

What are state aids?

One of the central stumbling blocks of the negotiations between the UK and the EU is said to be the issue of state aids. The EU has this idea that they can define and enforce a so called level playing field, though it usually looks more like a playing field that has been carefully prepared for the EU Home team to have an advantage.

Some seem to think it strange this apparently technical middle order issue has got in the way. They misunderstand just what the EU thinks state aid amounts to, or how far they think the playing field turf extends. The EU has long argued that most policies have a bearing on their single market, and that many policies can therefore be a state aid. Their single market stretches from trade policy to education and training, from employment policy to taxation, from energy to transport, from competition policy to digital policy. The market includes a heavily interventionist agricultural and fishing policy.

Their idea of state aid goes well beyond the payment of grants to businesses to help them be more competitive. It encompasses taxes, both the lower variety to boost something and the higher variety to stop something or keep it out. It includes wages and minimum wage policy, social support, route licencing, farm subsidies, product specifications and much else.

So when the EU says it needs to lock us in to prevent the UK gaining any competitive advantage from choosing better policies, it does so knowing that means wide ranging powers to limit the ability of the UK to govern itself. The EU has implied they might make some sacrifice of their requirement that the UK should accept the need to change its laws in many areas every time the EU does to avoid future undercutting. That would still leave a mighty plenoply of powers and policies where the UK would have to observe all EU law at the point of departure.

The whole point of leaving the EU is to levy our own taxes, make our own laws, and create a better background for UK business and consumers. The UK government has said it has no wish nor intent to cut employment or environmental standards, but it should be wanting to change the rules of our fishing and agricultural policies, taking down some EU taxes, and looking at ways to foster more employment at home in making and growing things. This is why it is proving so difficult to negotiate, because the EU wants far more than a Free Trade Agreement. It wants control over our competitiveness and law making.