

## **Dangerous delusions: British expectations of the future UK-EU relationship**

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The reaction in the UK to Prime Minister David Cameron's long-expected confirmation that the UK Government (or at least the Conservative part of it) intends to hold a referendum on EU membership by 2017 illustrates just how remote and UK-centric British public debate on the issue has become.

Many parts of the British press, as well as Conservative politicians, claimed that there was support for the UK position in other EU member states. At the same time, significant parts of British industry supported the Prime Minister, emphasising the need for reform of the EU and suggesting that the threat of a 'Brexit' would force the rest of Europe to fall in line. These are dangerous delusions, arising from a UK-centric perception of the European integration process.

Even where the initial reaction seemed to be more encouraging, the question is: what price will be extracted in future negotiations, for example regarding the EU's next Multi-Annual Financial Framework? And overall, the reaction in the rest of Europe was far from supportive. While it is entirely true that virtually no-one wants to see the UK leave, there are limits to the degree to which British exceptionalism can be accommodated. There is no clarity over what the UK government ultimately wants, but some of the potential demands question the basic foundations of the European Union, for example with regard to free movement provisions or the reintroduction of a veto in a number of areas. These will simply not be up for negotiation. And while some European actors might not always be appreciative of the European Parliament, Cameron's complete negation of the legitimacy of European representative democracy is not just untrue, but is also unlikely to be supported by many.

The agenda of public finance discipline, competitiveness and economic reforms is supported by many in the EU. This has been misconstrued to imply support for the British position: while certain countries have been pushing for reform, there is no enthusiasm for a wholesale scaling-back of the European system and a fall-back to narrow national positions. There is also no appetite for cherry-picking: in a Union of 27 or 28, no individual country can just pick whatever areas they like and ignore the rest. The EU must, by necessity, be a union based on compromise, where no one country can get everything it wants, but where the total benefits of cooperation and compromise outweigh this disadvantage. The Cameron position threatens these fundamental principles.

At the heart of the UK Prime Minister's stance, there is a fundamental, and possibly deliberate, misunderstanding of how the EU works. The idea that EU policy can best be influenced by threatening 'the others' with vetoes and 'Brexit' does not result in a positive reform agenda. This can be seen in the day-to-day development of EU policy in areas such as the Single Market, where the UK no longer drives the agenda forward, but also in areas such as the Union's Multi-Annual Financial Framework, where British insistence on cuts threatens the most growth and competitiveness-oriented areas of EU spending.

The British position may even be a substantial brake on achieving British interests, as illustrated by the Single Market. While the UK would like to see it further developed, for example in the digital field, there are also – at the same time – demands to roll back social and environmental provisions. Notwithstanding the impossibility of separating economics from politics, trying to move simultaneously in diametrically-opposed directions is unlikely to produce a workable compromise.

The threat that the UK will block further eurozone integration if its demands in other areas are not met comes close to blackmail, and poisons trust and mutual understanding. It might well lead to other countries being far more willing to outvote the UK in areas where qualified majority voting is already the rule, for example for much of financial services legislation, even if a vital interest of Britain is at stake. But it is also, in the end, an empty threat – the British 'veto' on the fiscal compact, which was spun as a great British victory, was in fact self-exclusion from the negotiations. It also demonstrated that the rest of Europe is well aware that governance must be improved and that Britain will not be allowed to stop this process.

The idea that this referendum gives the UK another bargaining chip in the negotiations is also questionable: there are limits to what the rest of the EU can negotiate on, referendum or not. There is also a big difference between the threat of a referendum and an announced referendum. While many in the UK are convinced that the EU will be accommodating of British demands, there are also many voices in the EU which believe that in a straightforward in-out referendum, Britain's economic interests in staying in the EU will prevail, whatever the EU-UK relationship deal on the table.

And Britain has a lot to lose, more than the rest of Europe. Being outside the EU does not necessarily mean being outside the Single Market, as demonstrated by Norway. But there is a price to pay: Norway adopts all the Single Market rules, including the ones which Cameron seems to want to opt out of, without having any say in the design of those rules. This is a deal which is likely to be unacceptable for the UK.

And the economic benefits are only part of the total package. The question of what might happen to EU nationals living and working in the UK, or to UK nationals living and working in the rest of Europe, would also be on the table. The UK would also be much diminished internationally. The special relationship with the US might not be as strong as the UK thinks, and the warnings from the US about the importance of keeping the UK in the EU should be taken seriously.

So the delusion of many in the UK that an exit is unlikely to change much politically or economically is dangerously misguided. The prospect of Brexit raises the spectre of a UK outside the Single Market, affecting trade and, even more significantly, long-term investment. Which companies for which EU market access is crucial will sink long-term investments into an uncertain future?

This signal of potential economic fragmentation in the middle of an economic crisis is certainly not helpful. Even if some might think this is an improbable scenario, a degree of uncertainty has been created by these announcements and this will translate into lost investment, growth and jobs. Cameron himself has claimed that uncertainty connected to an in-out referendum could damage and hold back the prospects and potential of a country – only he was speaking of Scotland, not the UK.

So, where do we go from here? Cameron has gifted the UK and the EU a long period of uncertainty, with many debates about the way forward. The British debate is likely to be self-absorbed, with little understanding of what is happening in the rest of the EU. This brings many dangers: any contribution from outside the UK will be labelled as interference and propaganda, despite the legitimate interest that the rest of Europe has, and should have, in what is happening in the UK.

The instinct of many European politicians and public figures will be to largely stay out of the debate and to appease the UK where possible, trying to buy a 'yes' with concessions. This is unlikely to work: whenever they reach the areas where the UK's demands are simply unreasonable, they will be faced with the choice between upsetting UK public opinion and weakening the Union for the rest.

The time has come to be more proactive and to take part positively in the UK debate, pointing out the benefits of the European Union and what the UK is set to lose, while at the same time making clear which parts of this Union are simply not up for negotiation. It is then, of course, still up to the British electorate to make a choice, but based on better information. And in the end, the EU has to make a fundamental choice, too: if keeping the UK in the EU means significantly weakening the integration process, is this really a price worth paying?

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