apply where there is not a functioning market – then the state can act to meet social needs, including through subsidies and public ownership.

Single Market rules do not undermine public ownership through encouraging competition

It is sometimes suggested that EU rules which require public utility monopolies to open up to competition undermine those utilities by allowing private sector entrants to 'cherry-pick' more profitable customers, leaving the publicly owned utility with unprofitable customers. As more profitable customers sometimes subsidise less profitable ones (think of the costs of delivering to urban postal customers versus rural households), then the Lexiteer argument is that this could

undermine the public utilities' obligation to serve all customers (in jargon, the 'universal service obligation'). However, in Europe there are many thriving state and municipal-owned state enterprises which operate under these same rules. In reality, EU rules have been interpreted to allow member states to either force those new private sector entrants to share in the universal service obligation and serve less profitable customers (or to pay the public utility to do so). This is explored further in the next chapter on renationalisation.

In sum, there are many creative ways to provide state aid to sectors and regions. For example, Germany, Spain and Italy all support their steel industries within state aid rules through loan guarantees, taking public stakes or offsetting energy costs. There is quite a wide range of actions a state can take to support strategic industries, it's just the UK government chooses not to.

State aid rules can also be useful in tackling tax avoidance by multinational firms. The EU is using state aid rules to force Apple to pay €13bn in back taxes in Ireland. Similar investigations are going on into Starbucks in the Netherlands and

Amazon in Luxembourg.

There are no insuperable legal impediments under EU law or Single Market rules to the policies in the 2017 Labour manifesto. If the UK were to remain in the Single Market by re-joining EFTA, where measures require notification, such as the proposed National Investment Bank then, on coming to power a future Labour government should act quickly to notify the EFTA Surveillance Authority of its intention. It is highly implausible that there would be anything other than a short delay: state investment banks are allowed under state aid rules: examples range from the German KfW to the UK's own Green Investment Bank.

State aid rules do change how industrial strategy can be used to support our economy, but they don't prevent action per se. At worst, they might force a choice between one type of aid over another. Those arguing to leave the Single Market because of state aid rules should consider whether the economic cost of avoiding mildly inconvenient policy-making processes is a price worth paying.

Nick Donovan

Sources

⁴<https://www.theguardian.com/politics/2016/jun/21/the-labour-case-for-a-leave-vote-in-the-eu-referendum>

⁵<http://www.westmonster.com/labours-kelvin-hopkins-if-were-in-the-single-market-weve-effectively-not-left-the-eu/>

⁶For more details see EU State Aid Laws and British Assumptions: A Reality Check, Andy Tarrant and Andrea Biondi, Renewal, 2017.



Renationalisation

The myth

The rules of the Single Market prevent the UK government from taking public ownership of the railways and from nationalising key industries. Furthermore, they apply pressure on national governments to privatise services and industries that are currently under national control.

"Undoubtedly EU law will be a huge obstacle to any renationalisation scheme – especially one that aims to do away with competition and markets."
Kate Hoey MP, 26 August 2015⁷

"[T]he EU makes it illegal to introduce many progressive policies, like re-nationalisation."
Brendan Chilton, Former General Secretary of Labour Leave, 16 June 2016⁸

"We're in a situation where the EU through the fourth railway package is promoting further privatisation and will prevent us from renationalising our railways."
Mick Cash, General Secretary of the RMT, 20 June 2016⁹

The reality

The rules of the Single Market do not prevent public ownership. Indeed, national governments across the continent have ownership stakes in many sectors including energy, rail and water companies. It is also untrue to argue that Single Market membership would prevent nationalisation of the railways or of already privatised companies, or indeed of setting up new state-owned companies. Contrary to some claims, compensation for nationalisation is a matter for UK law informed by the European Convention of Human Rights not EU Law. So, the Single Market is not an impediment to a future Labour government renationalising the railways or other key industries.

European governments have ownership stakes in energy, rail and water companies

The EU is a rules-based organisation. The EU Treaty, a constitutional document, states that the EU must be neutral as to the forms of ownership practised in the different Member States. It would be surprising if it were otherwise as the rules have to be agreed by the national governments of the Member States and by members of the European Parliament. Typically, European national governments already have ownership stakes in utility companies in the areas where Labour is interested in nationalising such as energy, rail and water. If we take rail for example, in only three EU Member States does the State not own companies providing rail freight services and in only one does the State not own companies providing passenger services. In every Member State of the EU, the State owns the rail network.

Pressed on this point, Brexiteers fall back on four arguments: (i) the EU does not make Members privatise historically owned companies but it would stop nationalisation of already privately owned companies in the future; (ii) it does not legally prevent nationalisation but “open access” rules to utility networks would allow private companies to cherry pick profitable customers and make nationalised companies unprofitable; (iii) EU rules for open access are “neo-liberal” and ideological rather than in the general interest; and (iv) the requirements specific to rail to make operators bid for passenger franchises prevents nationalisation. All of these arguments are wrong.

Single Market rules don't prevent nationalisation of already privatised companies or the setting up of new ones

The argument that the EU freezes the form of ownership currently present and the UK is “stuck” because of its previous privatisation experience is wrong. The EU has no rules which prevent the state from either taking over an existing company or setting up a new state-owned company. Recent examples of this in the UK include Railtrack and the National Employment Savings Trust —a mass workplace pension scheme now serving almost 5 million members – both created under Labour governments, and the establishment in 2012 of the Green Investment Bank and in 2014 of the

British Business Bank under the Conservatives.

In addition, the EU has no requirements regarding compensation for nationalisation. Influence on compensation levels set by a British government would be drawn from British courts applying the European Convention of Human Rights to determine the value of the property which had been transferred. (Mixing up the EU and ECHR is usually a deliberate confusion restricted to right-wing tabloids). 'Value' in this context is partly driven by market value but government can also take into account other social and economic considerations in the public interest which may (and has in the past) reduced the level of compensation. Even the market value itself is subject to qualification: the value of any property right is a function of profitability, which is in turn also affected by the general regulatory environment. The latter is a matter for a British government, not the EU; short-term profit levels could for example be affected by regulations setting pay-levels or degree of protection of consumer or employee interests.

EU rules allow the state to prevent the private sector 'cherry-picking'

The suggestion that private enterprises can cherry-pick, taking the profitable customers and forcing the state-owned operator to become uneconomic because they are left with the rump of unprofitable customers is also incorrect. Unsurprisingly, the Member States of the EU, with their large number of state-owned enterprises, did not agree regimes which could bankrupt their own enterprises and worsen their national fiscal positions. Instead, the EU utility regimes allow Member States to either force private enterprises to share a requirement to offer a service to uneconomic customers, or to divide up the costs of the state-owned enterprise serving uneconomic customers and make private enterprises contribute to the costs of the state-owned enterprise. A new British government can require private enterprises entering or operating on the same market to pay social costs to a nationalised operator if it wishes to do so.

There is no reason a British government couldn't renationalise the railways

One feature of utilities is that they are typically network industries which support a much wider

web of industrial activity. Any socialist or social-democrat proposing a return to national public sector utility monopolies because they were a good idea in 1945 needs to deploy the good Marxian tool of examining economic structures. In 1945, UK manufacturing production was entirely domestic and its exports were orientated to a captive imperial market that was forced to buy British. At that time, the geographical coverage of a national monopoly mapped onto all the production sites of producers. In 2017, UK manufacturing and services are highly integrated into EU supply chains. They require national utility inputs that can be put together to create virtual pan-European networks on a cross-border basis. A serious economic argument for legal monopoly would in most utilities now need to argue for a pan-European legal monopoly, not a national one, if it were to be consistent with actual existing production.

Rail freight provides a good example of the general pattern described above. EU rules have begun to require national railway operators to make access available to track and other railway systems so that railways operators can piece together trans-continental freight services over the top of the patchwork of national rail track systems. The EU has also facilitated the adoption of common standards so that trains will actually be able to run right across Europe (whereas different national standards previously prevented this).

Why was this sensible? Because restricting rail freight to a series of national monopolies was killing it off as a service: rail freight generally only becomes competitive with the far less environmentally-friendly road haulage at distances of around 600km. Without the ability to compete across borders and thus the restriction of freight providers to the delivery of national services, rail freight had become largely irrelevant. In fact, the carriage of freight by rail in the EU declined in volume terms from 32% in 1970 to 8% in 2003 whereas a continental rail freight system in the US means that the railways currently carry 40% of freight by volume. The Commission's 1997 White Paper put it as follows: "The national focus of railways has left them handicapped when dealing with this [freight] traffic although they are potentially well suited to carry it". What this example tells us is that opponents of access are those that are being

ideological – willing to kill a potential industry and the jobs in it in order to maintain fidelity with a nationalist past.

Bidding rules for rail passenger franchises do not prevent state ownership

The EU's Fourth Rail package requires companies to competitively tender for rail passenger services. This does not prevent a bidder from being state owned. There are likely to be substantial economies of scale and scope which mean that a nationalised company would usually have a bidding advantage. In addition, the state can set quality, social and labour standards that state-owned companies may in practice be better able to meet. Competitive tendering began in German passenger rail in 1996 far earlier than required by the EU rules, but Deutsche Bahn, the state-owned rail operator, still has over 75% market share and a number of its main competitors are regional operators owned by local German government. German cities may well be right that metropolitan local government is better able to run a multi-modal transport system incorporating bus, cycle, pedestrian, train, tram etc that best meets citizens interests than a remote 1950s-style centralised national single mode of transport bureaucracy.

British industry benefits from being able to put together pan-European services based on a network of national inputs

It should be clear from the discussion above that the EU does not prevent public ownership. It does require that rival companies, particularly from other EU countries, should be able to have access to utility networks. In many cases, such as energy, rail freight and telecoms, this is beneficial in order to support the UK's involvement in pan-European production.

To give a couple of examples outside of rail. National telecoms monopolies originally extended not just to networks but to all services supplied over them and the equipment attached to them. Like rail freight, the main national telecoms provider no longer maps onto the economic space needed to support the needs of a much greater number of national economic actors. They are now dependent upon utility networks as elements in a chain of European national networks linked by open access rules

that form European grids. Digital telecoms networks are the nervous system of the entire single market production process. Having distinct monopoly digital islands would effectively mean restricting and restructuring industrial production back to a purely national level. It is unlikely this would increase employment in telecoms in the UK beyond a few thousands at most but it would certainly have a huge negative impact on Britain's wider workforce.

The UK is now economically integrated with EU countries quite differently to how it is integrated with non-EU countries. UK exports to the rest of the world are primarily finished products, whereas almost 40% of UK exports to the EU involve products which are then exported from a partner-EU country to the rest of the world.

The vital focus on renewable energy also requires that there is a continental grid which allows the generation of energy in relatively peripheral parts of the EU and its distribution across the EU. This is important not just for the "central" EU but also the peripheral regions as they are investing in energy sources which are intermittent, meaning depending on weather conditions they would either have far more energy than they can use themselves or far too little. A European grid is particularly important for the UK as it potentially houses about 50% of Europe's tidal energy resource and about 40% of the total wind. EU open access rules mean that British energy generators can potentially sell their

power to German car makers and the UK grid can draw energy from continental generators when the wind is low. This would not be the case without open access rules.

It is also worth noting that in the water sector, where it is not feasible to create overlaying pan-European services, the EU has not legislated. If it were the ideologically driven neo-liberal organisation its detractors claim, then we ought presumably to have seen such legislation.

The advantages of open passenger rail networks are less clear to us from a UK perspective because of our island geography - there are not many cross-border routes other than Eurostar on which an end to end cross-border provider could provide a better service. But this is of course very different in continental Europe, where to give just one example, one of Deutsche Bahn's main competitors in southern Germany is the state owned Swiss Rail. However, it would be extremely odd, utilising any sensible cost-benefit analysis, for the UK to opt to leave the EU because a putative future nationalised entity in a single industrial sector might lose a bid for a franchise to a foreign rival's UK subsidiary - which in any event, if the British government then wished, could under EU rules be nationalised. The latter ambition if stated, of course, would be highly likely to deter any future alternative bidder in the first place.

Dr Andy Tarrant

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Immigration

The myth

Freedom of movement allows no control over who comes into the country, and results in pressures on wages and public services.

"Another of the great shibboleths of the EU is "free movement", and especially free movement of labour. This is simply a means of driving down wages in pursuit of profit. It is a component of laissez-faire capitalist ideology designed to weaken worker bargaining power."

Kelvin Hopkins MP, 21 June 2016¹⁰

"We're highlighting an area of policy, on controlling immigration, which the British Government has no longer control over given that [being] part of the single market means that massive automatic free movement of Labour."

Gisela Stuart, former MP for Birmingham Edgbaston, 1 June 2016¹¹

The reality

It is vital that politicians understand and address public concerns about immigration. But leaving the Single Market primarily because of its provisions on freedom of movement would have a major economic and social cost. The overwhelming majority of EU migrants are working, bring innovation and energy to our economy, help fuel growth and make a net fiscal contribution, which allows us to invest in the public services and infrastructure we need. Despite the claims of many on both the left and the right, the negative impact of EU migration on public services and the wages and job prospects of UK-born workers is overstated. Where there are challenges, these can usually be addressed through domestic policies.

As to controlling who comes to the UK and who can stay, the reality is that there is already a great deal that UK governments can do, both regarding those who come from outside the EU (the majority), entirely under UK rules, and those who come from the EU, whose rules contain safeguards we have never fully applied.

Greater control over who comes to the UK

Freedom of movement within the EU is not an unconditional right. There are significant restrictions within EU law that could be applied that Britain has consistently failed to use. Other EU Member States ask thousands of people to leave their country every year. It is Britain's ongoing failure to use such safeguards fully and, where appropriate, send back those with no right to remain, which has created the impression that free movement is a free-for-all.

EU rules state that, after three months, EU citizens in another EU country than their own must be in employment, continuing to seek employment and have a genuine chance of gaining employment, or be able to show that they have sufficient resources not to be a burden on public funds and possess health insurance. Individuals can also be excluded or expelled in the event of abuse or fraud, and other serious criminal offences. Furthermore, EU migrants are not automatically entitled to claim benefits in the UK. They must meet a number of requirements, which could be better enforced, or even tightened.

Furthermore, the government already has complete policy control over non-EU immigration. Many of the public's concerns about immigration are actually about non-EU migrants who are, rightly or wrongly, often associated with fears about security, cultural change in our communities, and so on. Leaving the Single Market will do nothing to address these concerns. Indeed, new trade deals with countries like India are likely to involve Britain being required to grant a greater number of visas to citizens of those countries.¹²

The argument is often made that the EU's freedom of movement rules are discriminatory towards non-EU nationals. But ending free movement between the UK and the EU would not address the way in which those from outside the EU are treated. Put bluntly, levelling down EU and non-EU migrants does not help the situation of non-EU migrants.

The truth about the impact on wages, jobs and public services

There is very little evidence to support the argument that immigration dramatically affects

the wages and job prospects of UK-born workers. EU immigrants pay more in taxes than they take out in welfare and the use of public services, and their consumption of goods and services increases demand and thereby helps to create more employment opportunities.¹³

Brexiteers often cite a 2015 study by the Bank of England as proof that EU migration exerts downward pressure on wages.¹² But the author of the report has recently clarified that the negative impact is "infinitesimally small" and that his findings have been widely misrepresented.¹³ A study published last year by the London School of Economics found little evidence that immigration from other EU countries has impacted upon the pay, job prospects or public services enjoyed by the UK-born population.¹⁴

A key issue in the debate is the treatment of posted workers. Unlike EU citizens who move to another member state to seek employment (and are entitled to receive that country's minimum wage and labour standards), posted workers are temporary and can be paid salaries that are lower than the local workforce. However, President Macron recently secured the agreement of the majority of EU member states to reform these rules. It would be a mistake to walk away from the Single Market out of concern over an issue which is in the process of being addressed.

Another bone of contention has been so-called health tourism. In fact, short term visitors are not entitled to NHS non-urgent treatment for pre-existing medical conditions and neither are they entitled to come to the UK specifically to obtain NHS treatment. Use of the European Health Insurance Card (a reciprocal arrangement for travellers, such as people on holiday) is supposed to be charged back to their country of residence, which we frequently fail to do.

And like "health tourism", also "benefit tourism", to the extent it exists, can be dealt with under EU rules. In 2016, the European Court of Justice ruled that a country is entitled to withhold basic benefits from EU migrants if they have come with no intention of finding a job.¹⁵ EU law gives incomers absolutely no right to jump queues for social housing, and this should be made clear and applied. EU law gives migrants no right to just pitch up in the UK and claim unemployment benefits and this too should be made clear and

applied.

There are many things that a British government could and should do to address people's concerns about the impacts of immigration.

To begin with, more could be done to prevent any undercutting of UK wages and the exploitation of EU nationals by abusive employers, including through the proper enforcement of the minimum wage. The rules on self-employment, which currently allow anybody to declare themselves as "self-employed" with minimal evidence, could also be tightened. The need for foreign recruitment could be reduced through boosting training, including an expansion of the numbers of nurses and doctors we train at home. And a British government could look again at how to restrict companies from only advertising jobs abroad and not locally.

It is also clear that the Migration Impacts Fund, which was scrapped in 2010, should be re-established. The fund, which was introduced in 2008 to ease the pressure of immigration on public services, directed some of the surplus made by the Treasury from EU migrants to areas where disproportionately high numbers of migrations have put pressure on public services. Greater steps could also be taken to facilitate integration of immigrants into British society.

Reversing the spending and staffing cuts to the Border Force, to ensure that serious criminals are deported or refused entry to the UK, would also be a significant step. A strong and

well-resourced Border Force is essential for combating illegal migration and trafficking, and for providing reassurance to the public that the rules are being enforced.

Conclusion

EU migrants make a vital contribution to our country. They bring innovation and ideas to our economy; they pay taxes that help us invest in our public services; and they are our friends, family and neighbours. The economic and social implications of dramatically reducing migration would be profound.

Even if there were a case to be made for substantially reducing immigration levels over time, this cannot be done overnight, whether in or out of the Single Market. If companies cannot get access in the UK to the workforce they need, they will simply move abroad, reducing job opportunities for British workers. UK nationals would then have to pay more tax because, overall, immigrants pay far more in taxes than they take out in benefits. And the queue for healthcare would be longer not shorter, because the NHS currently depends on immigrant doctors and other skilled migrant workers, many of them from the EU.

All things considered, leaving the Single Market in order to end free movement is not a price worth paying.

Richard Corbett MEP

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The NHS

The myth

Immigration from the EU has put the NHS under severe pressure. By leaving the Single Market we will save vast amounts of money which we can then spend on the NHS instead. Furthermore, the EU's free trade agenda – and TTIP in particular – risks leading to privatisation.

"If we vote to leave, then the £350m we send to Brussels every week can be spent on our priorities like the NHS."

Kate Hoey MP, 9 October 2015¹⁶

"Immigration is placing the NHS under huge strain and undermining patient safety, and our ability to control the NHS could be further undermined by the way the pressure that could be made worse by the TTIP agreement the EU is negotiating with the US."

Gisela Stuart, former MP for Birmingham Edgbaston, 13 April 2016¹⁷

The reality

The brutal reality is that Brexit is already depleting the NHS of staff, finances and frameworks of collaboration. It is setting us up for a trade deal with President Trump that could allow the American healthcare system to aggressively enter and privatise our NHS.

Many of those leading Brexit have a long record of being pro-privatisation. An NHS broken by underfunding and Brexit is their opportunity.

Far from delivering £350m a week extra, Brexit is costing the NHS resources and staff

Spearheaded by Health Secretary, Nye Bevan, the creation of the NHS in 1948 is undoubtedly Labour's greatest achievement. And nearly 70 years on, the founding principles remain intact. It continues to be funded from general taxation and remains free at the point of use. But it is under severe strain, and a hard Brexit risks breaking it and selling off the pieces.

A key plank of the Leave campaign was that money would be freed up for the NHS. But as illustrated in Chapter 1, the costs of leaving the Single Market and Customs Union will wipe out any dividend and more. That's before accounting for all the extra costs associated with consultants and the civil service to replicate trade deals and dozens of agencies where we currently cost-share with 27 others. The weakened value of the pound has already meant that NHS purchasing, half of which comes from outside the UK, has risen, with one study estimating it will cost nearly £1bn extra per year¹⁸. The reality of a hard Brexit means a net loss of money, so less cash for the NHS.

As for staffing, it is important to divide this into two areas; retention and recruitment. With retention, the Nursing and Midwifery Council (NMC) has seen a 67% jump in the number of EEA nurses leaving¹⁹. That spike is not seen in UK or non-EEA nurse numbers. Nursing spokespeople make clear that this is directly attributable to Brexit, including stagnant wages, the weakened pound, rising inflation, Brexit uncertainty for EU nationals and a climate of hostility towards migrants.

These same factors are also dissuading new EEA staff from coming to work in the NHS. This has been exacerbated by the introduction of a new English language test, and the combination of factors has seen a 96% drop in EEA nurse recruitment.²⁰

Some have tried to claim that the NHS is not very dependent on EU nurses because only 5.3% of UK nurses come from the EU. However, with 40,000 nursing vacancies,²¹ our NHS is dependent on every nurse it can get. Furthermore, all the growth in NHS nurses in recent years has come from the EU. Between

September 2013 and September 2016 the numbers on the nursing register increased by 19,046. The total increase in EEA nurses during that time period was 20,768.²² So new EU nurses have plugged a fall and then added growth.

We're breaking teams we've built up

Beyond workforce and finances, the NHS and UK healthcare operates within EU frameworks of medicines, public health, research and data. With a "no deal" outcome, we depart those beneficial frameworks we have worked so hard to build with our European friends. We have already lost the European Medicines Agency (EMA) from London with its nearly 900 staff, the attendant industry that has built up around it and 40,000 business visits annually²³. But now we could lose our place in the EMA's framework, too.

Without harmonisation on medicines, British patients could be waiting longer for new innovative medicines to be approved.²⁴ Without a deal on scientific research, we would jeopardise our ability to play coordinating roles in multi-national pan-European health research projects. Without Euratom membership, we risk supply and cost problems for medical isotopes used in NHS scans and treatments.²⁵ Without agreements on air quality or water quality, we would have no recourse to take our government to court over breaching standards that jeopardise lives. We would also come out of agreements for cross-border care, whereby British residents in Europe and British tourists to Europe can get treatment in local hospitals and have the costs reimbursed by the UK.²⁶

European solidarity killed TTIP but Brexit brings back the prospect of an NHS privatisation deal

The Government has made clear its intention to secure a free trade agreement with the United States. But as Labour's shadow health secretary has warned, "a rushed trade deal with Trump may give ministers cover for their dangerous Brexit strategy, but it will not hide the risk that this could be a Trojan horse for NHS privatisation."²⁷

When it comes to trade deals, size matters. In the planned US-EU Transatlantic Trade and Investment Partnership (TTIP), the US market of

325 million people was lined up against the collective bargaining power of the EU's 510 million. At stake was access to each other's markets, tariffs, standards and regulations. "There is absolutely nothing not to like about TTIP" wheezed Boris Johnson in *The Telegraph*²⁸. But citizens across Europe suspected US healthcare companies were lobbying to secure access to European health systems²⁹. Early proposals would have allowed foreign private health companies to sue governments if policy changes damaged their profits.

After huge anti-TTIP demonstrations in Germany³⁰, the Commission was forced into greater transparency. EU governments also responded by insulating their health services from any US-EU trade deal, with the UK Government slow and reluctant to follow suit. By the time Vote Leave and UKIP were crowing wildly about 'back-door' privatisation³¹, the NHS had already been largely protected from the deal, with capacity to protect it absolutely³².

Due to public pressure by European citizens, TTIP failed to get passed before President Obama left office. By the time Donald Trump won the presidency, the Brexit vote had already happened, providing him with a much easier target for an aggressive trade deal – the UK. This country had split from the herd, with a

neoliberal-minded government, desperate for a deal and severely lacking in trade negotiating expertise. Theresa May has refused to rule out that the NHS would be part of any UK-US trade deal³³. Further, leading Brexit advocates including Arron Banks, Nigel Farage, Boris Johnson and Daniel Hannan have all indicated that they regard the NHS as too socialist and would like to see insurance or payment for services. As the NHS is forced to "fail" through underfunding and Brexit pressures, free market solutions and US-style healthcare will be offered as saviours. Private interests will then control the system.

In summary, the Leave campaign may have decked itself out in fake NHS logos³⁴ and fake money promises, but few of its leading campaigners care little for the NHS itself. Brexit punishes the NHS with less money, an exacerbated staff crisis, poorer working conditions and broken healthcare bonds with the continent. Far from saving the NHS from privatisation, Brexit has ripped us away from the European solidarity of protecting healthcare, health standards and workers' rights. Brexit is high-octane fuel for NHS privatisation – the antithesis of what any "Lexiteer" should want. There's no left-wing case here.

Dr Mike Galsworthy

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Employment rights

The myth

The extent to which the rules of the Single Market protect workers' rights is overstated, and any progress that was made towards creating a 'Social Europe' is now being rapidly eroded.

"It is a myth that the EU defends workers."
*Left Leave Campaign website*³⁵

"[T]he EU is no longer motivated by Jacques Delors' 'Social Europe', but is increasingly out of touch with the needs of its people."
*Kate Hoey MP, 9 October 2015*³⁶

"The EU is irreversibly committed to privatisation, welfare cuts, low wages and the erosion of trade union rights."
*Letter coordinated by Labour Leave, 17 February 2016*³⁷

The reality

Britain's membership of the Single Market has been overwhelmingly positive for the rights of workers, driving up standards in the UK and preventing a race to the bottom across the continent. It has provided a vital bulwark against successive governments that wished to scrap key protections.

Whilst there is still much more to be done, the Single Market is continually being strengthened, not least through the steps now being taken to stamp out the undercutting of workers and clamp down on companies that do not play by the rules. Leaving would eventually result in a divergence in standards, creating an unlevel playing field and paving the way for this or any future government to scrap key protections.

Membership of the Single Market has massively enhanced workers' rights

We would not have seen the progress that we have in the fight against exploitation and discrimination in the workplace were it not for Britain's membership of the European Union. The decision by the Labour government in 1997 to opt in to the Social Chapter represents, without doubt, the greatest step forward for employment rights in this country in the modern era. Improving standards within member states and, crucially, creating a level playing field across the continent, the Social Chapter was, and remains, one of the great achievements of the European project. As the late former foreign secretary Robin Cook said in 1997, taking Britain into the Social Chapter, five years after the previous Conservative government had refused to do so, was a statement that "we do not accept that the British people should be second-class citizens with less rights than employees on the continent."³⁸

Participation in the social aspect of the Single Market has deepened employment protections, driven forward health and safety standards, and promoted equality in the workplace. It has created a safety net of standards below which member states cannot drop, whether on equal pay, working time, parental leave or the rights of agency and part-time workers.

And the impact has been significant. To give just one example, before the Working Time Directive, which was finally reflected in UK law in 1998, there were no general regulations in the UK relating to working time or entitlement to leave. According to the TUC, the changes resulted in six million workers gaining improved entitlements to paid annual leave, two million of whom previously had no paid annual leave entitlement.³⁹

These protections are enshrined under the principle of 'direct effect': that means that any European citizen (including UK citizens) can petition any court in any EU country to have their rights under EU law enforced.⁴⁰ So if, for example, a female worker in the UK was dismissed because they were pregnant, which is illegal under EU law, they would have the right to petition any national or European court and receive protection.

While it is true to say that in some areas the UK already had laws in place, such as on equal pay and maternity rights, EU action in these areas has improved and extended rights and now underpins them.⁴¹ This makes it all but impossible for this or any future UK government to undermine them, for as long as Britain remains a member of the Single Market.

Far from being eroded, workers' rights are being strengthened

Contrary to the claims of those who wish to leave the Single Market, the direction-of-travel within the EU seems very much in favour of broadening the existing protections for workers yet further. For example, the French President, Emmanuel Macron, has set an objective of reforming the EU's Posted Workers' Directive, to prevent unscrupulous companies from undercutting the local labour market.⁴² There is now significant support behind President Macron's proposals, which if enacted will protect against 'social dumping' and mean fairer conditions and wages for all workers within the Single Market.

The EU is also currently developing a European Pillar of Social Rights, which sets out 20 key principles and protections to support fair and well-functioning labour markets and welfare systems.⁴³ This new pillar is aimed at creating significant new rights and protections for so-called 'gig economy' workers, ensuring access to social protection, such as health insurance and unemployment benefits, for people in all forms of employment.⁴⁴ It also includes a revision of the Written Statement Directive, which would give employees starting a new job the right to be notified in writing of the essential aspects of their employment relationship.

The TUC has argued that all political parties in the UK should pledge to keep up with EU progress on workers' rights.⁴⁵ Labour has made this commitment, but other parties have not, so the reality is that without a set of common standards and enforcement mechanisms, Britain could fall behind. The only way to guarantee this doesn't happen under a future Conservative government, and to ensure that Britain can help to shape those standards into the future, is to remain a member of the Single Market.

Leaving the Single Market would put workers' rights at the mercy of this or any future government

The Government has talked a good game on guaranteeing that workers' rights will be maintained as EU law is transposed into UK law. But there will be nothing to prevent a future British government from stripping them away.

EU rules on workers' rights are not necessarily designed to be a gold-standard for member states: indeed, in many areas, current UK standards of workers' rights are higher than the EU requirements. For example, in the UK workers are entitled to six weeks annual leave, rather than the four required by EU legislation. What they do represent, however, is a minimum standard below which Single Market participants cannot drop. If the UK leaves the Single Market, that safety net is removed and there is therefore very little protection from future governments who might decide to water-down, salami-slice or otherwise 'amend' workers' rights and protections in this country.

Workers at the lower end of the income scale are likely to be most vulnerable to a reduction in their rights. A recent report by The Work Foundation, funded by the TUC, concluded it will be atypical workers and those in precarious employment that will most likely be impacted by changes resulting from leaving the Single Market and the EU's regulatory framework.⁴⁶

To see how this could pan out, look no further than the current Cabinet. Numerous Brexit-supporting ministers have made clear their intention to use a hard Brexit or a no-deal Brexit to engineer a significant reduction in existing

employment rights. Lord Callanan, a minister in the Department for Exiting the EU, has previously expressed his desire to "scrap" the Working Time Directive, the Agency Workers' Directive and the Pregnant Workers' Directive.⁴⁷ Former Cabinet minister and prominent Brexit supporter Priti Patel has argued that leaving the EU would be an opportunity to "halve" the amount of EU-derived social and employment protections.⁴⁸ Boris Johnson wanted the UK to be excluded from EU employment laws.⁴⁹ Liam Fox, International Trade Secretary and an advocate of hard Brexit, has previously argued that it is "intellectually unsustainable to believe that workplace rights should remain untouchable".⁵⁰

It is quite clear that hard Brexit supporters are not motivated by a desire to enhance protections for workers. On the contrary, they see leaving the Single Market as a once-in-a-lifetime opportunity to slash employment rights, cut protections for workers and significantly deregulate the UK economy. As the current US administration has made clear, to reach a quick trade agreement with the United States the UK will have to agree to lower its regulatory standards in a number of areas. And given the strong economic imperative there will be to sign deals quickly with other countries after a hard and destructive Brexit, that could be just the beginning.

Those of us on the left, who believe not only in maintaining but also enhancing employment protections and rights for workers, should not be duped into supporting an agenda that would do the opposite.

Sarah Veale CBE

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The environment

The myth

The development of the Single Market has done more harm than good to the natural world and the EU's environmental achievements are overstated. The UK can be more successful in protecting the environment and promoting sustainable development if we leave the Single Market and have the freedom to develop our own policies.

"Often well-intentioned environmental policies are outweighed at every turn by the more fundamental drivers of its bid to turn the whole of Europe into a paradise for (environmentally damaging) agribusiness and industry."

Jenny Jones, former Chair of the Green party, June 2016⁵¹

"Once out of the Common Fisheries Policy the UK will be able to manage fish stocks and the ocean environment better."

Labour Leave, Leave Means Leave and Economists for Free Trade, September 2017⁵²

"We stand for a positive vision of a future Europe based on democracy, social justice and ecological sustainability, not the profit-making interests of a tiny elite. For these reasons we are committed to pressing for a vote to leave the EU."

Letter coordinated by Labour Leave, 17 February 2016⁵³

The reality

The EU has been an overwhelmingly positive force for the environment - strengthening legislation, preventing a race to the bottom and driving forward collective action on climate change. The framework of rules and regulations underpinning the Single Market is not, as some on the left have argued, a threat to the environment, but rather our best means of protecting it. Compounding the result of the referendum by choosing to leave the Single Market would be a mistake with terrible consequences for our ability to preserve the natural world.

It is this government, not the EU, that is a threat to the environment

Few things are as incomprehensible as the resolute determination of climate deniers. No matter how often they are publicly caught cherry picking the evidence or distorting the truth their belief is unshakable. The rest of us are victims of a mass delusion at best or are left-wing conspirators at worst.

It is this last accusation that gives their game away. Climate denial is almost exclusively found on the political right. It is not hard to see why. If your core political project is smaller government, lower taxes, less regulation and markets ever freer from the bondage of government, you cannot have a problem with the climate. There is no more compelling reason for activist government than the urgency of stopping climate change destroying prosperity and security for everyone.

Those same political impulses drive Brexiteers: a Britain free from the bonds of EU legislation, able to do what it likes to drive taxes and regulations down and out from under the jurisdiction of a court that can make it obey the law is the goal. It is not a coincidence that Brexiteers and climate deniers fight together and use the same weapons.

Illusions are not, however, a right-wing prerogative. There are those on the left in British politics who see the EU as a neo-liberal protector of corporate interests, always willing to put profits above people and the environment. Brussels bureaucrats are too friendly to business. Our own Parliament can do a better job of protecting Britain's environment.

If you believe the last sentence you haven't been paying attention to the sustained, if stealthy, Government attack on Britain's environment. Starting with the abolition of the Royal Commission on Environmental Pollution when it came into office in 2010, Conservative-led Governments have consistently weakened the machinery protecting our environment.

Since then the independence of our environmental watchdogs, the Environment Agency and Natural England, has been seriously compromised. Access to the courts for judicial review has been restricted and made

prohibitively expensive. The right of environmental bodies to lobby has been constrained and the rights of ordinary citizens under the planning system have been gutted.

Fortunately, Britain has many champions of the environment, from Buglife to the National Trust. Their combined membership is several times that of all the political parties in Britain combined. They probably know rather more about the will of the people than our political party leaders. They trust Brussels more than they do Whitehall and Westminster. They do so with good reason.

The Single Market encourages responsible environmental behaviour by business

Air pollution kills some 40,000 people each year in Britain and costs the NHS as much as £15 billion a year. Our air has exceeded legal limits since 2010. Environmental law firm Client Earth has successfully sued the Government twice. Each time the courts have required the Government to make our air legal. Each time the Government has evaded the courts' requirements to act. Client Earth has now gone back to the courts for a third time to force the Government to obey the law.

Each time the Government has bowed to corporate pressure from the motor industry. Escaping from the European Court of Justice has been a crucial red line for the Brexiteers. This is because it has acted as a powerful force for ensuring that the UK Government complies with environmental laws. This is because the ECJ has, as a last resort, the power to impose sanctions for non-compliance. This can be very expensive, as the UK found out to its cost when a failure to implement the Nitrates Directive properly led to a crash spending programme in Northern Ireland of some £240 million.

This was to avoid the possible imposition of daily fines for noncompliance that could have cost even more. The UK Courts have no such ability to fine the British Government. Nor is there any likelihood that a future Government would be willing to allow them to impose fines or other sanctions.

The reality is that British membership of the EU has considerably strengthened our ability to insist on responsible environmental behaviour by businesses. Nowhere is this more clear than in

checking the activities of developers. As the effectiveness of our own planning laws has been systematically undermined by successive governments, the EU Habitats Directive and the Birds Directive have been strong constraints against rampant development on sensitive sites for nature.

The European Commission publishes a series of multi-annual environmental action programmes setting out its legislative agenda well in advance. It is certainly heavily lobbied on this agenda by corporations, but it is also lobbied by environmental and community organisations in a manner far more transparent than in Britain. The last time a British Government published a comprehensive environmental policy was in 1990.

A hard Brexit will pave the way for an assault on the environment

We are now on a steepening slope towards a crash exit from the EU. This will be a catastrophe for the British environment. If this happens it will leave Britain exposed to an economic hurricane. This will wash away all the warm words about the environment we have heard recently from Michael Gove.

As the need to fulfil the false promises he, and the other Leavers, made in the referendum grows the political imperative, over-riding

everything else, will be expanding the economy. There will be a tsunami of deregulation. Everything corporate leaders ask for they will get.

Then there will be the much-vaunted free trade agreements. Without the bargaining power of the other 27 economies, Britain will be a deal taker not a deal maker. These days the so-called non-tariff barriers to trade are far more important than tariffs.

Another word for non-tariff trade barriers is environmental regulations. As we negotiate free trade agreements from a much weaker position it will be open season on our environment as foreign companies seek to compete in our markets by washing away environment, consumer and employment protections.

No-one could argue that the EU is a model of green perfection. It has not always succeeded in turning its high environmental ambition into the right outcomes. But it has provided a stable framework within which to make consistent progress towards a better environment.

As Britain encounters the harsh economic winds of a post-Brexit world I fear we will often have occasion to recall the words of Joni Mitchell's early eco-song Yellow Taxi, 'You don't know what you've got 'til its gone.'

Tom Burke

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Trade deals

The myth

The EU is no good at striking trade deals, and the economic costs of leaving the Customs Union and the Single Market are overstated. Having an independent trade policy will allow a future UK government to strike new and more progressive agreements with countries around the world, which will more than compensate for any lost trade with Europe. Unlike the deals negotiated by the EU, these trade deals will promote development and high labour and environmental standards.

"Our experience of fighting the EU's free trade agenda over the past 20 years has shown that there is no hope of the radical reform necessary to turn the EU around."
John Hilary, 15 January 2016⁵⁴

"The EU does not have a good track record of striking trade deals on behalf of its members outside the block."
John Mills, June 2016⁵⁵

"The EU is in secret negotiations with the US to launch the Transatlantic Trade and Investment Partnership."
Left Leave Campaign website⁵⁶

The reality

There is no evidence to support the argument that the benefits of new trade agreements will compensate for the costs associated with leaving the Single Market and Customs Union. In fact, it is likely that an independent trade agenda will have a damaging economic impact, as negotiating new trade deals will take many years, and will involve major trade-offs for minimal reward.

It is wrong to suggest the EU's trade policy is generally protectionist towards the world's poorest countries. Moreover, the argument that EU-negotiated trade deals are inherently malign and anti-democratic, and that an independent UK could secure more progressive deals, does not stand up to scrutiny.

New trade deals cannot replace our lost trade with the EU

The EU is, by some distance, the UK's largest trading partner. In 2016, it was the destination for some 43% of UK exports in goods and services.⁵⁷ This is the case for good reason. The Customs Union allows for trade in goods that is unencumbered by customs duties or rules of origin checks, while the Single Market ensures common product standards, health and safety regulations and consumer and environmental protections, and the right to deliver services across the continent.

It is also a simple matter of geography. No matter which countries you look at, the evidence is remarkably consistent: bilateral trade between two countries is proportional to size, measured by GDP, and inversely proportional to the geographic distance between them.⁵⁸ This is known as the gravity equation. The countries of Europe are on our doorstep, and so it is of little surprise that we do the majority of our trade with them. By contrast, many of the countries often talked up as targets for future free trade agreements are on the other side of the world. For example, although they are important markets, Australia accounts for just 1.7% of UK exports, India 1.7%, Indonesia 0.2% and New Zealand 0.2%.

It is too often overlooked that the EU is also a major trading power in its own right, with preferential trade agreements in place with more than 65 countries around the world, and negotiations ongoing with many more. That means the EU has deals in place with more countries than the US (20), China (23) and Australia (19) combined. At present, nearly two thirds of UK exports go to countries in the EU, the EEA or countries with whom the EU has an agreement in place. If Britain leaves the Customs Union, each of these countries will have an interest securing better terms. So, while it is possible that many of these deals can be renegotiated as we leave the EU, this is by no means guaranteed. And we of course stand to lose out as the EU concludes negotiations with other major economic powers in the coming years.

Many of those who advocate a hard Brexit argue that new trade deals will compensate for the economic cost of leaving the Single Market and

Customs Union. Yet there is no evidence for this. The Treasury is widely reported to have analysis showing that new trade deals cannot make up for lost trade with Europe, though it has so far refused to publish it. One of the most comprehensive studies, by Monique Ebell at NIESR, has estimated that the increase in total UK trade from free trade agreements with Australia, Brazil, Canada, China, India, Indonesia, New Zealand and the US would be less than 5%.⁵⁹ By contrast, she estimates that leaving the Single Market will be associated with a long-term reduction in total UK trade of between 22% and 30%. Given that some 3-4 million jobs in the UK are linked to our trade with Europe, the burden of proof is on those who advocate a hard Brexit to disprove this.

The fact is, EU members negotiate tariffs and trade agreements with third countries collectively, and are able to use the clout of being the world's largest market to secure better terms than could be delivered by any individual member state. Going it alone, with a small and inexperienced negotiating team, and with the economic imperative of needing to secure numerous trade agreements at speed, Britain's position will be weak. New deals will take many years to negotiate, and will involve major trade-offs for minimal reward.

The EU is not 'tariff-heavy' across the board the world's poorest countries

It is often claimed that the EU has high tariffs on imports from the world's poorest countries, and that remaining in the Customs Union would mean Britain continuing to enforce these protectionist policies. A narrative has emerged in some quarters that the EU acts as a 'protectionist racket' towards the developing world, strangling many countries growth and development prospects.

There is little evidence to support these claims. The European Union offers developing countries lower tariffs on their exports into the EU through its 'Generalised System of Preferences'. In particular, the EU's Everything But Arms scheme grants full duty-free and quota-free access to the EU Single Market for all products except arms and armaments, to all countries that are listed as a Least Developed Country (LDC) by the United Nations. There are currently 47 such countries on the list of LDCs, and the list is updated every

three years. Far from imposing large tariffs against the world's poorest countries, the EU has in fact done the opposite.

There are issues related to market access for certain areas of agriculture between the EU and many developing countries who do not qualify as LDCs – issues that are shared with other developed countries. However, the EU is known for being the most generous of the major developed economies in this regard.

It is not credible to think we can sign more progressive trade agreements

Another argument that is often made for leaving the Customs Union centres around the view that EU-negotiated trade deals are intrinsically bad for workers and the environment, and that they are anti-democratic. This has stemmed out of opposition to the now stalled Transatlantic Trade and Investment Partnership (TTIP), and more recently to the EU-Canada Comprehensive Economic and Trade Agreement (CETA), which entered into force provisionally in September. Unshackled from the EU's trade policy, so this argument goes, Britain will be free to strike more progressive deals than the EU does.

But this argument is flawed as well. TTIP stalled because of concerns across Europe about the impact of regulatory convergence – concerns that are understandably shared by many Brits – and because the US was demanding provisions unacceptable to European citizens like the acceptance of genetically modified foods, chlorinated chicken, and access to procurement of protected sectors like healthcare. It is hard to see it being revived for as long as Donald Trump, with his brand of 'America First' protectionism, occupies the White House.

The CETA agreement, meanwhile, in many ways demonstrates the European Commission's responsiveness to public concerns with TTIP. It guarantees existing labour, health and environmental standards, and protects public services, including the NHS, from privatisation. And the proposed, and much-maligned, Investor-State-Dispute-Settlement (ISDS) that was proposed for TTIP was replaced for CETA with an open and transparent tribunal system with well-qualified public judges, ironically in part due to the impact of public pressure. CETA is not however a model for the UK. In particular, it has

very little coverage for services – which constitute 80% of the UK economy – and it took seven years to negotiate!

To even begin to attempt to compensate for the costs of leaving the EU, a UK government would have to seek substantially greater access to major economies such as the US, China and the Gulf states that the EU does not currently have preferential trade relationships with. But there are very good reasons why the EU has so far failed to reach agreement with any of these countries; it is not for lack of effort but rather lack of common ground with the counterparties on mutually beneficial terms for all European countries, including the UK. Negotiating independently, and from a position of weakness (due to the relative size difference between the economy of the UK alone and of the EU with the UK), the UK will be confronted by terms that are simply unacceptable to the people of this country, as Liam Fox is in the process of discovering. In fact, we will find that we must give greater concessions in order to get the terms of trade we really need. In trade policy there are no 'mates rates' deals because of relative 'like mindedness' - it is a negotiation where each side seeks maximum advantage and the best deal possible.

At a minimum, US negotiators will demand the UK lowers its environmental and food standards and accepts products like hormone-treated beef, GM crops and chlorinated chicken; these demands are, after all, exactly those that the US has made of Europe and the US Commerce Secretary has already said publicly the US will demand these of the UK in order to get a deal. US healthcare companies will again lobby for the right to bid for NHS contracts. The Labour Party has rightly rejected these demands in the past, and there is little reason to believe the US position will soften in the future.

China, meanwhile, will want Britain to support its trade demands, such as Beijing's current request of being granted "market economy status" in the World Trade Organisation, in return for greater market access. But it is unlikely to drop its restrictions on imported services, which is where the UK could have a comparative advantage. According to the European Chamber of Commerce, restrictions on major service sectors in China – such as finance, education, culture and healthcare – are one of the toughest issues that

EU businesses face.⁶⁰ This is unlikely to be any different for an independent UK - and given the greater disparity in market size, the UK will in fact be under greater pressure to agree Chinese demands, and get less in return, than if the agreement was negotiated by the much larger EU.

Trade agreements with other major economies, such as India, Australia, Brazil or Saudi Arabia would pose their own challenges. International trade negotiations are tough, and in many cases the terms on offer would be a hard sell to a British public that is rightly resistant to any attempt to deviate from the high European

standards we currently enjoy.

A future UK government risks leaving the Customs Union and the Single Market only to find it doesn't support any of the trade deals on offer, or that it cannot secure support for them in Parliament. A better approach would be to remain in the Customs Union, retain access to the EU's trade deals around the world, and seek to better leverage our large economic size relative to most European countries to get better deals via the EU than we could get alone.

Lord (John) Monks

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