

## **Seven Hazards in Cameron's Intended European Policy**

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**U**nless the British Prime Minister changes the script that he has led us to expect for his speech on January 18<sup>th</sup> setting out his policy intentions towards the European Union, his propositions are going to encounter a plethora of problems for their successful implementation in the British and European interests.

To set out the litmus tests, there are no less than seven major hazards for his policy to overcome.

The first hazard is the task of defining the core objective in a way that holds water, i.e. is operational and proportionate to the political purpose of repatriating sufficiently substantial EU competences to claim that he has strategically rebalanced the relationship. The UK has already opted out of the eurozone and the Schengen area, and does not want to opt out of the single market and foreign and security policy. What is left to add to the opt-outs? Not much. That is why much is being made of the possibility (provided for by Protocols 21 and 36 to the Lisbon Treaty) to repeal the UK's implementation of much existing EU law and policy in the Freedom, Security and Justice area. The populist argument being made that this mass of legislation, mostly to do with cross-border crime and illegal migration, somehow threatens the rule of law in the UK is utterly contrived. The common-sense view is that this helps secure the rule of law, through greater cross-border judicial cooperation for example. Then there is the working time Directive, but the UK has been zigzagging in the social policy domain for decades: opting out of the Social Charter in 1989 under Prime Minister Major, but cancelling the opt-out in 1997 under Prime Minister Blair. The last thing that the EU needs at present is more precedent for the idea that changes in government can authorise opting in and out of EU law.

British eurosceptics are complaining about excessive EU regulation, but most of this is in the area of the single market and environmental policies where the UK does not want to opt out. In the area of visa policies, the self-exclusion from Schengen sees a loss of market share for international tourism especially from China (whose citizens do not want the hassle of getting two visas to come to Europe), which could be eased by a careful mutual recognition agreement between the UK and Schengen

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signatories, but even such pragmatic steps seem excluded because of the influence of simplistic populism in the British media.

The second hazard lies in the negotiating style and tactics currently being announced by the Prime Minister, namely that of either getting his way, or if not, blocking the eurozone's proposals for a new EU-based treaty to correct its systemic deficiencies. This is already being criticised as 'blackmail', notably by some senior German parliamentarians, but the use of this damning language gets an immediate echo around the rest of Europe, and absolutely contradicts the UK's self-image of 'fair play'. The blackmail tactic encounters two problems, both fundamental. The first is that it will not work, since eurozone countries are already prepared if necessary to negotiate a new treaty outside the formal EU legal order, even though this is second best and creates messy complications. The second is that it hardens the terms of probable opposition to whatever the UK wants or has as a special favour, and here the UK budget rebate is an obvious candidate for increased criticism in the current multi-year budget process, and leads into scenarios of escalating conflict.

The third hazard arises from the political manageability of the process, when the outcome would have to be settled by referendum in the UK. The Swiss are well trained to use the referendum instrument for precisely targeted issues. For the rest of Europe with less training, like the UK with hardly any, the hazard is that of the referendum question being transformed in the eyes of voters into something other than what the text exactly says, like general dissatisfaction with the state of the economy or performance of the government on any matter of topical importance. There is already debate about the nature of the future referendum question, which the government seems to want to be concentrated on the terms of its renegotiation (over the narrow and technical matters most likely to emerge), whereas the political process may transform this into either "Do you support the government?", or "Do you want in or out of the EU?", or a confusing mix of both.

Indeed these first three hazards might push the political dynamics into the secession scenario, which the Prime Minister says he does not want. But if one looks at the secession scenario, what does one see? The most obvious approximate model is that of Norway, which is wholly in the single market as member of the European Economic Area (EEA), or Switzerland which is not in the EEA but has over time negotiated a package of agreements that are close to being in the EEA. The problems here are that the UK would have no say in the negotiation of a new single market law, which is in fact an ever-expanding field, as many service sectors need complex common regulatory standards. Already this last year there has been vivid exposure to the question whether eurozone financial-market regulations might be biased against UK interests. The UK may have achieved some assurance on this point from within the EU, but would get no such favours when outside. So the UK would have less sovereignty than it does now over the single market, which is its highest priority domain of EU activity. The EU is also now stricter than ever over curbing Switzerland's past preference for picking and choosing on which policies it wants to align. It would be even more so inclined in negotiating with the EU. In addition, both Norway and Switzerland have agreed to substantial financial contributions to the EU structural funds, which would certainly be demanded of a seceding UK, and thus

reduce the hypothetical budgetary savings from secession. So the fourth hazard is that an unintended slide into secession would result in a highly disadvantageous new deal over the single market.

Hazard number five is the potential economic cost of the strategic uncertainty that is being created for a number of years to come, with the scenario of secession in the air. Competition between EU member states over footloose investment by multinational corporations is already fierce, especially with the UK's closest neighbours – France, Benelux, Germany and Ireland, albeit quite effectively disciplined by EU competition policy. As British business interests are already saying with alarm, in a situation of strategic uncertainty for the UK, the most obvious sales pitch of its close neighbours will be “you cannot know where the UK will be in relation to the EU single market in a few years time”. With the obstinately ongoing recession in the British economy, this is hardly a message one wishes to facilitate.

Hazard number six concerns the political future of the United Kingdom itself, with pressure for a referendum in Scotland over its possible secession from the UK. The Scottish nationalists do not however want to secede from the EU, and for the UK to be toying with secession from the EU could intensify Scottish arguments for seceding from the UK. This leads into the complicated question over whether or how an independent Scotland might accede to the EU, if UK secession meant in a first step that Scotland would have to secede as part of the UK. EU lawyers seem to be of the view that an independent Scotland would have to apply under the regular accession procedure, and several member states would not want to endorse this precedent (Spain and Belgium most clearly). But it is hardly a positive point that Scottish accession to the EU might not be possible, since the prospects for a very messy tangling up of the debates over these Scottish, UK and EU affairs are very real, leading predictably to much journalistic speculation under headings such as “the unravelling of the EU, the UK and the European order”.

But not only in the EU, since hazard number seven concerns the place of the UK in the world, and its relations with its closest allies and friends. The US has already in recent days made its position absolutely clear, that its interest lies in a strong UK voice within a strong EU. The British Conservative Party has always been, since Churchill and Macmillan through to Thatcher, extremely concerned to maintain as much as possible of the dwindling special relationship with the US. Here they are getting a crystal-clear message that the current British government is heading in the wrong direction. The UK's traditional like-thinking liberal democratic allies in the EU, such as the Nordics and Benelux, are appalled at what they see emerging. As for the old Commonwealth, they went their own way a long time ago. The UK's remaining international prestige with major powers such as China and Russia will decline, with increasing questions raised about its privileged place for example in the UN Security Council where today with France it can defend its position as informally representing the big EU. The pity of it is that the UK has the capabilities to be a leader in the build-up of the EU's foreign, security and defence policies, and thus showing that the trend is not towards a two-tier Europe, but rather one with differentiated clusters of driving forces. Instead, the UK has been the main foot-dragger over the exploitation of the Lisbon Treaty's innovations for EU foreign

policies, resisting even minimal institutional advances in the EU's role as global actor.

At least all seven of these hazards are now being aired in public debate, and it is for the normal democratic processes to sift through the arguments and see informed judgement prevail. The responsibility of the British Prime Minister in these next days will be, at a minimum, not to foreclose the debate by locking his government onto a path of uncontrollable political damage, for which the possibilities are nonetheless abundantly evident.