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Britain and the EU: a negotiator's handbook

Abstract

Two years ago David Cameron, British Prime Minister and leader of the Conservatives, pledged to renegotiate the UK's EU membership and put the result to a referendum if he was re-elected. It raised the question of who would win Britain's 2015 general election - Conservatives or Labour? Today, just ahead of the May 7th polling day, no clear winner is expected. That means EU governments must plan for a range of eventualities, none of which promises to be plain sailing. Even a relatively pro-European British government, led by the Labour Party, could prove unpredictable if it relied on nationalist parties for support - or if the rival Conservatives were convulsed in a leadership battle which politicised the UK's EU policy. This paper, having briefly set out the immediate factors impinging on the UK's relationship to the EU, focuses on four Gordian knots – four underlying dilemmas which will determine Britain's relations to the EU, whichever party is in power. At a time when Europe's role in the world is in decline, and problems in Greece are demanding attention, the resolution of these four dilemmas is of real importance.

1 Introduction

As they go to the election booths on May 7th, Britons are clearly looking for some kind of orientation in their domestic and international relations. Other European governments are unlikely to give them much space for experimentation. The UK, with its years of criticism of the EU, has severely depleted goodwill on the continent. Even before the new government reaches the starting blocks, therefore, it may face hostility from other member states. It will certainly be vulnerable to Europe's increasingly tough power politics: by frequently shifting the blame for national problems to the EU, the British have only publicised their own domestic weaknesses.

Yet, the EU badly needs to maintain its political cohesion if it is to achieve global reach and influence. Moreover, Britain

is at a real tipping point. The country is heavily embedded in the EU, but it lacks the political will to exploit that position. In the coming years, the EU could just as easily become a tool of British reform and power as a scapegoat for Britain's national failings and an impediment to the UK's development. In a bid to clarify the dynamics of the relationship, the first half of this paper provides information on the immediate state of affairs. The second singles out four deeper problems with the relationship.

2 A Britain in search of orientation

Every level of British politics is in flux. At the domestic level, the weakening of national institutions¹ has deepened the antagonism between the two largest political parties, Labour and the Conservatives, and empowered subnational parties, be these Scottish, Welsh, Northern Irish or English

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¹ In recent years, a range of British institutions – Parliament, the police, social services, the media – have been hit by scandal. Alex Stevenson, "Top ten political scandals of 2012", politics.co.uk (online), 21st December 2012, <http://www.politics.co.uk/comment-analysis/2012/12/21/top-ten-political-scandals-of-2012>.

(as the UK Independence Party should be considered²). At the EU level, political gridlock has led to animosity between France and Germany and pushed the UK into new coalitions of member states.³ And at the global level, tension within power-sharing institutions such as the UN and World Bank has spawned rivalry between China and the US as well as creating competition for the allegiance of smaller powers like the UK. In this context of bipolar antagonism and multipolar positioning⁴, few positive lessons can be drawn. Players from Russia to Scotland are seen to have scored gains by putting narrow national interests ahead of established international norms.⁵

All this leaves the British pondering some basic questions of communal living: To what extent can we go it alone? (The Singaporean model of foreign policy and Hong Kong's practice of unilaterally liberalising trade are cited here, as are policies to reduce dependence on international lenders⁶). Which international relationships really matter? (The UK

recently opted to participate in a Chinese-led investment bank, despite US fears about the potential challenge to the IMF and World Bank⁷). How much is our international status a given, how much dependent on our living up to it? (The renewal of the UK's costly nuclear capability is debated in terms of securing the UK's seat in the UN Security Council and cementing peaceful economic globalisation⁸). Does democratic discussion of these issues diminish or build our power? (The UK's failure to heed public opinion on the Iraq War still casts its shadow⁹). And finally, is there still such a thing as a British model of international cooperation? (The principles of pragmatism, tolerance and economic profit are lionised¹⁰).

Such questions are directed at the full range of Britain's relations, not just to other countries but between its own constituent nations. Yet, it is Britain's relationship to the European Union which is likely to prove definitive in coming years. The EU is probably the least loved of

² Ben Wellings, "English nationalism and Euroscepticism overlap and support each other in important ways", LSE blog (online), 1st May 2014, <http://blogs.lse.ac.uk/politicsandpolicy/english-nationalism-and-euroscepticism/>. An analysis of British attitudes towards the EU according to region can be found at: Thomas Raines, "Euroscepticism is most common in Wales, the Midlands and among the over-60s; however the wording of any potential referendum question on EU membership will be crucial for the result.", LSE blogs, 23rd July 2012, <http://blogs.lse.ac.uk/europpblog/2012/07/23/euroscepticism-survey/>.

³ Almut Moeller, "Patterns of Member State interaction in the European Union", in: Josef Janning and Almut Moeller (ed.s) "(Re-)Building Coalitions The Role and Potential of Member States in Shaping the Future of the EU", DGAP Analyse no. 20, December 2014, pp.37-40, <https://dgap.org/en/article/getFullPDF/26248>.

⁴ This is very much the pattern at the national level, where the two main parties retain as much share of the overall vote as they did in the 1980s, but are evenly matched in a heavily-polarised electorate. This means neither is likely to win a majority, and the subsequent efforts by both to build a government will be hugely complicated by the fragmentation of the rest of the field: Fraser Nelson, "Swing time", Spectator, 11th April 2015, <http://www.spectator.co.uk/the-week/leading-article/9494582/wont-somebody-please-try-to-win-this-election/>.

⁵ Alex Johnston, "'Ruthless' Putin has admirable qualities, says Alex Salmond", Independent (online), 27th April 2014, <http://www.independent.co.uk/news/uk/politics/effective-putin-has-admirable-qualities-says-alex-salmond-9294614.html>; Charles Moore, "Eurosceptics must learn serious lessons from Alex Salmond's defeat", Telegraph (online), 26th September 2014, <http://www.telegraph.co.uk/news/newstopping/eureferendum/11123773/Eurosceptics-must-learn-serious-lessons-from-Alex-Salmonds-defeat.html>.

⁶ Szu Ping Chan, "Britain nets £30bn as borrowing costs fall that could fund pre-election giveaways", Telegraph (online), 1st February 2015, <http://www.telegraph.co.uk/finance/economics/11383171/Britain-nets-30bn-as-borrowing-costs-fall-that-could-fund-pre-election-giveaways.html>. The national debate still centres on this dichotomy between going it alone and belonging to the EU. This means that British eurosceptics struggle to present a third, more inclusive vision of what global and regional order might replace the European Union – there is no thinking about alternatives to the EU in its current form that might appeal to international allies.

⁷ Nicholas Watt et al. "US anger at Britain joining Chinese-led investment bank AIIB", Guardian (online), 13th March 2015, <http://www.theguardian.com/us-news/2015/mar/13/white-house-pointedly-asks-uk-to-use-its-voice-as-part-of-chinese-led-bank>.

⁸ Ben Riley-Smith, "Scottish independence: scrapping Trident 'could shift power from West to East'", Telegraph (online), 22nd May 2014, <http://www.telegraph.co.uk/news/uknews/scottish-independence/10847823/Scottish-independence-Scrapping-Trident-could-shift-power-from-West-to-East.html>.

⁹ BBC news, "Syria crisis: Cameron loses Commons vote on Syria action", BBC news (online), 30th August 2013, <http://www.bbc.com/news/uk-politics-23892783>.

¹⁰ Richard Norton-Taylor, "Anglo-French defence deal is a triumph of pragmatism over ideology", Guardian (online), 2nd November 2010, <http://www.theguardian.com/politics/2010/nov/02/britain-france-defence-pragmatism-analysis>; Kerry Brown, "The brutal pragmatism of China-UK ties", The Diplomat (online), 23rd June 2014, <http://thediplomat.com/2014/06/the-brutal-pragmatism-of-china-uk-ties/>.

all Britain's ties, but it is also the most important due to historical, geographic and economic dependence.¹¹ If the UK can resolve this fundamental tension, it will have found something of a magic formula. Moreover, any alteration to Britain's EU membership will redefine all its other relationships – whether between its constituent parts¹², or with a Washington already worried about the cohesion of the West¹³. Not that you'd know any of this from the public opinion data. Ask British voters which issues they consider important, and 34% cite the National Health Service (followed by 17% for immigration and jobs, prices and wages, 9% education, 7% the deficit). Europe garners just 4%.¹⁴

Nevertheless the EU is a real, if unspoken, presence in the upcoming British election. It may be China or India which UK politicians cite in order to highlight the inflated size of the National Health Service.¹⁵ And it may be Wales, and the poor management of healthcare there, which they

cite in order to argue for greater regional devolution or centralisation.¹⁶ But when it comes to the practical options for financing and staffing healthcare in the UK, it is EU norms which often provide the real guide.¹⁷ And when the leaders of the British parties – Conservative and Labour (both on 34% in the polls¹⁸), UKIP (15%), the Liberal Democrats (8%), Greens (5%), Scottish National Party and the Welsh Plaid Cymru - meet to address such issues on television, this may signal the Americanisation of Britain's debating culture or the coming of age of Scottish and Welsh politics, but above all it shows how far Britain has moved towards European-style multi-party politics.¹⁹ Indeed, the only European issue of no real significance to this election so far²⁰ is the most fundamental of all – the question of Britain's EU membership.²¹

3 David Cameron's EU referendum pledge

Britain's two largest parties have a history of hostility to EU membership: Labour's original dislike of the EU's

¹¹ Kiran Stacey, "UK voters see relationship with Europe as of utmost importance", Financial Times, 23rd October 2014, <http://www.ft.com/intl/cms/s/0/6876e900-5a01-11e4-be86-00144feab7de.html#axzz3WGC4V6Lu>.

¹² Matt Chorley, "Cameron will NOT hold EU referendum earlier than 2017 as Scottish and Welsh nationalists demand veto on exit," Daily Mail (online), 8th February 2015, <http://www.dailymail.co.uk/news/article-2944573/Cameron-NOT-hold-EU-referendum-earlier-2017-needs-time-better-deal-Brussels>.

¹³ Sky News, "Obama: the EU wouldn't work without the UK", Sky News (online), 5th July 2014, <http://news.sky.com/story/1276061/obama-the-eu-wont-work-without-uk>.

¹⁴ Tom Clark and Rowena Mason, "Conservatives take six-point lead in Guardian/ICM poll", Guardian (online), 13th April 2015, <http://www.theguardian.com/politics/2015/apr/13/conservatives-six-point-lead-guardian-icm-poll-labour>.

¹⁵ The NHS employs a large number of workers. Politicians and commentators pressing for it to be slimmed down often make a comparison to the Chinese military in order to suggest that the UK is still spending money on social welfare whilst rising powers are arming themselves or investing in productive infrastructure. George Tregfarne, "Chinese army, Indian railways... then comes the NHS", Telegraph (online), 12th March 2015, <http://www.telegraph.co.uk/finance/2907780/Chinese-army-Indian-railways...-then-comes-the-NHS.html>.

¹⁶ Owain Clarke, "Measuring devolution: is the NHS fit for the future?", BBC news (online), 9th June 2014, <http://www.bbc.com/news/uk-wales-27754205>.

¹⁷ EU free movement is key to NHS staffing, but also issues of 'health tourism'. The EU's free movement system is also based largely on the assumption that member states have contributory rather than universal systems of welfare access. Haroon Siddique, "Figures show extent of NHS reliance on foreign nationals", Guardian (online), 26th January 2014, <http://www.theguardian.com/society/2014/jan/26/nhs-foreign-nationals-immigration-health-service>; Giselle Green, "Voters getting pretty dizzy watching UKIP's revolving NHS policy", National Health Action (online), 20th January 2015, <http://nhap.org/voters-getting-pretty-dizzy-watching-farages-revolving-nhs-policy/>.

¹⁸ Public opinion polls taken from the 'poll of polls' at: BBC news, "Election 2015: poll tracker", BBC news (online), <http://www.bbc.com/news/politics/poll-tracker> (accessed on 12th April 2015). The Scottish National Party and Plaid Cymru do not feature, since they are standing only in certain regions of the UK.

¹⁹ Kiran Moodley, "General Election 2015 TV debate: How many of the seven party leaders can you name?", 2nd April 2015, Independent (online), <http://www.independent.co.uk/news/uk/politics/generalelection/generalelection-2015-tv-debate-how-many-of-the-seven-party-leaders-can-you-name-10149764.html>.

²⁰ Only in the case of serious economic instability in Greece, is it likely that the question of the EU referendum will play a significant role in this election: James Forsyth, "Why the Greek election could decide Britain's next government", Spectator, 17th January 2015, <http://www.spectator.co.uk/columnists/politics/9416152/why-the-greek-election-could-decide-britains-next-government/>.

²¹ The in/out question has scarcely featured in this debate, even from UKIP which is focused primarily on immigration issues. Former Labour Prime Minister Tony Blair has brought up the issue, seeking to point out that the Conservative promise of an EU referendum would destabilise the economy. But he seems to have done so primarily to attack the Conservatives' record of economic responsibility, rather than because the EU issue itself will appeal to voters. BBC news, "Tony Blair says EU vote would cause economic chaos", BBC news (online), 7th April 2015, <http://www.bbc.com/news/uk-32198938>.

single market was superseded in the 1980s by Conservative antipathy for the EU's market-correction policies. Yet active euroscepticism remains largely confined to these political elites.²² Voters in the UK prize statecraft and stable government over ideological wrangling. And they have been dismayed to see successive British governments fatally destabilised by infighting over EU issues. That is a destiny which David Cameron himself only narrowly avoided. In 2010, this moderate Conservative leader failed to win his party an outright election victory. His MPs, who were angry at being forced to share power with the pro-European Liberal Democrats and increasingly worried by the challenge from UKIP, began demanding a popular vote on EU membership. Cameron met them halfway. If he was returned to power at the next election, he promised, he would renegotiate the terms of Britain's EU membership and put the results to an in/out referendum by 2017.²³

Other EU governments have subsequently focused on elite-level solutions, asking three questions. *First: what does the Prime Minister actually want?* David Cameron was not very explicit regarding his demands for EU reform, apparently worried about giving advanced warning to Britain's eurosceptics and to Europe's anglosceptics.²⁴ But some potential priorities quickly became clear: increasing national parliaments' power to block Commission proposals, perhaps through a 'red card' system²⁵; gaining legal safeguards for non-Eurozone members, maybe in the

form of an 'emergency brake' allowing individual members to freeze EU financial regulation or a double voting lock on measures which might undermine the unity of the single market; securing an opt-out from the treaty obligation to work towards Europe's 'ever closer union' and perhaps also from EU home affairs cooperation (as opposed to its current 'opt-in' arrangement²⁶); and carrying out a reform of the EU's rules on the free movement of people so as to prevent the abuse of domestic welfare systems.

Second: could these wishes be granted? The real question here was whether other governments would accede to the UK's demands to reopen the EU treaties. Before David Cameron made his pledge in January 2013, the German government had been pressing for treaty reform so as to promote economic reform and discipline.²⁷ Afterwards, Berlin – not to mention governments like Paris which are always reluctant to subject themselves to the treaty reform process – began to play down the likelihood of treaty-change: they feared it would become a free-for-all which unravelled Europe's integration.²⁸ Happily, it seemed that many of the changes envisioned by the British government would be achievable without. The EU's free movement system, for instance, could be improved largely by domestic British reform and a sympathetic change to the EU's secondary legislation.²⁹ For the other, often somewhat symbolic issues – such as the British opt-out from 'ever closer union' – a protocol could be formulated and then appended to a future EU treaty.³⁰

²² Ben Clements et al. "The low salience of European integration for British voters means that UKIP will have to expand their platform to gain more support", LSE blog, 8th March 2013, <http://blogs.lse.ac.uk/europpblog/2013/03/08/low-salience-european-integration-british-voters-ukip-expand-platform-support/>.

²³ Cabinet Office, "Prime minister's speech at Bloomberg", gov.uk, 23rd January 2013, <https://www.gov.uk/government/speeches/eu-speech-at-bloomberg>. Referendums have little place in the UK's constitution, since they clash with the idea of parliamentary sovereignty. It has been argued that this EU referendum reflects nothing more than the weakness of Britain's political elites and their lack of authority to decide on exit from the EU: Robert Cooper, "The EU has provided us with the best Europe we've ever had", *New Statesman*, 16th January 2014, <http://www.newstatesman.com/2014/01/the-best-europe-we-have-ever-had>.

²⁴ James Forsyth, "The accidental exit", *Spectator*, 12th January 2013, <http://www.spectator.co.uk/features/8814511/the-accidental-exit/>.

²⁵ There has also been interest in relevant Dutch proposals: Open Europe, "'Green card', 'Late card': Dutch parliament ups the ante in EU democracy debate", Open Europe briefing, 1st November 2013, <http://openeuropeblog.blogspot.se/2013/11/green-card-late-card-dutch-parliament.html>.

²⁶ It is Denmark that has an opt-out from EU Justice and Home Affairs legislation, despite its membership of the EU's passport free travel area, Schengen. The UK and Ireland have 'opt-ins', and may choose each time whether to participate in a Commission proposal. Denmark is actually weighing up a move to the more flexible UK system: Agence Presse, "Danish PM plans referendum on EU opt-outs", *Guardian* (online), 7th October 2014, <http://www.theguardian.com/world/2014/oct/07/denmark-referendum-europe-optouts>.

²⁷ See the list of measures in this upbeat assessment: Open Europe, "Has Germany really gone off the idea of EU treaty change?", Open Europe briefing, 15th April 2013, <http://openeuropeblog.blogspot.se/2013/04/has-germany-really-gone-off-idea-of-eu.html>.

²⁸ Charles Grant, "Cameron's EU gamble is a losing proposition", *Financial Times*, 17th December 2013, <http://www.ft.com/intl/cms/s/0/5410d74a-5ea9-11e3-8621-00144feabd00.html#axzz3XZqFwru5>.

²⁹ Fresh Start Group, "Strategies for fundamental EU reform: how to achieve treaty change without changing the treaties", December 2014, <http://www.eufreshstart.org/downloads/strategiesforreform.pdf>.

³⁰ Telegraph, "Juncker blocks EU treaty negotiations until after 2019", *Telegraph* (online), 15th April 2015, <http://www.telegraph.co.uk/news/newstoppers/eureferendum/11537057/Juncker-blocks-EU-treaty-negotiations-until-after-2019.html>.

Third: would Cameron even be in a position to redeem his pledge? Despite the Conservatives' strong opinion poll ratings in two key indicators (economic competence and personal leadership³¹), they were no means assured of election victory in 2015. Labour has consistently polled ahead of them since at least 2011 (and it anyway enjoys considerable advantages under the British electoral system³²). Even if Labour did not win outright, moreover, the pro-European Liberal Democrat kingmakers seemed likely to side with it, not least to avoid the spectre of an EU referendum. In short, the 'British problem' seemed to have been more or less solved almost before it arose: in the unlikely event of the Conservatives coming to power in 2015, their demands could be met quite pragmatically. With some clever theatrics, moreover, UK voters could also be appeased.³³ The British public would vote to leave the EU by a slight majority of 41% to 37%, but would quite strongly vote to stay in a 'reformed' EU, by 47% to 32%.³⁴

4 Britain's unpredictable coalition politics

As the election nears, the British electorate has become more polarised between left and right, but neither of the two main parties enjoys a clear lead. Labour and the Conservatives are each predicted to take around 270 of the available 650 seats. Labour has, moreover, begun to trail the Conservatives

slightly. This is due to the Scottish National Party, which may take as many as 54 seats having been strengthened by the 2014 independence referendum. The SNP would all but wipe out Labour north of the border, but it seems ready to support the party in government. By contrast the Liberal Democrats, faced with this emergent leftist-nationalist bloc, now seem tempted to side with the Conservatives.³⁵ This is especially likely if the Conservatives do indeed nudge ahead of Labour: the LibDems, despite being incumbents in 57 constituencies and having government experience, are predicted to take just 25 seats. Even fewer – perhaps just four seats – will go to UKIP, despite its high popularity ratings. But the anti-immigration party will gain kudos for coming second in many constituencies.³⁶

The range of possible governing constellations is thus multiplying fast, with implications for EU policy. A minority Conservative government might, for instance, buy itself the support of UKIP, and of the nine or so MPs from Northern Ireland's Democratic Unionist party, by bringing forward an EU referendum to 2016.³⁷ This wouldn't necessarily see Britain exiting the EU of course, but nor would it be the end of the story: single-issue parties like UKIP tend to demand the same question be put to plebiscite until they get the answer they want.³⁸ Alternatively, Labour might

³¹ James Forsyth, "Why do the Tories lead on the economy and leadership but trail overall?", *Spectator*, 2nd November 2013, <http://blogs.spectator.co.uk/coffeehouse/2013/11/why-do-the-tories-lead-on-the-economy-and-leadership-but-trail-overall/>.

³² Most of Labour's strongholds have undergone population decline since the UK's current electoral boundaries were set. This gives it an advantage relative to other parties: it tends to win more seats with fewer votes. See also: Robert Ford, "Election 2015: how Labour gains from UK electoral system in a tight race", *Guardian* (online), 15th March 2015, <http://www.theguardian.com/politics/2015/mar/15/election-2015-hung-parliament-majority-coalition-labour>.

³³ For British voters it seems the spectacle of their government fighting a principled battle with the EU, is rather more important than it securing a victory: Peter Dominiczak, "Cameron boosted in the polls by 'Juncker effect'", *Telegraph* (online), 30th June 2014, <http://www.telegraph.co.uk/news/politics/david-cameron/10936707/David-Cameron-boosted-in-the-polls-by-Juncker-Effect.html>; Patrick Hennessy, "Poll boost for Cameron ahead of EU showdown", *Telegraph* (online), 3rd December 2011, <http://www.telegraph.co.uk/news/politics/8933481/Poll-boost-for-David-Cameron-ahead-of-EU-showdown.html>.

³⁴ Open Europe, "UK public overwhelmingly supports a new relationship with the EU", *Open Europe-COMRES* poll, 24th May 2013, <http://openeurope.org.uk/intelligence/britain-and-the-eu/eu-reform/>.

³⁵ James Forsyth, "Quietly, David Cameron is dreaming of another coalition (and scheming for it)", *Spectator*, 28th March 2015, <http://www.spectator.co.uk/features/9481492/hell-never-admit-it-but-david-cameron-is-already-plotting-another-deal-with-nick-clegg/>.

³⁶ Predictions drawn from: *New Statesman*, "May 2015", (rolling analysis of UK polling data), <http://may2015.com/category/seat-calculator/>.

³⁷ Tim Macer, "Farage wants DUP alliance to force a EU referendum", *Express* (online), 22nd March 2015, <http://www.express.co.uk/news/politics/565652/Farage-DUP-alliance-force-EU-referendum>. But see: Peter Dominiczak, "Exclusive: Michael Gove says 'no deal' with Ukip after election", *Telegraph* (online), 17th April 2015, <http://www.telegraph.co.uk/news/politics/conservative/11546492/Exclusive-Michael-Gove-says-no-deal-with-Ukip-after-election.html>.

³⁸ In the Scottish context: Simon Johnson, "Nicola Sturgeon puts second referendum at top of agenda", *Telegraph* (online), 14th November 2014, <http://www.telegraph.co.uk/news/uknews/scotland/11230833/Nicola-Sturgeon-puts-second-referendum-at-top-of-agenda.html>. Admittedly, eurosceptics have criticised this habit of putting the same referendum question more than once, but that was when a pro-European outcome was sought: Bruno Waterfield, "EU officials expect Ireland to hold second Lisbon Treaty referendum", *Telegraph* (online), 10th September 2008, <http://www.telegraph.co.uk/news/worldnews/europe/ireland/2778154/EU-officials-expect-Ireland-to-hold-second-Lisbon-Treaty-referendum.html>.

gain the support of the Liberal Democrats, the SNP and the estimated three Plaid Cymru MPs thanks to its constructive policy on Europe. But that wouldn't be the end of the story either. The government would still be bound by a 2011 law, unlikely to be repealed, which obliges the UK to hold a referendum if powers are transferred to the EU.³⁹ Once triggered, this would likely develop into a more fundamental in/out referendum. In that case English voters, fed up with weak national government, might pursue EU withdrawal in order to regain some feeling of agency.

For anyone trying to understand the power-broking after May 7th, it is important to know that a hung parliament still ranks as an exception in Britain. The UK has a 'winner takes-all' electoral system, and voters expect it to produce above all one thing: strong single-party government. That mentality will persist even if no party wins outright. Thus a German-style 'grand coalition' between the two big parties, Labour and Conservative, is almost unthinkable in a country which likes binary political choices.⁴⁰ And voters will crown as the winner the party with the most votes (most likely the Conservatives), not the one best able to marshal an alliance (most likely Labour).⁴¹ As a result, and in stark contrast to the painstaking process of haggling in, say, Belgium, any British party wishing to form a government will have to act

swiftly. UK voters will otherwise have time to ponder the freakish effects of their majoritarian voting system – how it has marginalised a small party with strong public support (UKIP) and turned a peripheral party into a pivotal one (the SNP).

With a constitutional crisis brewing, EU policy may become a bargaining chip between power-brokers. It could, for instance, get caught up in Britain's executive-legislature relations. The British constitution rests on the principle of parliamentary sovereignty – the idea that Parliament is the ultimate power. This usually ensures strong, stable government since it gives any prime minister with a solid majority in Parliament huge political discretion. But a minority government would be at Parliament's mercy. The EU, which itself marks a major encroachment on parliamentary power, will be up for discussion.⁴² Meanwhile, eurosceptic Conservative or Labour MPs may make demands about EU policy as a quid-pro-quo for going into coalition with a minor party. Their leaders, who have just failed to win an outright victory and will be directing most sweeteners at potential partner parties, may well comply. The existence of this kind of eurosceptic arrangement would not necessarily repel even the most pro-European of the small parties.⁴³

³⁹ National Archives, "European Union Act (2011)", [legislation.gov.uk](http://www.legislation.gov.uk/ukpga/2011/12/contents), <http://www.legislation.gov.uk/ukpga/2011/12/contents>.

⁴⁰ Almost, but not quite unthinkable: Nigel Morris, "Former Tory Party Chairman Lord Baker calls for 'grand coalition' with Labour to 'keep the UK together' if SNP holds balance of power", *Independent* (online), 7th March 2015, <http://www.independent.co.uk/news/uk/politics/generalelection/election-2015-former-tory-chairman-calls-for-coalition-with-labour-to-keep-the-uk-together-10092329.html>. Baker's call is predicated on the idea that the UK is facing an existential national emergency.

⁴¹ Indeed, the idea that things can be otherwise has only just begun to dawn on British commentators: Politics.co.uk, "Even if Labour gets fewer seats, it might still win the election", [politics.co.uk](http://www.politics.co.uk/blogs/2015/02/06/even-if-labour-wins-fewer-seats-it-can-still-win-the-electio), 6th February 2015, <http://www.politics.co.uk/blogs/2015/02/06/even-if-labour-wins-fewer-seats-it-can-still-win-the-electio>.

⁴² John Redwood, "A debate about parliamentary sovereignty", MP's blog, 13th March 2015, <http://johnredwoodsdiary.com/2015/03/13/a-debate-about-parliamentary-sovereignty/>; Foreign and Commonwealth Office, "EU Bill to include Parliamentary sovereignty clause", FCO announcement, 6th October 2010, <https://www.gov.uk/government/news/eu-bill-to-include-parliamentary-sovereignty-clause>.

⁴³ There has been speculation, for example, that the Liberal Democrats would be willing to sign up to an in/out EU referendum in return for other concessions from a Conservative government: Open Europe, "LibDems to demand franchise be extended to under-18s and European citizens in return for EU referendum", *Open Europe press review*, 31st March 2015, <http://openeurope.org.uk/daily-shakeup/lib-dems-to-demand-franchise-be-extended-to-under-18s-and-eu-citizens-in-return-for-eu-referendum/>. And there are long-running suspicions that the SNP would secretly prefer a eurosceptic Conservative government to take power in London, in order to show the divisions between England and Scotland: Fraser Nelson, "Leaked memo shows Nicola Sturgeon admitting that the SNP prefers Cameron to Miliband", *Spectator* (online), 3rd April 2015, <http://blogs.spectator.co.uk/coffeehouse/2015/04/nicola-sturgeon-admits-the-snp-prefer-cameron-to-miliband/>; Severin Carrell and Nicholas Watt, "Nicola Sturgeon denies saying she wants David Cameron to win election", *Guardian* (online), 3rd April 2015, <http://www.theguardian.com/politics/2015/apr/03/nicola-sturgeon-denies-saying-she-wanted-david-cameron-to-win-election>.

5 A problem bigger than Britain

An unstable UK grappling with the possibility of a second general election⁴⁴ risks becoming a mere pawn in a bigger process of European politics driven by concern about Greece's exit from the Euro. In one EU member state at least, the opinion polls are quite clear. In Germany, Chancellor Angela Merkel's Christian Democratic Party leads its Social Democratic rivals by 42% to 24% and it has the scope to plan long-term about the future of Europe. Merkel's CDU are thought to be keen to use the UK, and particularly a British Conservative government, as a means to counterbalance the growing left-wing influence in Eurozone affairs.⁴⁵ Yet, even this minor role for Britain as an instrument of German Eurozone policy may subside. After all, Greece seems to be doing a pretty good job of breaking up the EU's pro-growth coalition itself: the ruling parties of Spain and France worry that their own radical electoral rivals will be strengthened if Athens gains concessions, and so have turned against Greece. Germany may not need Britain after all.

The UK's exposure to other members would only grow if it chose to exit the EU. Member states can leave the EU quite easily, so long as their own constitutional procedures are met. The difficulty comes in agreeing a new bilateral relationship with the bloc. Under article 50(2) of the Treaty on European Union, such a deal requires the consent of the European Parliament and the approval of a qualified majority of member governments. This would give a protectionist minority of EU states a blocking power over any concessions to the UK.⁴⁶ According to the treaty,

moreover, negotiations should last just two years, unless prolonged by unanimity. After that, and in the absence of a settlement, WTO rules and other international norms would apply. The UK has more to lose from this than do the EU-27.⁴⁷ Once outside the EU, the UK would struggle to prevent eurozone countries from relocating the euro-denominated finance industry to mainland Europe⁴⁸. The exit of Britain's highly competitive services industry could also give the EU-27 the confidence to finally liberalise services amongst themselves.

Neither side has much interest in an antagonistic divorce. There are approximately 1.8 million EU-27 nationals based in the UK, and almost the same number of UK nationals living or working in the rest of the EU. Failure to reach a settlement could leave many of these individuals stranded, not to mention destabilising a geopolitical fault line between Northern Ireland and EU member Ireland. The trouble though, is the lack of templates to guide negotiations. The logical reference points are the existing bilateral deals between the EU and non-members Switzerland, Norway and Turkey. But the UK would not automatically fall into any of these three categories (which are anyway ill-matched to the UK because of the size of the British economy, its desire for significant regulatory input in Brussels and its political trajectory away from the EU rather than towards eventual membership).⁴⁹ A fourth option - a special UK-EU Comprehensive Free Trade Agreement, also covering the services industry - would be a dream for the UK, but unpalatable for some other member states.⁵⁰

⁴⁴ James Kirkup, "Any politician seeking a second election this year is a dangerous idiot", *Telegraph*, 9th February 2015, <http://www.telegraph.co.uk/news/general-election-2015/11399258/Any-politician-seeking-a-second-election-this-year-is-a-dangerous-idiot.html>; Labour List, "Cameron could use Fixed Term Parliament Act to cling to power", *Labour List* (online), 30th March 2015, <http://labourlist.org/2015/03/cameron-could-use-fixed-term-parliaments-act-to-cling-to-power/>.

⁴⁵ Stephen Swinford, "German finance chief praises Tory economic plan", *Telegraph* (online), 17th April 2015, <http://www.telegraph.co.uk/news/general-election-2015/11546941/German-finance-chief-praises-Tory-economic-plan.html>.

⁴⁶ Open Europe, "Gaming Europe's future: simulating the negotiation that could determine Britain's place in Europe", *Open Europe paper*, 2014, p.23.

⁴⁷ For a detailed analysis of the scenarios, see: John Springford et al., "The economic consequences of leaving the EU", *CER Report*, June 2014, http://www.cer.org.uk/sites/default/files/publications/attachments/pdf/2014/report_smc_final_report_june2014-9013.pdf. For a one-glance overview: Brian Wheeler, "UK and the EU: better off out or in?", *BBC news* (online), 14th May 2013, <http://www.bbc.com/news/uk-politics-20448450>.

⁴⁸ Steve Peers, "The financial services industry and the European Central Bank: the UK has won a battle, but can it win the war?", *EU law analysis* (blog), 5th March 2015, <http://eulawanalysis.blogspot.se/2015/03/the-financial-services-industry-and.html>.

⁴⁹ Stephen Booth and Christopher Howarth, "Trading Places: is EU membership still the best place for UK trade and what are the alternatives?", *Open Europe Report No. 6*, 2012, <http://openeurope.org.uk/intelligence/britain-and-the-eu/eu-membership/>.

⁵⁰ For an optimistic assessment: Open Europe, "Trading places". See also: Mats Persson, "Leaving the EU: how 'Article 50' could make the divorce very tricky for Britain", *Telegraph* (online), 2nd April 2014, <http://blogs.telegraph.co.uk/finance/matspersson/100026967/leaving-the-eu-how-article-50-could-make-the-divorce-very-tricky-for-britain/>.

More pertinently, the UK's exit could expose both Britain and the EU to political pressures from the rest of the world. The WTO would, for instance, need to renegotiate a whole range of trade quotas. This could well come just as European cohesion in the WTO gives way to UK-EU trade disputes, as Russia's difficult integration into the Organisation finally stalls and as large powers seek advantage by resorting to special bilateral trade deals largely outside the WTO framework.⁵¹ Unfriendly countries may also exploit the knock-on effects for other European bodies. The European Court of Human Rights, just like the Organisation for Security and Cooperation in Europe, has lately gained geopolitical significance because it comprises both Russia and the EU member states. It would be weakened by British exceptionalism.⁵² And, finally, there is the question of cooperation between NATO and an EU of 27. The NATO-EU relationship is already hugely complicated by Turkey's membership of one club and not the other.

6 Four Gordian knots

Against this background, EU members could usefully take the long view and prepare to address the underlying tensions at play here. A British government of any political stripe will likely struggle with four kinds of relationship to the European Union – economic, historical, diplomatic and geographic. Or, to put it another way, these are the four core dilemmas that create the Gordian knot of the UK-EU relationship:

6.1 Britons who want an economic alternative don't really want this to be European

With its relatively liberal economic model, the UK is showing quite high rates of growth compared to the rest of the EU. But it is the country's rate of job creation compared to the rest of the EU which is the source of greatest pride to the government⁵³, and has encouraged British Ministers to describe their political economy as 'the envy of Europe'.⁵⁴ Many of these new jobs, however, are in the UK's low-wage sector and, as such, fall below the income tax threshold. This in turn gives Britain's best-earners and top employers greater economic and political weight since they are making a disproportionate tax contribution. And these players are often to be found in the London-based financial services sector: the financial services industry contributed 12% of the government's total tax revenue in 2013, although it employed only 3.8% of the UK workforce.⁵⁵

The imbalance is indicative of Britain's struggle with globalisation. Britain has been an enthusiastic convert to the idea of a services economy, breaking up its ageing manufacturing sector in favour of more innovative knowledge-based activities. It has applied a similar spirit to its political system too, trying to dissolve old hierarchies and embrace new media. British citizens have been helped to master these changes thanks to educational improvements. And yet this effort to decentralise power and break down

⁵¹ Andrew Lang, "The consequences of brexit: some complications from international law", LSE law briefing No. 3, 2014, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2482323.

⁵² Owen Bowcott, "Conservatives pledge powers to ignore European court of human rights rulings. Critics say manifesto risks unravelling 50 years of human rights law at a time when nations such as Russia fight ECHR decisions", *Guardian* (online), 3rd October 2014, <http://www.theguardian.com/politics/2014/oct/03/conservatives-ignore-european-court-human-rights-rulings>.

⁵³ James Forsyth, "It's not just Ukip that's changing Cameron's mind about immigration", *Spectator*, 25th October 2014, <http://www.spectator.co.uk/columnists/politics/9348972/its-not-just-ukip-thats-changing-camersons-mind-about-immigration/>.

⁵⁴ Holly Watt, "Employment in Britain rises at twice rate of any other European country", *Telegraph* (online), 18th January 2015, <http://www.telegraph.co.uk/news/politics/conservative/11353595/Employment-in-Britain-rises-at-twice-rate-of-any-other-European-country.html>.

⁵⁵ The tax burden on banks has grown over recent years. In 2007, corporation tax made up 41% of taxes paid by the financial sector. Now it is just 19% - not because it has been significantly reduced, but because an array of new taxes have been imposed. Yet this growing financial contribution also boosts their political influence: City of London Corporation, "Total tax contribution of UK financial services: sixth edition," CLC Report, 2013, <http://www.cityoflondon.gov.uk/business/economic-research-and-information/research-publications/Documents/research-2013/total-tax-contribution-uk-financial-services-sixth-edition.pdf>.

hierarchies has not been a complete success. The really knowledge-intensive task of modernising heavy industry, the peripheries and rural economy has been neglected.⁵⁶ Meanwhile, in politics, the use of new communications technologies is felt to have strengthened the voice of the richest and best-educated – the ones able to broadcast on the new media. The result is a growing popular resentment towards an aloof ‘metropolitan political elite’.⁵⁷

Why does this matter? The EU tries to offer a distinct approach to globalisation, aiming for sustainable welfare spending and productivity gains, rather than UK-style low labour costs and flexibility.⁵⁸ As such, it resists the global ‘race to the bottom’. But, although many Britons appear tired of their services economy, they don’t see the EU as an enrichment of their choices. This is not just down to the eurozone crisis. Take one element of the EU model seen as a success elsewhere in Europe – free movement. This is meant to empower workers to travel to member states where they can best use their skills, thus leading to productivity gains. But Britons struggle to take advantage thanks to their high-levels of personal debt and poor language and technical skills. Instead, they have fallen victim to it, as workers from struggling EU economies flock to the UK’s flexible jobs market.

In this context, one of the only advocates of EU membership is the UK financial services industry itself. Its executives argue

that exit from the EU would create an unstable investment climate and would deprive UK-based banks of the lucrative Euro market. Some even threaten to locate away from London and to turn, say, Frankfurt into the capital of Euro-denominated transactions. British voters, confronted with such arguments, not to mention the constant news of the eurozone’s problems, believe they are ‘shackled to an economic corpse’.⁵⁹ The EU is seen as a reduction of their political and economic choices. It represents the worst both of neoliberalism – unregulated migration and an aloof political class in Brussels – and of Social Democracy – a lack of competitiveness and an unsustainable reliance on welfare spending.

All this is creating a gulf between the ‘Anglo-Saxon’ and ‘Continental’ economic models, the one associated with low wages and high employment, the other with high wages and low employment. Yet the gulf is somewhat artificial, driven in part by Britain’s narrow national focus, and its desire to exploit a nimble domestic economy rather than to leverage the scale of the EU.⁶⁰ UK Conservatives picture the world in terms of a ‘global race’ in which economies compete for flexibility, rather than trying to define global rules and standards.⁶¹ Meanwhile, Labour is reluctant to align with EU allies, and so finds itself drawn towards the Conservative vision.⁶² And UKIP persuades British workers to reject the EU model on the grounds that it is European rather than on actual substance.⁶³ The result: Britain is tying

⁵⁶ Miguel Coehlo et al. “Political Economy of Policy Failure and Institutional Reform: A review of the academic literature”, 10 February 2015, <http://www.instituteforgovernment.org.uk/sites/default/files/publications/Political%20Economy%20-%20A%20Review%20of%20the%20Literature%2012012015%20Final.pdf>; Charles Moore, “The most terrifying thing about Nicola Sturgeon is that she may be - sort of - right”, Telegraph (online), 17th April 2015, <http://www.telegraph.co.uk/news/general-election-2015/11546046/The-most-terrifying-thing-about-Nicola-Sturgeon-is-that-she-may-be-sort-of-right.html>. In the European context: Mark Bovens and Anchrith Wille, “Diplomacy democracy: on the tensions between meritocracy and democracy”, Briefing of the Universities of Leiden and Utrecht, 2009, http://dspace.library.uu.nl/bitstream/handle/1874/236192/NWO_Diplomademocracy_NET.pdf?sequence=1.

⁵⁷ Nick Cohen, “How an Oxford degree – PPE – created a robotic governing class”, Spectator, 27th September 2014, <http://www.spectator.co.uk/features/9322492/the-politics-of-ppe/>.

⁵⁸ For a critical perspective on this: Andre Sapir, “Globalisation and the reform of European social models”, Bruegel policy brief, September 2005, <http://www.bruegel.org/publications/publication-detail/publication/31-globalisation-and-the-reform-of-european-social-models/>.

⁵⁹ Daniel Hannan MEP, “Britain is shackled to the corpse of Europe”, Daily Mail (online), 6th May 2012, <http://www.dailymail.co.uk/debate/article-2140532/Francois-Hollande-French-president-Britain-shackled-corpse-Europe.html>.

⁶⁰ There is a tradition of this: European movement, “Anglo-Saxon versus European Social models of European economies - argument by caricature?”, European movement briefing, October 2005, http://www.euromove.org.uk/fileadmin/files_euromove/downloads/Economic_models_Final.pdf.

⁶¹ This economic perspective would likely dominate an incoming Conservative government’s European policy: James Forsyth, “Revealed: George Osborne’s plan to become foreign secretary”, Spectator, 3rd May 2014, <http://www.spectator.co.uk/columnists/politics/9197661/why-osborne-wants-hagues-job/>.

⁶² James Forsyth, “It’s not just Ed Miliband: Labour’s on the wrong side of history”, Spectator, 15th November 2014, <http://www.spectator.co.uk/features/9368672/its-not-just-ed-miliband-labours-on-the-wrong-side-of-history/>.

⁶³ UKIP is unusual in managing to appeal to both the working classes and the upper middle classes, mixing protectionism and libertarianism. UKIP has persuaded British workers to reject ‘continental-style’ labour market protection, a development welcomed by British executives. On UKIP’s appeal: Fraser Nelson, “Is UKIP posing as the new party of the British working class?”, Spectator (online), 12th April 2013, <http://blogs.spectator.co.uk/coffeehouse/2013/04/is-ukip-posing-as-the-new-party-of-the-british-working-class/>.

itself to a domestic economic model which many voters find highly uncomfortable⁶⁴, whilst depriving the EU of its liberal voice.

How to address this? When it comes to reinvigorating the EU's social and economic model, the UK's ability to influence matters is rather limited due to its non-participation in the euro.⁶⁵ Moreover, London's focus on reform opportunities like the interim EU budget review, while strong on substance, is poor on timing – real reform will take years of patient work.⁶⁶ Other EU governments may also resist the UK's usual demands for the liberalisation of the EU financial services market, on the grounds that this would appeal only to the City and friendly sections of the UK media⁶⁷ not to the British public as a whole.⁶⁸ More fruitful would be an effort to tailor the EU services market more to small and medium-sized businesses.⁶⁹ This approach could be carried through to the EU's trade deals with major economies.⁷⁰ A focus on smaller enterprises, as well as on creating migration opportunities for Europeans to emerging economies, could overcome the sense in the UK that the EU is just about 'big business'.

6.2 As the UK's institutions become more European, Britain loses power in the EU

Although the UK has a reputation as a builder of institutions, it has not had much influence on the EU's constitutional development. Germany, which shares the EU's core goal of diffusing and distributing political power, has been far more successful at moulding the EU's constitutional system along

its own, federal model. The EU's setup poses a challenge to unitary states like France (with its Jacobin notion of the president as the heroic embodiment of the nation) and the UK (with its notion of parliamentary sovereignty, manifested in the executive). This is because EU integration diminishes national executive autonomy while promoting judicial independence and subnational autonomy.⁷¹ And whereas Germany has merely had to reweight relations between the executive, legislature, and judiciary as well as between centre and periphery in order to adapt to this 'Europeanisation', in Britain the balance of power and method of governing the country have been hugely disrupted.⁷²

This leads to something of a paradox: as the UK becomes more obviously European in its structures – as witnessed by the tendency towards federalisation in relations with Scotland, or the incidence of coalition government in London – the British feel that their power in Brussels is dissipating. The British measure power mostly in the capacity to veto EU proposals, rather than in terms of soft or diffuse influence. As a result, British governments chronically underrate the jobs of European Commissioner or MEP; British political parties tend to underplay the importance of European party families; and British governments are unlikely to link up in a cross-party manner with other coalitions (such as the Conservative-Liberal coalition in Berlin which mirrored the UK's own in 2010). Even the nationalists in Scotland, who have traditionally recognised the importance of the EU, may skirt over it now that independence is becoming a more realistic option than federalisation.

⁶⁴ Alex Massie, "Why aren't the Tories winning? Because they are seen as the party of the rich", *Spectator* (blog), 2nd April 2015, <http://blogs.spectator.co.uk/coffeehouse/2015/04/why-arent-the-tories-winning-because-they-are-seen-as-the-party-of-the-rich/>.

⁶⁵ In earlier times, Britain might have used the 'enhanced cooperation' mechanism amongst a sub-set of EU members to promote competitive policies; these days, it can't afford to create this kind of breakaway precedent. It faces the ambivalent prospect of parallel structures emerging – a Eurozone-only budget, special arrangements on the free movement of persons, a services sub-market.

⁶⁶ Charles Grant, "David Cameron, Janan Ganesh and renegotiating EU membership", CER briefing, 4th March 2015, <http://centreforeuropeanreform.blogspot.se/2015/03/david-cameron-janan-ganesh-and.html>.

⁶⁷ Some of the media have close links to the financial sector: Chris Johnston, "Daily Telegraph 'makes no apology' for its coverage of HSBC scandal", *Guardian* (online), 19th February 2015, <http://www.theguardian.com/media/2015/feb/19/daily-telegraph-leader-hsbc-coverage>.

⁶⁸ Grant, "Ganesh".

⁶⁹ See also the debate about the creation of a European capital markets union designed to reduce the EU's reliance on bank finance: Christian Odendahl, "The low-hanging fruit of European capital markets", CER brief, 8th April 2015, <http://www.cer.org.uk/publications/archive/bulletin-article/2015/low-hanging-fruit-european-capital-markets>.

⁷⁰ This was one of the promises underpinning the Transatlantic Trade and Investment Partnership, TTIP: "Transatlantic Trade and Investment Partnership: the opportunities for small and medium-sized enterprises", Joint report of the US and EU, March 2014, <https://ustr.gov/sites/default/files/03142014-TTIP-opportunities-for-SMEs.pdf>.

⁷¹ Vivien Schmidt, "The EU and its member states: institutional contrasts and their consequences", MPFG paper 1999, <http://www.mpifg.de/pu/workpap/wp99-7/wp99-7.html>.

⁷² Schmidt, "EU and its member states".

Why does it matter? Many constitutional changes to the UK are being induced by the EU.⁷³ Indeed, federalism, multi-party politics and pluralism are now actively pursued Europe-wide by Brussels as a means for coping with economic globalisation and the way it induces political centralisation and geographical fragmentation⁷⁴. Ignorance of the EU's role here may prove fatal for the United Kingdom. Following the Scottish independence referendum in 2014, for instance, the British Conservatives are proposing a new federal settlement between England and Scotland; but it seems unlikely to work because England is simply far bigger than Scotland, and claims of unfairness will abound. The EU, as an overarching federal layer, might take the edge off such imbalances.⁷⁵

This tendency to ignore the European level reflects the EU's lack of legitimacy in the UK, as well as a disinclination permanently to weave European structures into the UK's constitutional system. But it also reflects a fundamental misunderstanding in Britain about the nature of European federalism. Britons associate their own model of parliamentary sovereignty with decentralisation and EU federalism with centralisation. In reality, the reverse is more usually true. The EU is a multi-level system, which tries to give voice to different layers of organisation and power. The UK remains inherently unitary. Thus when British voters support the idea of repatriating competencies from the EU and empowering their parliament, they do so on the assumption that this will decentralise politics and bring it closer to them.⁷⁶ In reality, it will re-centralise power in London.

If the UK seeks to recoup power by renationalising it, its positive influence in Brussels will further shrink. This is already becoming clear in Britain's representation in the EU's administrative system, where eligible British personnel are hampered by a lack of language skills and uncertainty over British EU membership.⁷⁷ The wave of UK officials parachuted into Brussels after British accession in 1974 is retiring, leaving the UK underrepresented in the Commission and Parliament apparatus. In its move to replace them, moreover, London has gained a reputation for pushing trusted but incompetent national officials rather than those with Brussels experience.⁷⁸ Meanwhile, radical eurosceptic voices like UKIP are proving best adapted to EU-level politics, as they cheerfully form coalitions in Brussels with like-minded partners.

How to address this? Pragmatic voices in the UK argue that it's better to show, not tell: instead of institutional navel-gazing, the EU should focus on producing concrete policy outcomes.⁷⁹ Yet, some institutional reforms are relevant here, such as France's focus on boosting the EU's capacity for action in the world. Paris is worried that Europe's old post-war rationale for power-sharing is passé, and that the EU is becoming a mere federalised space, ripe for the US or some less friendly power to define.⁸⁰ The institutional initiatives launched by the Dutch government, and the Dutch EU Commissioner Frans Timmermans, can also play a positive role. Researchers and politicians in The Hague have shifted their focus to national level institutions, showing how a lack of faith in domestic governance dents Europe's resilience

⁷³ The EU funds minor parties represented in the European Parliament, and regions. It also gives them scope to represent their cause in Brussels, a platform which is often used primarily to address a national audience. Nicholas Watt, "Ukip to lose funding worth £1m as Farage's European group collapses", *Guardian* (online), 16th October 2014, <http://www.theguardian.com/politics/2014/oct/16/ukip-efdd-group-collapse-brussels>.

⁷⁴ Sol Picciotto, "Fragmented states and international rules of law", in: *Social and Legal Studies*, 1997, Vol. 6(2): pp. 259-279, available at: <http://www.lancaster.ac.uk/staff/lwasp/fragmented.pdf>.

⁷⁵ Brendan Donnelly, "Federalism, what federalism?", Federal Trust comment, 6th January 2015, <http://fedtrust.co.uk/the-united-kingdom-a-federal-perspective/the-changing-uk-constitution/federalism-what-federalism/>.

⁷⁶ Richard Briffault, "What about the 'ism' - normative and formal concerns in contemporary federalism", in: *Vanderbilt Law Review*, 1303 (1994)

⁷⁷ House of Commons Foreign Affairs Committee, "The UK staff presence in the EU institutions", Second Report of Session 2013-14, <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmfaff/219/219.pdf>.

⁷⁸ During the negotiations between London and Berlin on Jean-Claude Juncker's appointment as Commission President, the UK was apparently offered the post of Secretary General of the European Commission and a significant post in the incoming Commission College in return for its acquiescence. London turned down the offer, with predictable consequences. Bojan Pancevski, "Juncker's 'steamroller' sidekick flattens UK hopes of top EU job", *Sunday Times* (online) 6th July 2014, http://www.thesundaytimes.co.uk/sto/news/world_news/Europe/article1430883.ece.

⁷⁹ Janan Ganesh, "From a reluctant European - a memo to the Prime Minister", Open Europe guest essay, 2nd February 2015, <http://openeurope.org.uk/intelligence/britain-and-the-eu/janan-ganesh-from-a-reluctant-european-a-memo-to-the-prime-minister/>.

⁸⁰ This is an old preoccupation: Pierre-Emmanuel Thomann, "Europe as a political force: cards on the table", *diploweb.com* (online), 15th April 2010 <http://www.diploweb.com/Europe-as-a-political-force-cards.html>. Clea Caulcutt, "France fears waning EU influence", *BBC news* (online), 11th July 2014, <http://www.bbc.com/news/blogs-eu-28243937>.

to the global economy as well as leading inexorably to a transfer-union between stronger and weaker EU members and to political centralisation.⁸¹

6.3 Britain's pursuit of loose intergovernmental relationships only centralises power in Europe

The UK has always promoted an intergovernmental vision of the EU. But achieving this kind of loose cooperation is actually highly demanding, and London has long struggled to build the necessary trust and relationships to other governments. Historically, its relations to other governments have always been strongest when it has acted as a 'consensual blocker' (taking the blame for blocking an EU proposal which other member states secretly disliked). But since national veto power was more or less abolished, London has had to find new means to shield itself from supranationalisation: perhaps by internationalising EU cooperation (preventing the constitutionalisation of the EU by making Brussels more 'outward-looking'); trying to take leadership of the EU (transferring its domestic policies to the EU); and sealing itself off from mainstream EU integration (opting-out from the euro).⁸²

What all these approaches have in common, however, is a British reluctance to compromise with its partners in other capitals. Since 2010, and the election of a Conservative-led government, its willingness has only further diminished. Indeed the British government is today criticised for using its inter-governmental relationships primarily for domestic media consumption, with David Cameron pointing to his closeness to Germany in order to impress his party and voters.⁸³ All this has the effect of making long-standing British fears come true. Britain today finds itself increasingly reliant on the European Court and Commission to resolve inter-governmental disputes; it has permitted a potentially-hostile caucus of governments to emerge in the form of the Eurozone; and, thanks to its over-investment in British-

German relations, it has added to the growing centrality of Berlin in European affairs.

Why does it matter? As the UK becomes more marginal, the role of big member states in EU affairs may actually grow. Until recently the Franco-German relationship served to prevent the domination of the EU by a *directoire* of large states: their closed bilateral relationship excluded the third big EU state - the UK - as well as precluding Paris and Berlin from forming permanent alliances to smaller members. The current tensions in Franco-German relations, and the UK's marginalisation, could change all that. France and Germany are emerging as the *de facto* leaders of two opposing blocs of EU states, a left and a right.⁸⁴

The centrality of the Eurozone will also grow. When the Euro crisis began, the UK was widely expected to represent the views of 'eurozone-outs' such as Sweden and Poland. It has not adequately done so. Failing this, Poland and the Baltic states, afraid of being left in an outer tier of cooperation, are now having to expedite their accession to the Eurozone. With the UK viewed as an unreliable partner on a whole range of EU issues, moreover, the locus of European coalition-building is shifting into the Euro-group itself. Historic allies of the UK such as the Netherlands, Malta and Cyprus feel they must shift focus to the two eurozone giants, Germany and France.⁸⁵

As a result, intergovernmental relations will take on an increasingly zero-sum undertone. France was highly sceptical about the enlargement of the EU to include the UK and Ireland, eastern Europeans and even Nordic countries, due to its fears about 'Anglo-Saxon' influence. As the UK grows more inward-looking, however, this calculus may alter. France may now view the UK's continued membership as the means to neutralise non-euro Nordic and Eastern members: Britain is dragging them into a political no-man's-land. If so, Germany may see the same dynamic, but

⁸¹ See the work being done by Adriaan Schout at the Clingendael institute, which shows the UK to be an unusual case. Voters there show low levels of trust both in their own domestic institutions and European institutions. This lack of faith in political institutions may explain Britain's readiness to open the economy to market forces, rather than try to regulate them. Limited social capital may also lead to a centralisation of power at the national and European levels.

⁸² Roderick Parkes, "Stuck in the exit: the dynamics of British-EU relations", SIEPS European Policy Analysis 11, October 2012, http://www.sieps.se/sites/default/files/2012_11epa.pdf.

⁸³ Philip Oltermann, "Why Britain's love-bombing of Berlin has failed", *Guardian* (online), 7th January 2015, <http://www.theguardian.com/commentisfree/2015/jan/07/why-britain-lovebombing-berlin-failed-migration>.

⁸⁴ On the relationship between the EU's Big-3 member states: Roderick Parkes, "No longer the magic number: the decline of the EU" Big-3", pp.21-24 in: Josef Janning and Almut Moeller (ed.s) *Re-building Coalitions*, DGAP Report No. 20, 2014, <https://dgap.org/en/article/getFullPDF/26248>.

⁸⁵ Janning and Moeller, "(Re-)building coalitions".

in reverse: if the UK finally exits the EU, Berlin can tighten its relations with northern and eastern member states and become their standard-bearer.

How to address this? The solution clearly lies in improving the quality of intergovernmental cooperation. But the UK remains focused on special concessions from Berlin and on narrow legal safeguards to prevent hostile caucusing. Such mechanisms are defensive and will not per se improve the spirit of cooperation. This may in turn push the UK to form expedient alliances, for instance with a France or Hungary driven by the extreme right. Much therefore depends on the European Council president, Donald Tusk, and the way he manages EU summits. The growing professionalism of summit-management means there is less space for collusive relationship-building between leaders. This ought to suit the British. So too should Tusk's spikier and more political attitude.⁸⁶ His readiness to articulate national leaders' dissatisfaction with the EU, and with each other, demands an altogether different kind of relationship-building.

6.4 The UK's attempt to escape its European geography in fact ties it down

The EU is meant to offer its members something of an escape from geography. Initiatives such as the internal market and free-movement regime serve to reduce the salience of national borders and the uneven distribution of natural resources between European nations. Meanwhile, EU enlargement has overcome shifts in global geopolitics resulting from de-colonisation (UK, IE, DK in the 1970s), democratisation (EL, ES, PT in the 1980s), Cold-War detente (SE, AT in the 1990s) and globalisation (eastern enlargement in the 2000s). And the EU's recent development of a more coherent international presence, via

a European diplomatic corps, is meant to help Europeans overcome their limited size and reach. The UK, however, has little desire to escape its geography: these are the secret of its success.

The UK has traditionally thought in terms of fluid geography – the world is mapped out according to Britain's overlapping memberships in international organisations and its participation in networks of like-minded states such as the 53-strong Commonwealth or the various G- formats.⁸⁷ The EU poses something of a threat to this fluid globalised geography: thanks to European integration, the UK finds itself heavily committed to its nearest neighbours, whereas its instinct historically has been to pacify Europe and free itself to pursue economic interests elsewhere.⁸⁸ Indeed, the EU is seen to have drawn Britain into territorial conflicts in Eastern Europe whilst serving to undermine the cohesion of the West due to the EU's lack of sovereignty in the sphere of defence.⁸⁹

Why does it matter? The UK's past efforts to loosen its European geography have been self-defeating. Britain has, for example, viewed EU enlargement as a means to expand the single market and loosen political ties to Brussels; in practice, this has led to greater European centralisation as consensual intergovernmental decisions and non-binding conventions become harder to achieve in an EU of 28.⁹⁰ Today, the UK may again be tempted to put wishful thinking ahead of geopolitical reality. In discussions, some UK strategists speculate about loosening EU membership by turning Britain into one of a class of bridging states. These countries – Ukraine to the East, Norway to the North, Turkey to the South – would be supposed to act as gateways between the EU and other parts of the world.⁹¹

⁸⁶ The former Polish prime minister has aimed to make summits shorter, more political and less painstakingly consensual. Charlotte McDonald-Gibson, "Former Polish Prime Minister Donald Tusk faces challenge at the European Council", *Independent* (online), 28th November 2014, <http://www.independent.co.uk/news/world/europe/former-polish-prime-minister-donald-tusk-faces-challenge-at-the-european-council-9891826.html>.

⁸⁷ HM Government "Review of the Balance of Competences between the United Kingdom and the European Union: Foreign Policy", July 2013, p.14, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/227437/2901086_Foreign_Policy_acc.pdf.

⁸⁸ David Rennie, "The continent or the open sea", CER report, 2012, http://www.cer.org.uk/sites/default/files/publications/attachments/pdf/2012/rp_096_km-6277.pdf.

⁸⁹ Peter Hitchens, "Forget 'evil' Putin - we are the bloodthirsty warmongers", *Daily Mail* (online), 21st December 2014, <http://www.dailymail.co.uk/debate/article-2882208/PETER-HITCHENS-Forget-evil-Putin-bloodthirsty-warmongers.html>.

⁹⁰ On some of the tensions between enlargement and political cohesion: Jeffrey Karp and Shaun Bowler, "Broadening and deepening or broadening versus deepening": the question of enlargement and Europe's hesitant Europeans", in: *European Journal of Political Research*, 2006, Vol. 45(3), pp.369-390.

⁹¹ On this debate: Sinan Ulgen, "Powers lost or gained?", *Carnegie Europe* (online), 1st February 2013, <http://carnegieeurope.eu/strategieurope/?fa=50808>; Charles Kupchan, "Britain is no longer America's bridge to Europe", *Financial Times*, 1st June 2010, <http://www.ft.com/intl/cms/s/0/dc5cf340-6dcb-11df-b5c9-00144feabd0.html#axzz3XIGYXj3A>.

The UK's view of the world is heavily conditioned by its close strategic affinity with other Anglosphere countries – the US, Canada, Australia, New Zealand. These countries have enjoyed the privilege of being rather cut off geographically, of being able to pick and choose the global security problems they intervene in, and of exploiting a global order in which economic interdependence has melted geography and history. In picturing itself in this way, the UK is implicitly depending on the EU as a kind of physical buffer against geopolitical fault-lines in Eastern Europe and the South Mediterranean.

The UK's Anglosphere allies increasingly recognise that they are themselves in a rather exceptional position. Thanks to their happy geography, they have managed to more or less maintain national sovereignty and global reach over the past 25 years. As western influence wains, however, regional tensions are returning world-wide. Countries like the US and Australia now acknowledge that the EU's model of rule-based regionalism has a vital role to play in the emerging multipolar order⁹², but could also prove a considerable source of instability if mismanaged. Their pressure for the UK to invest properly in European affairs risks leading to diplomatic tensions, and of course further politicising the EU in Britain.

How to address this? Reinvigorating the European approach to global affairs is of the highest priority, and should really provide an organising principle for all the other solutions. Europe's distinctive socio-economic model is usually situated at the heart of the EU's grand strategy.⁹³ This is out of simple geopolitical necessity: the governance of Europe's highly-populated, cramped, and resource-poor geography requires social welfare, representative democracy and tight border control. But this must be combined with an open economy and access to foreign markets and resources. The emphasis here is on the only resources Europe still enjoys in abundance – its human resources. By empowering citizens in the economic sphere, European countries can take the heat off their political institutions and build faith in their capacity to regulate and deregulate the economy.

The EU is just beginning a strategic review of its global policy. From June 2015, the process will be handed over to Donald Tusk and the European Council for intergovernmental talks. The UK will itself begin its own Strategic Defence Review later this year. And yet, its citizens – like those across the EU - will be pressing for practical progress on far more real concerns such as healthcare, jobs and immigration.⁹⁴ It will take considerable statecraft to line up these various processes.

⁹² See for instance the positioning on sanctions against Russia: EU business, "Australia to match EU on Russia sanctions", Eubusiness.com, 1st September 2014, <http://www.eubusiness.com/news-eu/ukraine-russia.xkt/?searchterm=None>.

⁹³ Sven Biscop, "Foreign policy and the Euro: we have an idea", Egmont policy brief, November 2011, <http://www.ies.be/files/documents/JMCdepository/Biscop,%20Sven,%20Foreign%20Policy%20and%20the%20Euro,%20%20We%20Have%20an%20Idea.pdf>.

⁹⁴ British voters are also showing real resistance to attempts by politicians to cite strategic international pressures in order to structure and narrow down domestic choices. This is probably one reason why the Transatlantic Trade and Investment Partnership – which is promoted increasingly on the grounds that if the EU does not sign up to it, the US will drop it and seek other friends – is proving so unpopular. For a short analysis: Hans Kundnani, "The 'strategic' case for TTIP", ECFR commentary, February 2015, http://www.ecfr.eu/article/commentary_the_strategic_case_for_ttip421.

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