

# BREXIT AND TRADE

## MOVING FROM GLOBALISATION TO SELF-RELIANCE

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## MOLLY SCOTT CATO MEP FOR SOUTH WEST ENGLAND & GIBRALTAR

One of the key messages coming out of the Brexit vote was the idea of making globalisation work for everybody. This is an implicit critique of how the global economy works now, and an impulse towards a fundamentally transformed future that Greens should grasp and build on.

This is not to say that Greens see Brexit as any sort of opportunity to be welcomed. I see the decision to leave the EU as the most destructive political decision of my lifetime. It is likely to prove catastrophic for our businesses and our environment, especially in the form envisaged by far-right Tories who have taken control of our country in recent months.

It has felt unfamiliar being one of the MEPs most vigorously supporting the single market but with what I hear from businesses in South West England about loss of investment, the impact of the fall in the pound, and the difficulties they will face with customs controls and tariffs it is inevitable that I will do my best to keep the UK inside. I have been depressed by how rapidly my arguments that the EU underpins peace and democracy have been proved by the dramatic rise in hate crimes and rush to authoritarian government that have filled the vacuum left by Cameron's resignation and Corbyn's ineptitude.

So what exactly was it that people were rejecting when they voted to leave the EU? I don't believe it was a rejection of the ability to travel freely or to keep in contact with people right across the globe via social media. Neither was it a rejection of our responsibility towards the other seven billion global citizens or the one planet we all share. It was an expression of a loss of control over our lives and a rejection of those politicians who have failed to challenge corporate power or the negative consequences of globalisation. It was also a vote against a loss of identity and diminished quality of life at work.

Greens would add the need for global solidarity and a trade system that fulfils human lives without wasting resources and energy into this critique. And we have never shied away from the need to challenge the irresponsible and self-serving behaviour of the corporations which dominate the global economy.

Globalisation has brought much good in its wake. It has enabled many people to become genuine global citizens, and many Greens of course would identify as such. But many Greens are also deeply concerned about the loss of a sense of local community.

This report represents the beginning of a process of thinking our way out of the destructive globalisation of recent years and towards an inclusive, citizen-focused future for the global economy. I am grateful to my Green House colleagues Victor Anderson and Rupert Read for launching us on this journey.

The project we are engaged with here is not about making the best of a bad lot or seeking opportunities from Brexit. Rather it is about recognising the disruption offered by fundamental changes in the zeitgeist and reinterpreting it according to our own longstanding critique of globalisation. It is about balancing our recognition of our global responsibilities with our need to feel part of strong local communities, embedded in real, physical places. This is the challenge of our times and I invite your commitment to embracing it and using it to build a better shared future for us all.

## EXECUTIVE SUMMARY

Brexit may well turn out to be a disaster. But this is not inevitable: there are many different possibilities for the UK after it leaves the European Union.

This report puts onto the political agenda an option for Brexit which goes with the grain of widespread worries about globalisation, and argues for greater local, regional, and national self-sufficiency, reducing international trade and boosting import substitution.

Although in terms of current mainstream politics, this might look like a 'fringe' point of view, it may turn out to be the only way in which Brexit can be made a success. Consider the alternatives. Two have been suggested by the Government. One is a deal with President Trump, likely to be a one-sided deal because the UK's economic bargaining strength is obviously far less than that of the USA or the EU. The other is to operate across the world as a tax haven, undercutting both the USA and EU in terms of environmental, labour, and corporate standards. Either of these would be disastrous.

It is possible, of course, that faced with these alternatives the British public will seek to turn back and reverse the result of the referendum. That may happen. However the recommendations made in this report are on the working assumption that it doesn't, that any such shift in opinion fails to take place, or if it does is blocked from taking effect, by the Government or the EU itself.

The alternative option suggested here would represent a radical shift in UK economic and trade policy, with consequences for the environment and migration. It can also engage with the reasons so many people voted for Brexit and Trump.

## SUMMARY OF RECOMMENDATIONS

### Environment

Points 1 to 8 are intended simply to continue what was being achieved through EU membership and to ensure that the UK does not move backwards on the environment as a result of Brexit.

- (1) Continue to maintain and enhance regulation of environmental, health and safety, and product standards, including food and chemicals, so that they are at least as strong as those in the EU.
- (2) Ensure that current standards are not bargained away in order to reach new trade deals with the USA and other countries.
- (3) Carry out regular reviews to ensure that the UK does not fall behind when EU standards are raised.
- (4) Introduce legal safeguards to ensure that standards cannot be watered down through the use of secondary legislation (statutory instruments), which receive a much lower level of parliamentary scrutiny than primary legislation (bills) does.
- (5) Establish new UK mechanisms for upholding and enforcing good standards, not simply keeping those standards in force legally without actually ensuring they are applied in practice.
- (6) Continue UK co-operation with the EU and its member states on issues such as: fisheries and marine conservation, air pollution, chemicals, climate change, and environmental science research.
- (7) Establish in UK law and practice three EU principles for guiding the interpretation of legislation and regulation: the polluter pays principle, the precautionary principle, and the integration of environmental concerns into other policy areas.
- (8) Allocate a considerable increase in staffing and resources for UK Defra (Department for the Environment, Food and Rural Affairs). Where EU (or European Investment Bank) expenditure in the UK for the environment is removed, it should be replaced by funding from the UK Exchequer.
- (9) Use payments to farmers to incentivise farmers to provide specific social and environmental goods, such as for example looking after SSSIs (Sites of Special Scientific Interest).

## **Localisation**

- (10) Change trade agreements to allow governments to promote greater national, regional, and local resilience.
- (11) Shift taxes, subsidies, and public expenditure on infrastructure, away from unfairly favouring large and global companies, and redirect them to help build up local economies.
- (12) Link banking directly to local and regional economies rather than to the international financial system.
- (13) Boost the number of places for skills training in sectors where UK production can substitute for imports.
- (14) Bring in short-term government subsidies to invest in and develop economic sectors where UK production can be expected to substitute for imports as part of the new strategy. These would not necessarily be 'infant industries': they might be old sectors being revived and renewed.
- (15) Introduce or increase tariffs on imports of goods and services, especially those where domestic production is a viable and environmentally sustainable option.
- (16) Democratise English sub-regional devolution arrangements and reform local government finance, so as to provide for effective decentralisation of power.
- (17) Undertake action from central government to put far more money into local authorities in areas of high recent migration and low average wages.

## **Globalisation**

Points 18 to 23 are international goals which could not be achieved by UK diplomacy alone but would require increased international co-operation.

- (18) Introduce international carbon taxes applying to aviation and shipping.
- (19) Establish a much more effective international system for responding to ecological dangers.
- (20) Bring the Bretton Woods organisations into the UN system.
- (21) Retain or re-establish different currencies to allow for different economic circumstances in different parts of the world, enabling governments to use or influence interest rates and exchange rates as instruments of economic policy. Overextended currency areas, such as the Eurozone, should be avoided.
- (22) Establish a World Tax Organisation.
- (23) Bring multinational companies within international law, including through a binding corporate human rights charter.



## 1. A NEW STARTING POINT: 2016

**2016 may prove to be seen as an historic year: the year when globalisation went into reverse. The election of Donald Trump and the UK referendum vote for Brexit have created a new situation.**

This report suggests a way to respond, discussing the overall debate about globalisation and populism, and then focusing in on the implications for Brexit and the EU. It is written from a point of view which seeks to go beyond just a simple 'for' and 'against' to arrive at a more thorough understanding of where we find ourselves.

Although there are various ways in which Brexit might not happen (outlined later on), the policy recommendations we make in this report are based on the assumption that it will.

The politics of Trump's presidency and the negotiations for the UK to leave the European Union are both moving fast. Our approach here will be to stand back to some extent and to look at the bigger picture, the long-term trends and the more fundamental issues. We start with the question of what 2016 signifies.

Advocates for both Brexit and Trump see 2016 as some sort of 'people's revolution'. Although it was a minority of the people in both the US and UK – Clinton beat Trump in the popular vote, the Brexit majority was only 4% whilst millions abstained or were excluded from voting – nevertheless there is some truth in this. Not so much a revolution but more a tipping point, in which frustrations that had been building up for decades finally found dramatic and powerful political expression.<sup>1</sup>

Numerous factors have been suggested in the debate about explanations. There were many short-term and local influences involved, miscalculations by various politicians, and large-scale factors such as media reporting and ownership, as well as the deliberate Russian efforts to influence the US election.

However, stepping back from all this and trying to see 2016 in historical context, one factor stands out above all else: the mixed response to globalisation from the general public. Many people like it: for some it has opened up job opportunities; provided access to food, music, and information from all over the world; made possible escape from the often restricting local cultures and communities they were born into. For many businesses, globalisation has meant much greater access to consumer markets and labour markets, increased sales and increased profits.

2016 demanded attention for the other side of globalisation. In many different ways, what voters were concerned about was what can be summed up as a perceived erosion of 'social capital' (or 'community'). By 'social capital' we mean the linkages between people which constitute the existence of a society, as opposed to there being just a large set of separate individuals, plus economic transactions through the market. 'Social capital' can be built from family connections, local neighbourhoods, trust, familiarity, religion, speaking the same language, shared institutions, shared feelings of identity, shared senses of values or nationhood.

For some people, to be free from all these things is to feel oneself to be truly an individual in command of one's own life. But for most people, these linkages are important. They add to a sense of security, a sense of being supported by others, a sense of knowing who one is. Even those who try to get away from the places and identities they were born into nevertheless usually still seek out some other location in the web of interconnected 'social capital'.

Globalisation shakes all this up. Influences come into nearly everywhere from nearly everywhere. Migration adds to it, media content adds to it, so do flows of goods, services, capital, information, music, food. New connections are created – I can be in England and in a Facebook group of fans of Madonna, started by someone in Korea – but there is a cost in terms of old connections. As a white English person walking down my local English high street, I may find a Turkish mosque where there used to be a Methodist church, a Romanian supermarket where there used to be a fish and chip shop, some language I assume is Polish but might be Czech or Latvian or something else being spoken at the bus stop. I might find all this exciting and stimulating, new and interesting, or I might find it unnerving and some sort of threat to the way I've always lived my life.

This second type of response cannot be reduced simply to the category of 'racism' or addressed simply by imagining it is at base simply economic in nature. Many people certainly are concerned about immigrants getting jobs they might otherwise have got, or potentially undercutting wages and many people

undoubtedly are racist, in more or less explicit ways. But neither factor explains or disposes of the whole issue. There is something else involved here, a feeling that ‘social capital’, in one form or another, is being eroded, and therefore society is less interconnected and weaker, less trustworthy and reliable, than it used to be.

For people who feel like this, attempts to explain away their feelings by economic or ‘racist’ reductionism is simply annoying, confirming a sense of not being listened to – a sense which is then ripe for exploitation by the populist Right and by those who really are racists.

Brexit and Trump are not completely surprising in this context. The cry of pain and anger they represent is all the more striking in view of the fact that Trump has repeatedly demonstrated his unfitness for office, and Brexit is likely to do the most economic damage in the parts of the UK which most strongly voted for it. The revolt against globalisation was powerful enough to override all the considerations which indicated some need for caution.

But is this really a revolt against globalisation, or a revolt against a particular form of globalisation? In order to answer that question we need to consider where the globalisation of recent decades has come from, and what drives it.

## 2. GLOBALISATION

**Globalisation is partly an economic phenomenon, with international trade accounting for an increasing share of total world output, multinational companies playing an increasingly important role, and the finance system becoming ever more globally interconnected.** It is a social phenomenon too, with increased migration, increasingly multicultural societies in many parts of the world, and increased global mixing of cultural influences. It is also an ecological phenomenon, with human-triggered dangerous climate change and other environmental threats taking place on a global scale, in the context of an ecologically interdependent world.

The specific form of globalisation we have been living through in recent decades is the outcome of a particular political ideology: Neoliberalism.<sup>ii</sup> Neoliberalism favours free market economics as a solution to virtually all problems. It gives a high priority to ‘deregulation’, i.e. reducing or eliminating environmental and labour protections. And, since many regulations have been national in scale and/or designed to protect national economies, deregulation is often a globalising force. At the same time, Neoliberal policies build up costs which cause problems for businesses, economies, societies, and the environment down the line.

One of the key concepts for understanding Neoliberalism is ‘external cost’. An ‘external cost’ is defined in economics as something which results from economic activity but is neither paid for nor compensated for. A classic example is pollution: a factory produces goods, which it receives revenue from selling; at the same time, it pollutes air and water, which it pays nothing for, effectively pushing some of the costs of its production on to the local community and its environment. External costs play a key role in Neoliberalism. In theory, it has a rule-of-thumb for devising policies to eliminate external costs: ‘polluter pays’, compensation gets provided. The whole sub-discipline of Environmental Economics is based on this line of thought. However, in practice, most Neoliberals are happy to maintain external costs in existence on a very large scale, with no or clearly insufficient compensation or taxation to correct them.

External costs are essentially about firms minimising their own costs at the expense of someone, or everyone, else. This is often directly at the expense of other people, or it can be indirectly, via effects on the environment (as in the pollution example). Neoliberalism’s most important external costs can be put into three categories: financial, ecological, and social. Each of these categories has demonstrated its potential to create a crisis for the current social system. Two have already caused explosions: finance in 2008, social capital in 2016.

A. **FINANCIAL INSTABILITY** The financial crisis of 2007-8 (which in effect continues to the present day and could re-explode at any time)<sup>iii</sup> was an example of colossal external costs. Each decision-maker in the finance system pursued their own interests, and in that sense generally behaved ‘rationally’. The outcome, given weak regulation, was a general crisis in the finance system, with severe consequences for the rest of the world economy and for the livelihoods of many millions of people.

The implication of this is that Neoliberalism has a tendency to undermine the rest of the economy, generally not sufficiently to bring the whole system down, but certainly enough to be a major source of nuisance and damage, for most businesses and households.

- B. **ECOLOGICAL INSTABILITY** The fossil fuel industry – oil, coal, and gas – is steadily bringing crisis and instability of a different sort, especially through disrupting the global climate system, which is already having awful consequences throughout much of the world. Human-triggered dangerous climate change is simply the most urgent and important of a whole series of major environmental problems and catastrophes – including rainforest and coral reef destruction, mass extinction of species, and pollutants in the air, soil, and water.
- C. **‘SOCIAL CAPITAL’** The third category of cost is the one most directly relevant to the reasons for Brexit and Trump: the way in which the form of globalisation caused by Neoliberal economics erodes what has been described as ‘social capital’, the links between people which give society some degree of cohesion. Unease at this process of erosion – which some people experience as an erosion of ‘nationhood’ – is essentially what caused the political explosion of 2016.

Businesses need a reasonable degree of financial stability, climate and ecological stability, and social capital. They need social capital because they essentially piggy-back on the links which exist between people, the capacities which enable employees to co-operate together and negotiators of contracts to trust each other, as well as the socially-created knowledge and language skills which underpin most complex work. Business needs all of these things, and yet the ideology of Neoliberalism, and the drive of individual businesses to cut their own costs, is undermining them.

Finance exploded (‘debt-nated’<sup>iv</sup>) in 2008. Social capital as a problem exploded in 2016. Ecological instability is already causing problems, and perhaps in the 2020s will produce a similar type of explosion politically.

We therefore have something here more complex than a revolt against globalisation as such, because what has been experienced is a particular form of globalisation, the Neoliberal variety. However it is possible to imagine globalisation taking a very different form. This possibility will be explored in the next section, before considering the possibility of globalisation going into reverse.

### 3. ANOTHER GLOBALISATION?

**The globalisation of recent decades has been a very skewed, biased, one-sided globalisation.** There have been enormous benefits for large business corporations, financial institutions, and the super-rich. This has often been at the expense of many smaller companies which have found it difficult to compete, and a wide range of businesses, people and countries which have suffered from the financial instability which has been the consequence of fast-moving interconnected under-regulated global financial markets. The super-rich have used a worldwide network of tax havens to escape from taxation and regulation. The power of the International Monetary Fund and World Bank, and the EU too, have been used to pressure governments to reluctantly adopt policies against the interests of their citizens, for example in Greece. Trade agreements, such as the proposed TTIP (Transatlantic Trade & Investment Partnership), have increasingly been used as a means whereby corporations can override national laws.

Capitalism has become more and more globalised, whilst democratic mechanisms of law, accountability, and redistribution have not. They have remained national and are therefore increasingly evaded and subverted. The globalisation of business and finance has not been accompanied by any corresponding globalisation of democratic management and regulation. But it could be, through a set of measures along the following lines – which should be combined with measures to reverse economic globalisation (to be discussed in Section 4). These are ambitious proposals: there is no suggestion here that they could be achieved simply through the diplomatic activities of the UK, pre- or post-Brexit. They would require much wider agreement.

1. **Establish a much more effective international system for responding to ecological dangers.** In 1945, when the UN was being devised at the end of the Second World War, these issues did not loom large. However the UN has played an important role in the development of treaties such as those on climate change (UNFCCC) and biological diversity (CBD), and has run an Environment Programme



(UNEP, now UNE, United Nations Environment). But this work should be taken further. For example, the UN Security Council should be considering not only military threats to security but also the massive threats posed by destabilisation of the global climate. Devising an appropriate structure is difficult: for example, should environmental sustainability be 'mainstreamed' by being included in the work of bodies with a principally economic focus, such as the UN Development Programme (UNDP)? Should the different environment bodies – such as UNE and the secretariats for the treaties – be combined together as a World Environment Organisation (as proposed by the French Government in the run-up to the 2012 Rio+20 conference)? Should there be a new form of governance based on all aspects of the 'nine planetary boundaries' analysis<sup>vi</sup>? Or is it simply a matter of the need for greater resources, urgency, and political attention? These are difficult questions which have been pursued elsewhere but the overall objective should be clear: a stronger global system for responding to global ecological threats.

2. **Bring the Bretton Woods organisations into the UN system.** At the end of the Second World War, two separate sets of institutions were set up to deal with what were seen as the two major tasks facing the world: rebuilding the world economy and maintaining peace. The UN and its agencies were given the task of maintaining peace, and the Bretton Woods institutions – the International Monetary Fund, World Bank, and GATT (now replaced by the World Trade Organisation) – the task of rebuilding the world economy and preventing a return to 1930s-style depression. The Bretton Woods bodies (more recently reinforced by the G7) have always been dominated by the USA, whereas power in the UN system is on a more shared basis. The obvious way to move towards a more democratic economic order is to bring the IMF, World Bank, and WTO into the UN system, as UN agencies.
3. **Establish a World Tax Organisation (or Authority)<sup>vii</sup>** to organise international co-operation to ensure that multinational corporations, the super-rich, and financial traders pay their fair share of taxation. This would involve agreement to impose sanctions geared to clamping down on tax havens, including notably those connected with the UK, such as the Channel Islands and the British Virgin Islands (and, in a number of key respects, the City of London itself). It would also involve international agreement (perhaps initially simply amongst some members of the EU) to impose a substantial tax on unproductive financial transactions, at a rate sufficient not just to raise funds but also to shift behaviour in financial markets.
4. **Establish a new system for regulating international trade.** Currently trade agreements are the outcome of bargaining power rather than any sense of fairness or international-scale democracy. This will be difficult to shift, but in the more immediate future the priority must be to dismantle ISDS arrangements, which were a key part of the failed Transatlantic Trade & Investment Partnership (TTIP) and Trans-Pacific Partnership (TPP) proposals. ISDS – Investor-State Dispute Settlement – enables companies to sue governments for actions they believe are contrary to international trade or investment agreements, such as (most famously) the case brought by a tobacco company, Philip Morris, against the government of Uruguay for bringing in new public health laws which were seen to be a threat to cigarette sales. Part of the problem here is of course the provisions written into the agreements themselves, and the often very secretive and unaccountable ways in which such agreements are drawn up. However another key aspect is the nature of the arbitration bodies – effectively private law courts – which decide on ISDS cases. There have recently been moves in the UN, including a General Assembly resolution in 2014 and the negotiation of the Mauritius Convention 2015, with the aim of bringing the work of these bodies out into the open and increasing their accountability.

WTO rules should also be rewritten to enable localities, regions, and nations to become more self-sufficient and less reliant on imports. That should be seen as a completely legitimate policy option and not something to be penalised internationally (we will return to this point later in considering the future of UK trade).

5. **Bring multinational companies within international law.** The law is patchy and not completely

clear in many countries, but it is important to bring multinational companies and their subsidiaries firmly within the law for the consequences of their actions, and there should be an international agreement to secure this. The UN Human Rights Council has begun discussions aimed at establishing a binding treaty on these lines.<sup>viii</sup>

All of this adds up to a very different form of globalisation from the one which has been experienced recently, an 'alter-globalisation'. However it is important to realise that even such an ambitious set of changes as these would not come close to addressing all the problems of globalisation. At the same time as 'another globalisation', there is also a need for a programme of 'anti-globalisation', or more accurately: **localisation**.

## 4. LOCALISATION

**Better management of globalisation is only one part of the response that is needed.** However well it becomes managed, there are still basic problems with globalisation, pointing to the need for some significant degree of 'anti-globalisation', or localisation –

- Multinational corporations are inherently almost impossible to run democratically. Localisation would give more scope to small business, social enterprise, and local democracy.<sup>ix</sup>
- Globally organised economic activity is inevitably impersonal. Localisation provides opportunities for building community and 'social capital' because it brings people buying goods and services closer to the people and resources which they depend on.
- Global finance has created vast quantities of essentially theoretical and therefore unstable financial instruments, such as derivatives. Localisation grounds economic activity much more in reality.
- Global supply chains tend to generate a large amount of transportation, with the carbon and other ecological impacts that brings. Localisation tends to reduce ecological footprint, as well as promoting resilience.

The general principles for policies to tackle these problems are fairly clear –

- There should be a policy aim of promoting greater local production for local needs, with long-distance trading only where it is necessary.<sup>x</sup>
- Trade agreements (including WTO rules) should allow governments to promote greater national, regional, and local resilience; and enable them to effectively regulate multinational corporations and international financial flows.
- Taxes, subsidies, and public expenditure on infrastructure should be shifted away from unfairly favouring large and global companies, and be redirected to help build up local economies.
- Different currencies should allow for different economic circumstances in different parts of the world, enabling governments to use or influence interest rates and exchange rates as instruments of economic policy. Over-extended currency areas, such as the Eurozone, should be avoided.

Later in this report we will consider what these principles imply specifically for the UK in the context of Brexit. Before that, however, we set out some key features of that context, looking briefly at the EU's economic dynamics, the UK's referendum, and some of the uncertainties surrounding Brexit.

## 5. THE EU AND SOME OF ITS PROBLEMS

**There are four key elements in the economic dynamics of the EU. Each is complex, but they can be summarised as follows –**

1. Like many other international organisations (such as the UN and the World Bank), the EU emerged out of a desire to prevent the return of world war. In particular in Europe there was a desire to prevent another war between France and Germany, and it was argued that this could best be achieved through closely linking their economies, initially through the European Coal and Steel Community, established in 1951.

2. The Treaty of Rome, the founding treaty of the European Economic Community ('Common Market'), which has the 60th anniversary of its signing in March this year, was based on the principle of 'free movement'. This applied to the movement of goods, services, labour, and capital, between what were at that time just six member states.
3. The 'Single Market' package of policies, which came into force with the Maastricht Treaty in 1992, was intended to further integrate the economies of member states, for example by establishing common standards and regulations for products.
4. The 'Single Currency', the Euro, which began at the beginning of 1999, took the process a stage further, through abolishing the possibility of devaluations and revaluations between the different currencies involved. Although many advocates of the Single Currency saw it as a key step towards federal political union, in practice this move was counter-productive. It caused two divisions: between countries which were inside the Eurozone and those outside it (including the UK, Sweden, and later Poland); and within the Eurozone, between the 'northern' countries led by Germany, and those whose economies could not match the stronger economies with whom they now shared a currency (Portugal, Greece, Spain).

Although market economics enthusiasts were amongst the advocates and supporters of all of these developments, most of the politicians involved saw the need at the same time for some counterbalancing mechanisms. From the start, there was a large amount of financial support for agriculture (or in some cases, simply for owning land) as it was widely felt that large parts of European agriculture would otherwise be unable to compete on the world market. There was money for infrastructure and industry in 'peripheral regions', although that proved to be on far too small a scale to counteract the devastating impact of the Euro. Product regulations for trade within the single market have been used to raise standards of energy efficiency and are currently being reviewed for use in the development of a 'circular economy'.

At the same time, however, a further problem has developed: the regulations and financial support seen as necessary to counteract simple market forces have resulted in a vast amount of lobbying around Brussels, often carried out secretly and on a far from level 'playing field' as between public interest groups and business interests. There has been a particular lack of transparency in the Council of Ministers.

The political structures of the EU have at the same time become more integrated and powerful, particularly with the establishment of the European Parliament on a directly elected basis in 1979. Both the Parliament and the Commission have some degree of independence from the governments of the member states.

However amongst the UK public and media, understanding of what is happening within the EU has been very poor. The focus has not been on EU policies or major questions like the dynamics of the single currency, but on a consistent sense that the UK is constantly in conflict with 'the Brussels bureaucracy'. This attitude has tended to marginalise UK influence in EU decision-making, and at the same time has built up hostility towards the EU amongst the general public. This obviously contributed to the Brexit referendum result.

## 6. THE UK REFERENDUM

**Some of the recent developments within the EU weakened support for it on the Left and among Greens.** The treatment of Greece, battered by the Single Currency, and the secretive and reactionary TTIP proposed trade deal (Transatlantic Trade & Investment Partnership) looked particularly bad to left/'progressive'-inclined voters in the UK. The official Remain campaign in the referendum was dominated by David Cameron, George Osborne, and big business.

The Labour Party were half-hearted, fearing losing some of their working-class voters to UKIP (United Kingdom Independence Party) if they had been clearly seen as pro-Remain.

Most UK newspapers were not only pro-Leave, but had led up to the referendum with years of racist and xenophobic articles and misleading reporting about the EU. The newspapers to some extent also set the agenda for the BBC, which was reluctant to challenge dubious claims made by Leave campaigners.

The Leave campaign managed to make themselves into the leadership of the millions of people who felt

in a general way angry or anxious about globalisation, inequality, job losses, and a sense of having lost control and been excluded from the good things of life.

The Leave campaign, and UKIP particularly, succeeded in linking together widespread worries about immigration with antagonism towards the EU, even though much of the worry about immigration was in fact about Islam, and Afro-Caribbean and South Asian immigration. Transferring these feelings over to the EU was a striking political achievement for the hard Right.

In the end, the margin of victory was small: 4%. The Leave victory has been heralded as representing ‘the will of the British people’, but in fact it would take only a fraction over 2% of those who voted to change their minds and that majority would be lost. This is quite likely to happen over the next few years, as it becomes increasingly clear what alternative to EU membership is emerging from the May Government and the negotiations.

In the referendum itself, there was no clear alternative put forward to EU membership by the main campaigns, nothing in particular that people were asked to vote for, no vision and no detail. The referendum was also held at a time when very few people believed that Donald Trump could possibly be elected President of the USA, and virtually no-one therefore foresaw the national humiliation of Theresa May appeasing Trump in order to pursue her own vision of an alternative to the EU.

A key lesson from the referendum is how crucial it is to pursue an agenda based around realising the ideal – the promise -- of democracy. The slogan ‘Take back control’ was critical to the success of ‘Leave’. That slogan speaks not only to very widespread<sup>xi</sup> concerns around high levels of immigration that were outside people’s hands; it speaks more generally to the widespread sense that very many people had of meaningful power being outside their own hands. Crucially, it directly challenged the sense of the EU in particular and contemporary party politics and governance in general as a mainly elite activity that had (wrongly) slipped out of the grasp of the people.

## 7. KNOWN UNKNOWNNS

**Before setting out in positive terms what an ‘alternative Brexit’ could look like, it is reasonable to acknowledge that the circumstances in which Brexit Britain will emerge are still very much in flux, and can be expected to remain so for at least the next few years.** It is useful to be clear about and watch out for some of the specific factors which may affect the way things go.

- The UK public may turn against Brexit once it becomes clearer what the alternatives to EU membership are likely to mean. There could easily be pressure on MPs for a ratification referendum once the negotiations have started to produce the shape of a deal with the EU, perhaps in early 2019. It is also conceivable that the next general election may be fought principally on this issue.
- Political shifts in other EU countries may result in widespread pressure for changes in the EU, including policies on migration.<sup>xii</sup> Such changes might be sufficient to persuade the UK Government that it no longer needs to leave the EU in order to deliver what Leave voters voted for. In a certain sense, it could justifiably be claimed that everyone, not just the UK, had left the EU *as it was in 2015*.
- Although the outlines of what the May Government want from the EU are starting to become clear, what it might actually succeed in achieving in negotiations remains very unclear, particularly given the role of the European Parliament, which could insist on changes to any deal reached with the member states.
- The basis of an alternative deal with the USA is also currently unclear, particularly because of the unpredictable nature of the Trump administration, and the unstable character of Trump himself. He has repeatedly said that he wants the US to do bilateral deals, which of course in view of the USA’s economic power would mean a series of deals in which the US has far greater bargaining power than those it is dealing with.
- The United Kingdom may not survive the Brexit process. A bad deal might lead to Scotland breaking away and joining the EU as a new member state, and possibly even to Northern Ireland leaving the UK in order to unite in some way with the Republic of Ireland and remain in the EU through that route. Both Scotland and Northern Ireland had majority Remain votes in the referendum.

- Although Labour's poll ratings are poor at present, Jeremy Corbyn is unpopular and there is no 'progressive alliance' between anti-Tory Opposition parties, it is possible that by 2020 there will be a far stronger Opposition, able to extract more concessions from the Government, on employment rights for example.
- The three big weaknesses in the Neoliberal order (financial, social, ecological) are likely to manifest themselves again – as they did in 2008 with the financial crash and 2016 with right-wing populism. In particular, we can expect at some point a major manifestation of the third big weakness, the undermining of ecological stability. This will probably take the form of very severe disruption in weather conditions, which may move policy options which are currently not so prominent higher up the political agenda, e.g. green economic policies and also perhaps geo-engineering.

Each of these factors may impact crucially on the future of the UK and its economic and trade policies following the Brexit referendum.

A combination of some of the factors listed above might possibly lead to Brexit never happening. However this report is not concerned with that possibility. In what follows, we take as our starting point the assumption that Brexit will happen – and ask the question: what sort of Brexit?

The main purpose of this report is not to predict how events will unfold. Our focus is on constructing a positive vision for Brexit, a green economic alternative to Theresa May's Brexit.

## 8. THE OPTIONS

**The Government has tried to claim that the referendum result has in some way handed them a blank cheque for whichever version of Brexit they choose to pursue.** However, through court cases, demonstrations, social media and activity in Parliament, this approach is being strongly resisted. The Government is not going to have it all its own way: there is a real opportunity to choose between different versions of Brexit.

It is therefore necessary to look at what those different versions might be. We start this part of the discussion by looking at the main alternatives for the future of the UK's trade relations (turning to the other issues later).

1. **The UK could reach a trade deal with the USA.** A major problem about this is that the UK would inevitably be the junior partner in such a deal. As part of the EU it could negotiate on more equal terms, but in negotiating a bilateral arrangement, the UK clearly has far less bargaining power. This situation is made particularly problematic by Donald Trump's very explicit 'America First' approach. The UK could easily end up having to trade away its food safety standards or agreeing to open up parts of the National Health Service to US companies: neither possibility was ruled out by Theresa May when questioned in the House of Commons recently. This approach would probably involve the UK in extremely unsavoury undermining of environmental protections, moving the country in exactly the wrong direction at a critical moment in history.
2. **The UK could try to revive the remnants of the British Empire and Commonwealth.** However, over the course of many decades, this option has become less and less credible. The UK appeared committed to Europe, and so other Commonwealth countries looked elsewhere, principally to countries nearer to them than the UK: for example, Australia trading with China, Canada with the US through NAFTA (North Atlantic Free Trade Area), India with other countries in Asia, Nigeria with other countries in Africa. The Commonwealth option was probably realistic at the time the UK joined the EU, and at the time of the previous referendum (in 1975) but it does not look realistic now.
3. **The UK could 'go global' and try 'free trade'** on the basis of World Trade Organisation (WTO) rules. However 'free trade' is for economics textbooks and Neoliberal ideology: in the real world, it doesn't exist. What does exist is trading blocs which negotiate with each other – and what this approach amounts to is simply the UK becoming a very tiny bloc of its own in the world system. It is likely in practice that this approach would lead to the UK either gravitating back towards the EU but with no influence over EU policies, or towards the US, which would lead it into a very one-sided relationship. This approach, like (1), would be likely to lead to the undermining of hard-won environmental protections.



4. **The other option, an alternative to the three just listed, is that the UK could become more self-sufficient, deliberately boosting up the roles and resilience of local, regional, and national economies inside the United Kingdom. This would represent a radical shift in economic policy – but it seems the only practical and desirable form Brexit can now take,** although this may not become obvious until one or two other options have already been to some extent tried. The most likely course of events is that the Government will pursue option (1) with the USA, this will be found not to work well for the UK, and then there will be a search for other possibilities. At that point, the option for greater self-sufficiency and localisation would move rapidly up the political agenda.

This rest of this report elaborates on Option (4) – what would it involve, and what would be the implications? This is on the assumption that Brexit will go ahead, with the political debate shifting to the question of which version of Brexit to favour.

## 9. ALTERNATIVE BREXIT

**There are two basic principles to what we are calling the ‘alternative Brexit option’.** Both have been mentioned earlier on: one is taming globalisation (e.g. through a World Tax Organisation to clamp down on tax havens); the other is re-localisation, which is moving the economy basically in the opposite direction to globalisation (see section 4 of this report). We are suggesting that these two principles are mutually complementary, and that both should be pursued at the same time.

There are also some additional specific points opened up by UK withdrawal from the EU.

Brexit immediately opens up the possibility of radically reforming payments to farmers. These should be used specifically to incentivise farmers to provide social and environmental goods other than food, such as for example looking after SSSIs (Sites of Special Scientific Interest). The EU Common Agricultural Policy has proved very damaging to the environment.<sup>xiii</sup> Although the CAP reform process has moved in the right general direction, it has moved too slowly. Brexit enables the UK on its own to go much faster.

Taking the UK out of the EU also takes it out of EU rules on state aid. Although legally these are quite flexible if there are particular social benefits to be gained by favouring one contractor or scheme or sector than another, in practice in the UK civil servants have erred on the side of caution and operated according to a very strict interpretation of the EU rules. This would no longer be a problem, as a result opening up more scope for a localist economic agenda (and also for taking some key industries which are natural monopolies, such as the railways, back into public hands).

Capitalism cuts corners. In the search for profits, corporations usually pay little attention to the things that underpin their business, and this failure to maintain these basics leads now and then to an explosion. Our case for a true localism is based above all on the claim that currently we have one crucial trade-off very badly wrong: the trade-off between more material prosperity in the short run and more security in the medium and long term.

Security is an important value and objective. Instead of cutting corners, it would be more in line with what most people want to have – a system that provides more stability and less risk, both financially and environmentally. That implies a shift towards a more localised economy, bringing the world back from the extreme form that globalisation has taken since the 1970s.

In 2007-8, the financial crash (following a series of earlier crashes, for example in 1929) was largely the result of excessive risk-taking behaviour which created a failure to maintain basic financial stability. The consequences included, for many people, job losses and unemployment, mortgage defaults and homelessness, and a fall in the value of pensions. Going for immediate profits jeopardised the financial stability which the whole system and those who depend on it needed.

A more localised finance system would have avoided this. Banking should be linked to local and regional economies rather than to the international financial system. The German regional banks provide a possible model.

Similarly, some businesses can be tempted to cut corners environmentally, forgetting for example that a relatively stable climate is needed to underpin most business activities. Localising businesses will tend to mean that the effects of their actions are more visible, in the sense of a clearer and closer connection

between cause and effect. If I eat an imported product which is causing water shortages thousands of miles away, the connection between cause and effect is less visible and obvious than if the product is grown near where I live.

Localisation also of course cuts down transportation, which means that it reduces carbon emissions from shipping, aviation, and other forms of transport.

So we believe that, to vary the old slogan of the alter-globalisation movement, another Brexit is possible. However although many people accept a deeply localist vision as some sort of utopian ideal, many regard it as impractical. It is therefore essential now to set out what policies this approach would require in practice.

## 10. TRADE: THE UK IN THE WORLD ECONOMY

**There is a fundamental choice of direction now for the UK – what do we want the relationship to be between the UK economy and the world economy?** And following on from that, what is the best international trade policy for the UK?

This question will be far more relevant after Brexit, because currently the UK is bound by the arrangements the European Union has negotiated with other countries. The UK now has two sets of trade relations to renegotiate: one set with the EU, and one set with other countries (which are almost entirely WTO members). Where there is no deal, then so long as the UK remains a member of the WTO, it is bound by WTO rules, which essentially set a floor of minimum standards.

The traditional textbook assumption about trade negotiations was that they were about tariffs, with the choice of approaches being along a spectrum ranging from ‘free trade’ (zero tariffs) to ‘protectionism’ (substantial tariffs designed to protect home producers). There is a large economics literature, and a long political history, about that question.

However in recent decades, other sets of questions have come to the fore: two in particular. One is standards and regulations. When an electrical product is imported or exported, for example, what are its safety and energy efficiency standards, its labelling, and so on? When meat is traded, what steps are taken to ensure that it is safe to eat and not a threat to public health? These issues tend to be far more complex than tariffs, and generally result in trade negotiations taking many years to complete (if ever).

The other set of questions illustrates the fact that what are called ‘trade’ negotiations aren’t just about trade. They are also about investment. If a company based in one country puts money into another country, for example to build a factory, what happens about the taxation of its profits, the regulations governing the operation of the factory, and the possibility of the factory’s profitability being affected by changes in government policies and legislation? These questions are obviously also complex and take time to negotiate.

The world is a very different place both from the introductory economics picture of ‘free trade’ and the ideologically driven vision of a gigantic WTO agreement. In practice, what there is now is a series of trading blocs, such as the EU, NAFTA (North American Free Trade Agreement: USA, Canada, & Mexico), and Mercosur (parts of South America, including Brazil and Argentina), which have agreements within the bloc and then agreements between each bloc and the other blocs. These agreements cover tariffs, product standards (often negatively referred to as ‘non-tariff barriers’), investment, and related issues such as subsidies (disguised and undisguised) for particular firms or sectors.

Brexit means that the UK would be participating in this system without being a member of any bloc. This would make it vulnerable in negotiations, because on its own the UK would have far less bargaining power than if it negotiated jointly with other countries, for example in the EU or conceivably as a member of NAFTA, because it is a much smaller and therefore less attractive market.

If the UK economy remains as dependent on international trade as it is currently, this would be likely to have severe economic costs. Therefore the only way to make an economic success of Brexit is through *reducing* dependence on international trade. This is the fundamental conclusion of this report.

This reduction will become possible because the UK will no longer be bound by EU or customs union

agreements. It is also what is implied by the politics of a revolt against the economic effects of globalisation.

This approach is obviously not simply about aims and objectives in new trade negotiations. It also has to be about structural change in the UK economy in order to make this new approach work. What would that look like?

## 11. CHANGING THE STRUCTURE OF THE UK ECONOMY

**Reducing dependence on international trade implies reducing both imports and exports.** It is therefore very different from the traditional protectionism of seeking to limit imports whilst expanding exports. It should therefore meet with less hostility from other countries, as it has a very different aim from simply improving the UK's balance of payments. It could be described as 'progressive protectionism', or 'green protectionism'.<sup>xiv</sup>

The main aims of this approach are:

- Reduced vulnerability to instability in the world economy and international finance.
- Reduced vulnerability to undemocratic multinational corporations and their tax evasion.
- Reduced transport costs and their associated carbon emissions.
- Increased resilience, including achievement of food security and ultimately food sovereignty.<sup>xv</sup>
- Increased scope for local small businesses, co-operatives, and social enterprise.
- Some increased scope for democratic control of product standards and regulations.
- Maintaining enforcement of high standards for the environment.

Of course some trade – a good deal of trade – is necessary, and would still take place if this approach is followed. But there would be a break from two established and often unexamined assumptions: (1) that the increased integration of economies, in Europe or worldwide, is necessarily a good thing; and (2) that it is a sign of health in the global economy if the volume of international trade is rising faster than total world GDP.

A more careful approach to trade would seek to identify where it is and isn't desirable. Instantly a basic objection comes to mind: isn't this a matter for the market, rather than public policy, to determine? That might be the case if the market already genuinely incorporated the various factors involved, but in practice the externalities are enormous. By 'externalities' we mean the costs and benefits which the market does not (and in some cases arguably cannot), register (see section 2, above).

Major negative externalities in international trade include:

- Carbon emissions from transport, particularly long-distance freight using aviation, shipping, and lorries.
- Reduction in the possible extent of democratic control over local, regional, and national economies.
- Increased economic vulnerability and instability because of a tendency for economic shocks to quickly spread internationally, creating insecurity for individual employees and households.
- Weaker sense of connectedness between making a living and local resources, and therefore reduced local distinctiveness and 'sense of place'.
- Temptations to intervene militarily in supplier countries, e.g. US intervention in oil-producing countries in the Middle East.
- Greater (compared to more localised trade) potential for lack of transparency regarding profit levels, tax payments, and bribes.
- Greater distance between economic (production and consumption) causes and environmental effects, making the connections less obvious and harder to regulate.

Pointing out these negative aspects of international trade is not to be 'anti-trade': it is simply to be seeking

a less dogmatic, more balanced approach concerning when trade is and isn't desirable, and what the role of public policy should be in trade relations, in order to protect the public interest and the environment. Taking these factors into account, we can now begin to sketch out principles for what UK trade – and therefore production within the UK - would look like in an 'alternative Brexit' scenario.

The basic principle would be: each locality, region, or nation to provide for its own needs where possible from its own resources; and where that is not possible (or prohibitively expensive or carbon-intensive) then to make use of imports. This can be described as 'trade subsidiarity'.

'Impossibility' or expense might take the form of lack of relevant skills locally. Part of the process of transition would need to be the revival of some sorts of skills in the locality or region.

'Impossibility' might also take the form of being bound by the current rules of the World Trade Organisation. Therefore another part of the process of transition would need to be a renegotiation of WTO rules to establish international trade on a new basis. This would depend politically on the continuation of the scepticism about economic globalisation which is already taking place, producing a desire in countries around the world, and not just in the UK, for WTO renegotiation on similar lines.

## 12. NEW BREXIT TRADE POLICIES

**A comprehensive set of new policies will be required in order to put into practice a new UK trade policy on these lines.** (Some of these are in the power of the UK Government; others, more ambitiously, would require more diplomatic work internationally: work that should be done, and that the UK will be free to initiate.)

1. Boost the number of places for skills training in sectors where UK production can be expected to substitute for imports as part of the new strategy.
2. Renegotiate WTO agreements, or potentially (and more straightforwardly) replace the WTO with a new international trade organisation, or trade agreements under the auspices of the United Nations. The aim would be to restore the principle of greater self-sufficiency as a legitimate policy option for governments.
3. Introduce international carbon taxes applying to aviation and shipping, which being international in scale currently escape the provisions of national climate policies. Until these are introduced, there is a case for introducing 'climate-tariffs': i.e. for penalising products from abroad that 'free-ride' on the climate by travelling a long way.
4. Short-term transitional government subsidies to invest in and develop economic sectors where UK production can be expected to substitute for imports as part of the new strategy. These would not necessarily be 'infant industries': they might be old sectors being revived and renewed.
5. Introduce or increase tariffs on imports of goods and services.  
These policies, taken together, would be revenue neutral, with (5) paying for (1) and (4). Revenue from (3) would be used to fund international efforts to combat the grave threat posed by climate change.
6. Continue to maintain and enforce EU environmental, health, and safety product standards, including food and chemicals regulations. At minimum, insist on the maintenance of these at current levels, after Brexit.<sup>xvi</sup>
7. Introduce a new policy for labour migration, following exit from the EU. [This will be discussed in Section 14.]
8. Take the initiative to begin talks in international institutions on the 'another globalisation' international policies outlined in Section 3.
9. Within England, sub-regional devolution arrangements should be democratised and local government finance reformed, so as to provide for effective decentralisation of power. This should be the first step in a more radical agenda of localisation.

Although the full implementation of this set of policies could not take place until the UK had left the EU,

work to elaborate and debate them, through political parties, think-tanks, NGOs, academia, etc., will need to take place – or at least to start – more or less right away to prepare for successful implementation. Without an early period of debate about different options for Brexit, the potential negative consequences of leaving the EU are much more likely to come to the fore.

### 13. THE BREXIT ENVIRONMENT

**As we have already stated, part of any ‘alternative Brexit’ strategy must be environmental protection, together with policies for food and agriculture which follow from that.** Concern about what Brexit will mean for the environment is very widely shared and there are some steps that fairly obviously need to be taken. Some of these steps could be achieved through being included in the Government’s planned so-called ‘Great Repeal Bill’, or added as amendments.

There will be particular dangers if, as now seems likely, the UK leaves the Single Market, because it will then no longer be bound by European food safety and farm animal welfare standards; energy efficiency standards and any new standards introduced as part of the current ‘circular economy’ initiative; and chemicals regulations. It will be important to ensure that current standards are not bargained away in order to reach new trade deals with the USA and other countries. There will also need to be arrangements for regular reviews to ensure that the UK does not fall behind when EU standards are raised.

There should be legal safeguards to ensure that standards cannot be watered down through the use of secondary legislation (statutory instruments), which receive a much lower level of parliamentary scrutiny than primary legislation (bills) does.

Currently the EU monitors environmental standards and provides mechanisms for enforcement, as seen for example with the European Commission pressure on the UK for action to reduce air pollution. Planning for Brexit should include the setting up of new mechanisms for enforcing standards, not simply keeping those standards in force legally without actually ensuring they are applied in practice.

A recent report from the House of Lords EU Committee concluded:

*‘The evidence we have heard strongly suggests that an effective and independent domestic enforcement mechanism will be necessary, in order to fill the vacuum left by the European Commission in ensuring the compliance of the Government and public authorities with environmental obligations. Such enforcement will need to be underpinned by effective judicial oversight, and we note the concerns of witnesses that existing domestic judicial review procedures may be inadequate and costly... It will be important for any effective domestic enforcement mechanism to have both regular oversight of the Government’s progress towards its environmental objectives, and the ability, through the courts, to sanction non-compliance as necessary.’<sup>xvii</sup>*

Environmental problems very often transcend national boundaries. The UK should continue to co-operate with the EU and its member states on issues such as fisheries and marine conservation, air pollution, chemicals, climate change, and environmental science research.

Leaving the EU creates an opportunity for land management payments to be reformed so that they are clearly conditional on farmers and landowners achieving environmental objectives. They should not simply be seen as subsidies: they should be sensible payments from the public for the delivery of public goods, such as the protection of SSSIs (Sites of Special Scientific Interest), habitats for pollinators, the supply of clean water, sequestering carbon, and the maintenance of biodiversity and healthy soil.

This report does not consider the future of UK agriculture policy in any detail. In endnote<sup>xviii</sup>, we list three recent reports which have done that, on lines very similar to the arguments forward here.

Many of the legal and regulatory issues involved in environmental protection in the context of Brexit are highly complex. There should be a considerable increase in staffing and resources for UK Defra (Department for the Environment, Food and Rural Affairs). By contrast, the Government is currently planning further cuts in Defra (confirmed in the March 2017 Budget Report).

At the level of general principles, it will also be important to **establish in UK law and practice three EU principles for guiding the interpretation of legislation and regulation: the polluter pays principle,**



## **the precautionary principle, and the integration of environmental concerns into other policy areas.**

Of these three principles, the most crucial is perhaps the Precautionary Principle, because of its pre-emptive role in reducing our collective exposure to risk and uncertainty (and thus, in generating security).<sup>xix</sup> It is therefore particularly concerning that the Precautionary Principle appears to be in the firing line of the 'Brexiters'.<sup>xx</sup> At a moment in history when human recklessness is placing civilizational survival, let alone flourishing, at risk, the prudent path would be to entrench the Precautionary Principle, not to undermine it.<sup>xxi</sup>

All this requires resourcing, including for enforcement. There will be a need to maintain within the UK at least existing levels of expenditure on environmental protection, currently a significant part of the EU budget. Where EU (or European Investment Bank) expenditure in the UK for the environment is removed, it should be replaced by funding from the UK Exchequer.

## **14. MIGRATION**

**The Brexit vote in the UK's 2016 referendum was, above everything else, the outcome of widespread worries about immigration.** Voters concerned about immigration who had been unwilling to vote either for neofascist parties or the Conservative Party, or even for UKIP, found in 'Leave' a personally acceptable way of raising their objections.

These voters are likely to end up disappointed. The Brexit vote obviously will not deliver a reduction in immigration from outside Europe, and may in fact increase it as employers look elsewhere to fill vacancies currently filled from within the EU, and as the UK Government tries to reach new trade deals, for example with India. For EU migrants, there may well be a whole series of exceptions to any restrictions, covering for example students, City finance workers, scientists, and fruit pickers - as well as hopefully safeguards for the rights of non-UK EU citizens already living in the UK.

However voters' worries themselves are real, and should not be dismissed simply as the products of racism or xenophobia, although those are undoubtedly part of the mixture. This issue can be approached on three levels: principles, responsiveness, and immediate practicalities.

For some people it is a matter of principle that everyone should be able to live wherever they want to in the world. This is the logical outcome of extreme free market ideas, which see labour and capital as 'factors of production' which should be as mobile as possible, so as to create the most efficient outcomes for production. It is also the consequence of a version of Marxism which says that national boundaries and identities are purely diversionary nuisances when it is class divisions which ultimately matter. Much 'left-of-centre' opinion has settled for some vague amalgam of those two viewpoints.

However there are important and difficult balances to be struck here –

- There are the rights of would-be migrants, but at the same time the rights of the people who already live in the places which migrants want to migrate to, as well as the rights and welfare of the people left behind in the places which migrants move from.
- There is a need for a sense of global citizenship, to face up to the realities of interdependence and global problems such as religious conflict and climate catastrophe. However at the same time a sense of identification with particular places contributes to our sense of personal identity and community, adds to 'social capital', and helps to ensure that real places are cherished and not forgotten in a haze of very generalised concern.

Neither unrestricted mobility nor 'free movement of labour' strike these balances, and therefore should not be held up as absolute non-negotiable principles.

Democracy is partly about responsiveness. The 2016 votes for Brexit and Trump were cries of pain and anger which cannot simply be dismissed. There is a fine line to be walked here, between falling into racism or xenophobia on the one side and failing to listen to people on the other. This is another balance to be struck, perhaps the most difficult. But strike it we must. Failure to do so will simply guarantee a permanent upsurge of support for those who are willing to exploit the migration question for hard-Right purposes.

There is also the level of immediate practicalities, such as the effects of migration on wage levels amongst the low paid, unemployment, house prices, and pressure on local public services. Some of this is about economic costs which are outweighed at a national level by economic benefits from migration, such as those from additions to the economically productive labour force. However those who win and those who lose are not the same people: net gain at national level coincides with net loss for many individuals and localities. Standard economic theory implies that the winners should compensate the losers, which essentially means redistributive taxation and public expenditure, something which governments have recently been unwilling to do on a sufficiently large scale. The obvious policy response required here is for central government to put far more money into local authorities in areas of high recent migration and low average wages. There may also be a need for some changes in entitlements in the UK's benefit system.<sup>xxii</sup>

The problem with migration politics has been collusion between political forces often seen as opposites: those on the Left who see any discussion of immigration as inherently racist and therefore to be avoided at all costs and those in business for whom maximum mobility of labour helps to maximise their profits. The result has been a curtain of 'undiscussibility' over this whole area. This is no longer the slightest bit tenable since 2016. A perspective coming from the question of globalisation, localisation, and green politics helps in approaching – framing – the problem differently.

## 15. THE POLITICS OF BREXIT

**What has been set out in this report falls into two very different political categories.** Many people of 'mainstream' views would agree with the points made here about migration and environmental protection, whilst at the same time the approach to international trade would be regarded by many of the same people as a 'fringe' opinion. Is there anything which might link the more radical half of what has been advocated here to the large body of voters who indicated their rejection of globalisation by voting for Brexit?

What might do it is the failure of other options, two in particular:

1. The obvious alternative to EU membership is alignment with the USA. However, we have made clear that without the bargaining power which EU membership has provided, any deal with the USA is likely to be one-sided and involve very significant concessions and losses on the British side, probably with lower standards for food safety and further privatisation of public services.
2. The best option would be a reversal of the Brexit decision, combined with radical reforms within the EU. The referendum was held at a time when there was shared ignorance about what the alternative to EU membership would be. As the alternative becomes clearer, public opinion can be expected to move away from support for Brexit. This could be expressed through a ratification referendum, a general election, or a new Act of Parliament. This change of heart would be helped along by reforms within the EU, particularly on the issue of mobility of labour. Public opinion is not fixed: it often changes, for example, from one general election to the next, and it is never thought to be undemocratic to hold a new election 4 or 5 years later to test out whether this has happened.

IF however we assume that the deal on offer from the US is unacceptable, but that at the same time public opinion on leaving the EU either doesn't go into reverse, or if it does is blocked by the Government, then other more radical options would necessarily be on the agenda.

What we have set out in this report is one such option. It is an option for a Britain that - rather than removing protective regulations against environmental threats - actually deliberately sets out to establish new high Green standards that our children will thank us for.

We believe that the option set out in this report has the potential to turn Brexit from being a disaster for the UK into being the constructive start of a radical new approach to the very real problems of globalisation. We believe further that it may prove useful, in the coming months and years, to hold up alongside what the British Government is doing as an alternative model, to serve as a basis for critique of Government policy – and as a basis for a rallying call for changing that policy.

## NOTES

- i See <http://threeworlds.campaignstrategy.org/?p=1462> for salient discussion.
- ii See Anderson's [http://www.greenhousethinktank.org/uploads/4/8/3/2/48324387/the\\_fall\\_of\\_neoliberalism.pdf](http://www.greenhousethinktank.org/uploads/4/8/3/2/48324387/the_fall_of_neoliberalism.pdf) for further explication and analysis.
- iii See e.g. <http://www.zerohedge.com/news/2016-08-01/looming-financial-crisis-nobody-talking-about-should-be> , <http://www.telegraph.co.uk/business/2017/02/23/rising-euro-break-up-risk-stokes-new-fears-central-bank-solvency/> Because of the enduring structural power of high finance, and neoliberalism, the causes of the last crash have not been seriously addressed, only tinkered with.
- iv See Ann Pettifor's [https://www.opendemocracy.net/article/globalisation/institutions\\_government\\_debt\\_nation](https://www.opendemocracy.net/article/globalisation/institutions_government_debt_nation)
- v And cf. also the version of the proposal on p.12 of Norberg-Hodge & Read, [http://www.greenhousethinktank.org/uploads/4/8/3/2/48324387/post-growth-localisation\\_pamphlet.pdf](http://www.greenhousethinktank.org/uploads/4/8/3/2/48324387/post-growth-localisation_pamphlet.pdf) . (The intellectual background here is supplied by Norberg-Hodge's book, **Ancient Futures**.)
- vi <http://www.stockholmresilience.org/research/planetary-boundaries/planetary-boundaries/about-the-research/the-nine-planetary-boundaries.html>
- vii <http://www.taxresearch.org.uk/Blog/2010/09/04/time-for-a-world-tax-organisation/> See also Oxfam: [https://www.oxfam.org/sites/www.oxfam.org/files/bp185-business-among-friends-corporate-tax-reform-120514-en\\_0.pdf](https://www.oxfam.org/sites/www.oxfam.org/files/bp185-business-among-friends-corporate-tax-reform-120514-en_0.pdf) and briefing on existing UN arrangements <http://www.un.org/esa/ffd/tax/overview.htm>
- viii See this account of recent steps taken in this area - <https://business-humanrights.org/en/binding-treaty>. For an interesting analysis of reasons why even big business is now turning against multinational companies, see 'The retreat of the global company' in 'The Economist' 28.1.17.
- ix For detail, see <http://www.localfutures.org/wp-content/uploads/Localization-Booklet-download.pdf>
- x See <http://www.plutobooks.com/display.asp?K=9780745319322> and <http://progressiveprotectionism.com/wordpress/> for detailed proposals on how this could and should be done.
- xi Consider this NEF poll: <http://neweconomics.org/2016/11/can-no-48-strategy-brexite/> It shows that 56% of Remain voters – not Leave voters, Remain voters! – support increased border controls and a cap on European migrants. By contrast, those favouring full open borders are a very small minority.
- xii Though see <http://www.telegraph.co.uk/news/2016/10/24/anti-emigration-party-storms-to-victory-in-lithuania/> It is important to note that this pressure may come from states where there is high concern about levels of inward migration (such as France and Germany and the Nordic countries) or from states where there is high concern about levels of outward migration (such as some Eastern European countries – most strikingly in recent times Lithuania, where the issue of emigration determined the outcome of the recent general election).
- xiii For example, see the evidence on impacts on bird species here: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1087596/pdf/PB010025.pdf>
- xiv See the landmark work, **Green alternatives to globalisation**, by Mike Woodin and Caroline Lucas.
- xv See e.g. **The Bioregional Economy: Land, Liberty and the Pursuit of Happiness** by Molly Scott Cato. Routledge, 2012; cf. <http://www.resurgence.org/magazine/article3935-a-spiritual-connection-to-the-soil.html> .
- xvi This is in effect the main demand of the 'Greener UK' coalition: <http://greeneruk.org/pledge.php> The demand makes perfect sense: because these are problems that know no frontiers.
- xvii <https://www.publications.parliament.uk/pa/ld201617/ldselect/ldcom/109/109.pdf>

xviii **RECENT REPORTS ON THE ENVIRONMENT AFTER BREXIT**

House of Commons Environmental Audit Committee report Jan 2017 [https://www.publications.parliament.uk/pa/cm201617/cmselect/cmenvaud/599/59909.htm#\\_idTextAnchor035](https://www.publications.parliament.uk/pa/cm201617/cmselect/cmenvaud/599/59909.htm#_idTextAnchor035)

House of Lords EU Committee report Feb 2017

<https://www.publications.parliament.uk/pa/ld201617/ldselect/ldeucom/109/109.pdf>

‘Exiting the EU, Not the Environment’ – report from Caroline Lucas MP Feb 2017

<https://www.carolinelucas.com/sites/carolinelucas.com/files/Safe%20Guarding%20Environment%20after%20Brexit.pdf>

‘A Manifesto for a Greener UK’ Feb 2017 [http://greeneruk.org/resources/Greener\\_UK\\_Manifesto.pdf](http://greeneruk.org/resources/Greener_UK_Manifesto.pdf)

**RECENT REPORTS ON UK AGRICULTURE AFTER BREXIT**

‘The Future of British Farming Outside the EU’ – Soil Association. Feb 2017

<http://mollymep.org.uk/2017/02/20/agrireport-soilassoc/>

‘Farming Policy After Brexit’ – Simon Fairlie. Feb 2017

<http://mollymep.org.uk/2017/02/20/agrireport-soilassoc/>

‘A Pebble in the Pond’ – People Need Nature. Jan 2017.

<http://peopleneednature.org.uk/wp-content/uploads/2016/12/A-Pebble-in-the-Pond-final.pdf>

xix See e.g. the account given here by Taleb, Read et al: <http://www.fooledbyrandomness.com/pp2.pdf>

xx See e.g. <http://www.endsreport.com/article/54076/paterson-calls-for-shift-away-from-precautionary-principle>

xxi Thus an alternative Brexit would be sure to undergird the Precautionary Principle, to stand us in good stead vis a vis environmental etc. risks that are too big to take, and certainly risks that are too serious to allow short-termist commercial considerations to take centre-stage:

see <https://www.uea.ac.uk/research/explore-uea-research/are-some-risks-just-too-big-to-take> .

xxii Similarly, the increase in inequality levels within countries such as the US and UK due to the rise in immigration needs to be dealt with by means in part of restrictions upon migration but also, and crucially, by restrictions upon exploitation of workers, and by redistributive taxation.

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Green House is a UK-based think-tank concerned with the political, economic, and social implications of taking ecological problems seriously. We have produced a series of reports and other publications on themes such as disastrous climate change and post-growth economics:

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