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# THE BRITISH PROBLEM AND WHAT IT MEANS FOR EUROPE

Mark Leonard

## SUMMARY

The risk of a British exit from the EU is real, but not because the British public is much more hostile to Europe than other Europeans. The problem is an anti-EU elite that has elided the European debate with one about migration and co-opted the public discourse. Meanwhile, mainstream parties have united around a European reform platform that is compatible with EU membership. Other EU member states have much at stake. In addition to the risk of contagion, Europe without Britain will be smaller, weaker, and poorer. The UK's European partners can play a crucial role in marginalising the anti-EU elite and helping Britain's mainstream parties build a stronger case for EU membership.

EU states can give a hand by engaging the government in London in a reform debate, and encourage British politicians to seek benefit from joint EU initiatives rather than seeking special treatment. They should also start a wider debate about how the EU's institutions can support the eurozone while also re-assuring non-eurozone members that a stronger euro will not weaken the rest of the Union. European leaders need to reach out to the whole political spectrum and to British society, with an eye on the referendum, for instance by encouraging their national companies based in Britain to begin issuing early warnings about job losses if Britain were to leave the EU.

Europe has a British problem. For a good year the possibility of Brexit has been widely discussed in other EU capitals, but many of Britain's partners are not sure how seriously to take the risk. What is driving the debate? How much would it really matter to the EU? And is there anything that the rest of the EU can do about it anyway?

This paper aims to offer some answers to these questions. It shows that there is a serious risk of a British exit – but that the driver for this is not sceptical public opinion but rather a Europhobic elite. It claims that the cost of Brexit will be higher than many member states realise because of the dangers of contagion from Brexit, and the way that it would weaken Europe's voice on the world stage. And finally, it argues that other member states can have a defining impact on whether Britain stays in Europe. It ends by setting out some ways that other member states can play a helpful role in aiding Britain's pro-European majority to drive a wedge between the country's Eurosceptic elite and its pragmatic public.

### Driving Brexit: divided elite and agnostic public

There is a myth that Britain has a uniquely Eurosceptic population that is desperate to leave the EU. The reality is somewhat different. British Euroscepticism is an elite project,

<sup>1</sup> I firmly believe that it is in Britain's interests to be in the EU – and even more so to end its self-marginalisation and play an enthusiastic role in this exciting project. While I will continue to argue these things in other places, this paper is aimed at giving a dispassionate explanation of the British dynamics to policymakers in other EU countries.

<sup>2</sup> Though I haven't done a statistical regression, I'd argue there is a roughly 60 to 70 percent chance of a referendum and a 20 to 30 percent chance that a vote to exit would result.

and there is a battle between the Europhobic elite and pro-European forces to win over a relatively agnostic public.

It is true that the British have always had a slightly different position towards the EU and that the British public is not particularly enthusiastic about the current EU. But the British public's attitudes are not that different from those of the public in most other countries. Back in 2007, people thought that the UK, whose public's level of distrust in the EU was 13 points higher than its trust levels, was a Eurosceptic outlier (a minus 13 score).<sup>3</sup> Now, the four central members of the eurozone come in well below Britain did then in their trust for EU institutions: Germany comes in at minus 19, France at minus 16, Italy at minus 25, and Spain at a whopping minus 31 (see figure below).<sup>4</sup> What is more, there is a great deal of evidence that the British public cares relatively little about the European question.<sup>5</sup>

The big difference between Britain and other EU countries lies at the level of elites. While public opinion is sceptical in other countries, the political elites are almost universally committed to the EU. But in Britain this is not the case.

3 "Eurobarometer 67: Public Opinion in the European Union", European Commission, November 2007, available at [http://ec.europa.eu/public\\_opinion/archives/eb/eb67/eb67\\_en.pdf](http://ec.europa.eu/public_opinion/archives/eb/eb67/eb67_en.pdf).

4 Mark Leonard and José Ignacio Torreblanca, "The Eurosceptic Surge and How to Respond to it", European Council on Foreign Relations, April 2014, available at [http://www.ecfr.eu/page/-/ECFR08\\_EUROSCPTIC\\_BRIEF\\_AW\\_%2884%29.pdf](http://www.ecfr.eu/page/-/ECFR08_EUROSCPTIC_BRIEF_AW_%2884%29.pdf).

5 Two percent of voters in the UK think that the EU is the most important issue, according to one poll, available at <https://www.ipsos-mori.com/Assets/Docs/Polls/issues-index-topline-feb-2015.pdf>.

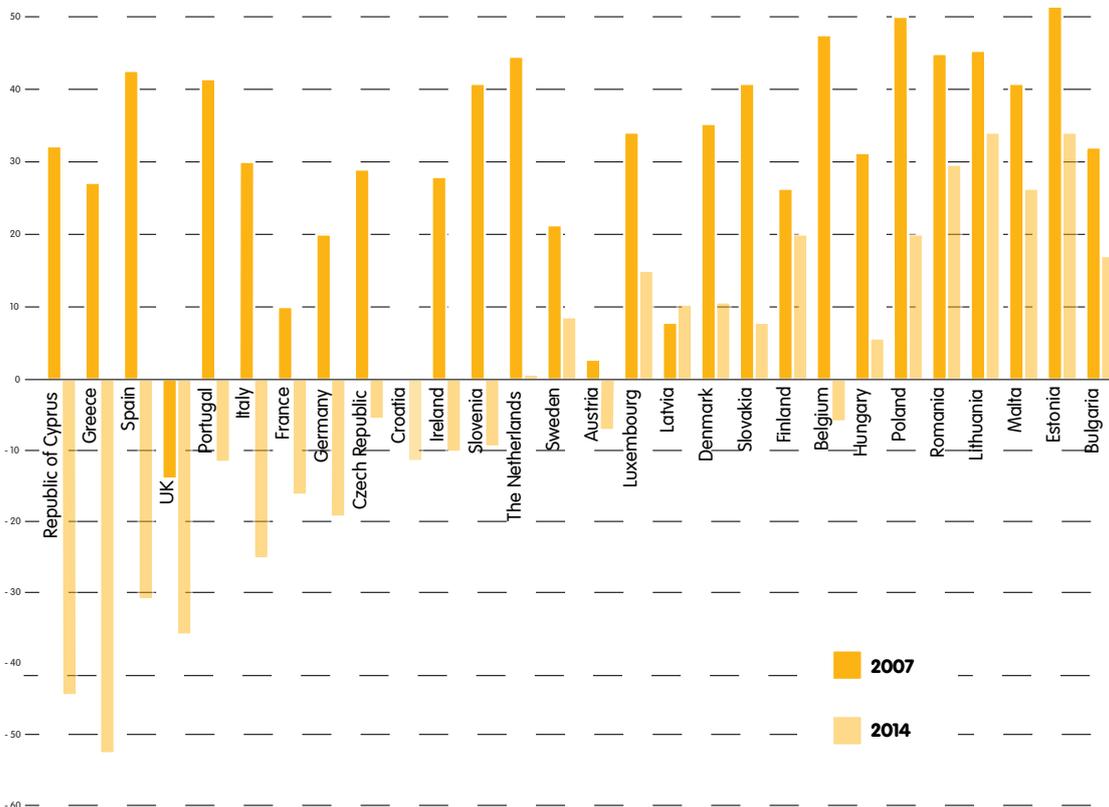
### Britain's Europhobic elite

Labour Party leader Ed Miliband accused the Prime Minister, David Cameron, of "sleepwalking" towards EU exit, evoking the march of folly by misguided elites that led Britain into the First World War.<sup>6</sup> But the more appropriate martial analogy is between those who are conspiring to push Britain out of the EU and the neoconservatives who pushed the US to invade Iraq. Like the neocons Britain's Europhobes are a small subsection of the elite. But they have a powerful intellectual framework, wealthy backers, and advocates in the media, the House of Commons, and even the Cabinet. Like the neocons, who seized on 9/11 to build a coalition for invasion, the Europhobes have been quick to capitalise on the euro crisis to coalesce an alliance of disparate groups and interests.

The Conservative party in parliament has two main factions: a business friendly majority that wants to remain in the EU and a populist minority that wants to leave. This minority forms the core of the Europhobi lobby. Earlier this year, 95 of the 303 Conservative MPs supported calls for parliament to be given the power to veto all aspects of European law. The power of the Conservative Europhobes has been magnified by the rise of the UK Independence Party (UKIP), who following an impressive result in European Parliamentary elections managed to persuade two Conservatives to join their ranks. They went on to win by-elections and gain UKIP its first seats in

6 Andrew Sparrow, "Britain 'sleepwalking towards EU exit' under Cameron, says Labour", *The Guardian*, 19 November 2012, available at <http://www.theguardian.com/world/2012/nov/19/britain-sleepwalking-eu-exit-cameron>.

## Trust in the EU by member state



Source: Author's elaboration from Eurobarometer data (Croatia included only for 2014 data)

## Where do UK parties stand on Europe?

	Estimated number of seats in next parliament*	Polling in % (as of 12 February)*	For EU membership	For referendum on EU membership	Proposals for EU reform
<b>Conservatives</b>	282	33.5	Yes	Yes	<p>Abolishing principle of “ever closer union”</p> <p>Extend “double majority” of the banking union to entire single market</p> <p>Tighter rules on immigration and benefits: four year moratorium before accessing in-work benefits</p> <p>Less red tape</p> <p>A new power for national parliaments, including a “red card”</p> <p>“Liberating” British police and courts from European Court of Human Rights</p> <p>Fast track free-trade agreements, including TTIP</p>
<b>Labour</b>	284	32.2	Yes	No – unless there is more transferral of sovereignty	<p>Lengthen transition time for free movement for new member states</p> <p>Tighten laws on EU migrants’ access to benefits</p> <p>Easier deportation of foreign criminals</p> <p>Change EU budget and resources to focus on growth</p>
<b>Liberal Democrats</b>	26	8	Yes	No – unless there is more transferral of sovereignty	<p>Completion of single market in services and digital economy</p> <p>Cut budget waste, and push for increased funding for cross-border infrastructure projects</p> <p>Reduce regulation that affects small businesses</p>
<b>UKIP</b>	2	10.5	No	Yes	
<b>Green</b>	1	4.2	Yes	Yes	
<b>Scottish National Party (SNP)</b>	35	3.2	Yes	No – unless all 4 nations can veto	
<b>Plaid Cymru (Welsh Nationalist Party)</b>	1	0.5	Yes	No – unless all 4 nations can veto	
<b>Others</b>	19	2.3			

\* Figures taken from <http://www.electionforecast.co.uk> who combine data from YouGov polling with publicly released polls (as of 12 February 2015)

Westminster. Fear that a surge in the UKIP vote could cost them their seats has a number of Conservative MPs moving closer to the Europhobes. Cameron recently admitted that he faces two fronts in politics: “I have to win against Labour, but I also have to win back people who have left my party who are concerned and worried about the pressures in our modern world.”<sup>7</sup> Cameron’s problem is not new: the conservative party has always been a coalition, but today’s Europe debate is the most divisive issue since the Corn Laws split the party in the 19th century.

The biggest triumph of UKIP (like other Eurosceptic parties in Europe) has been to fuse the European issue with migration – arguing that the EU has taken away domestic control of Britain’s borders. In an interview last year, UKIP leader Nigel Farage conceded that he struggled for years to work out how to make Euroscepticism a popular cause before he got hold of immigration as the way to make it connect: “These things did seem to be rather intellectual debates rather than things that were affecting everyday lives”.<sup>8</sup> In his rhetoric, Farage masterfully conflates social change with migration and the EU: “If you live in the east of England, you will have seen social change in your towns and cities over the course of the last ten years that is absolutely huge. And by and large people are very uncomfortable with it.” A major study of the views of 20,000 UKIP supporters by Lord Ashcroft in 2012 confirmed that only a minority of UKIP supporters said Europe is the single most important issue for them.<sup>9</sup> In focus groups, UKIP supporters reeled off a litany of complaints, both imagined and real, about the cultural and social state of Britain. For example: your school is not allowed to hold a nativity play; you cannot fly the flag of St George; you cannot be promoted in the police force unless you are a minority; you cannot even speak up about these things, because you’ll be labelled a racist. UKIP claims to speak for the majority, but it adopts the rhetoric and tactics of an oppressed minority with its talk of “self-government” and independence – with Brussels, more often than not, playing the part of the oppressive regime that threatens Britons’ sovereignty.

British Euroscepticism has managed to thrive by tapping into a wider anti-political mood that is equally prevalent outside the UK. The genius of London’s Eurosceptics, however, has been to use the euro crisis and allies in the media to broaden the Europhobic coalition.

### *The Pro-European Mainstream*

While the political conversation about Europe has been defined by the Europhobic elite, the leadership of all the mainstream parties in Britain has slowly converged around a position of being pro-EU, pro-reform. There remain big differences between the Eurosceptic prime minister, who is held hostage by a divided party and

<sup>7</sup> Interview with the BBC, 29 September 2014, available at <http://www.bbc.co.uk/news/uk-politics-29415929>.

<sup>8</sup> Interviews with author. All quotes in the brief, unless otherwise cited, are from private interviews conducted by the author.

<sup>9</sup> Even among UKIP supporters, only 27 percent thought that Britain’s EU membership is the most important question, according to Lord Ashcroft’s polling on UKIP, available at <http://lordashcrofthpolls.com/wp-content/uploads/2012/12/THEYRE-THINKING-WHAT-WERE-THINKING.pdf>.

willing to take bigger risks with Britain’s EU membership, and the instinctively pro-European Labour and Liberal Democrat leaders who are ready to make Britain into a constructive and engaged member of the club. The biggest divide of all is whether to hold a referendum on EU membership. The Conservative Party has made this a central plank of its election platform, while Labour and the Lib Dems have argued that they will only support a referendum if a new government signs a treaty which transfers sovereignty from Westminster to Brussels. Of the minor parties, both the Greens and UKIP would vote for a referendum while the SNP and Plaid Cymru would likely oppose it. As the table below shows, the picture of possible coalitions and outcomes is rather complex, but given current polling numbers and the possible coalitions, at least half of the election scenarios would lead to a UK referendum on EU membership in 2016/2017.

While the leaders of the mainstream parties are divided on the referendum, they are united on many areas of reform from restricting benefits to migrants to increasing the role of national parliaments in EU decision-making. And all three parties support TTIP.

David Cameron has been gradually moving away from an agenda of repatriating powers to Britain and extracting special concessions towards an agenda of broader European reform. The original assumption behind Cameron’s policy when he launched it in his “Bloomberg speech”<sup>10</sup> in February 2013 was that there would be a major intergovernmental conference (IGC), and that the British renegotiation could take place within that context. However, the changes of a major IGC have subsided due to fear of referendums in eurozone countries. French President François Hollande has made it clear that he is opposed to one before the next presidential election in France. The Greek election and the arrival in government of Syriza have made member states even more wary of an IGC. Moreover, both the British government internally and external experts such as the former head of the EU’s legal service, Jean-Claude Piris, have argued that the British government would be able to achieve most of these goals without treaty change.<sup>11</sup>

However, there remains a fear amongst pro-Europeans that Europhobic forces within the Conservative Party will push Cameron into advocating impossible reforms, specifically calling for major restrictions on free movement rather than changing the rules for benefits.<sup>12</sup> For example, a growing number of Conservative MPs want to introduce a points system for EU mobility that matches the rules for non-EU migration. The charismatic mayor of London, Boris Johnson, who will almost certainly return to the House of Commons at the next election, may try to claim the leadership of the

<sup>10</sup> Speech by David Cameron on the future of the EU at Bloomberg headquarters in London, January 2013, available at <https://www.gov.uk/government/speeches/eu-speech-at-bloomberg>.

<sup>11</sup> George Parker, “Legal loopholes for David Cameron on EU treaty, says top lawyer”, *Financial Times*, 5 May 2014, available at <http://www.ft.com/cms/s/0/c1a650ee-d363-11e3-8d23-40014feabdco.html#axzz3RcnIkURz>.

<sup>12</sup> In a speech given in November 2014 David Cameron addressed EU freedom of movement but focused on reform of benefit systems, available at <http://www.conservativehome.com/parliament/2014/11/the-full-text-of-the-prime-ministers-speech-on-immigration.html>.

# Possible coalitions and the referendum implications

Coalitions	Parliamentary votes	Referendum
Conservative majority government	Conservative have enough votes to pass referendum bill	Referendum in 2016 or the first half of 2017
Conservative/Liberal Democrat coalition	Liberal Democrats extract a significant price for a referendum	Referendum in 2016 or the first half of 2017
Conservative-led minority government (Conservatives; not enough Liberal Democrats to cross the line)	If Cameron holds a vote on the referendum immediately after the election and Labour is in disarray, it will pass	Referendum in 2016 or the first half of 2017
Deadlocked Parliament (Conservatives & Labour without majority; SNP has balance of power)	Unclear	Unclear – any grand coalition or Conservative-led government would most likely hold a referendum
Labour-led minority government, depending on the SNP, with legitimacy issues	Referendum blocked but would become a grievance issue	Decision deferred – but the issue could remain alive and return if the government fails
Labour/Liberal Democrat coalition	A slim Commons majority with no referendum	Decision deferred – but will be a significant issue in Tory leadership contest and beyond
Labour-led coalition or minority government without legitimacy issues	Majority against referendum	No referendum before 2020 election
Labour majority government	Majority against referendum	No referendum before 2020 election

Conservative Party on a Eurosceptic platform. He has recently embraced the idea of reforms, but his list is so far from being negotiable that it looks like a tactic to push Britain out of Europe: “If we can knock out social and environmental legislation, if we can knock out the Common Agricultural Policy, if we can repatriate powers over global justice and home affairs, if we can manage migration ourselves, if we can genuinely complete the single market in services, then maybe, maybe we’re going to win this argument.”<sup>13</sup> One of the officials at the heart of the government’s European policy is pretty blunt about the impossibility of avoiding a split in the Conservative Party: “Is there a realistic reform agenda that could persuade British people to stay in? I think the answer is yes. Is there a reform agenda that could satisfy Conservative MPs? Unfortunately, I don’t think there is”.

<sup>13</sup> Rowena Mason, “Boris Johnson’s EU reform list for Cameron to stop him voting for exit”, *The Guardian*, 6 August 2014, available at <http://www.theguardian.com/politics/2014/aug/06/boris-johnson-david-cameron-eu-reform-list-stop-vote-exit>.

One of the key questions is still whether David Cameron is more afraid of taking Britain out of the EU or of permanently splitting his party. His allies say privately that he has reconciled himself to becoming the leader of ‘in’ – even if it splits his party. His choice will have a major impact on the way the public thinks about the European issue.

## The Pragmatic Public

Europe is not an issue that the British public follows closely, or is particularly passionate about. While 50 percent of Britons think the economy is central, and 46 percent placed “health” in the top three, only 17 percent consider Europe to be an important issue – even after a year of intense coverage of Brexit.<sup>14</sup>

<sup>14</sup> YouGov poll, February 2015, available at [https://d25d2506sf94s.cloudfront.net/cumulus\\_uploads/document/giwiols5do/YG-Archives-Pol-Trackers-Issues%282%29-Most-important-issues-030215.pdf](https://d25d2506sf94s.cloudfront.net/cumulus_uploads/document/giwiols5do/YG-Archives-Pol-Trackers-Issues%282%29-Most-important-issues-030215.pdf).

The EU is one of those issues where public attitudes are motivated by identity and values as much as by traditional metrics of class or financial interest. When pollsters think about values, they tend to segment the British public into three main tribes. First are the “settlers” who make up 30 percent of the population and are naturally conservative and focused on safety, security, and belonging. Next are the “prospectors”, at 32 percent of the population, who want to maximise their wealth and seek opportunity for personal advancement.<sup>15</sup> Finally, there are the “pioneers” who make up the remaining 38 percent. They have satisfied their material needs and are interested in self-actualisation and concerned about the big picture. As Adam Lury, a former advertising executive who advised the last Labour government, points out, the power of the pro-Europeans was that they developed a case for British membership that appealed to all three groups. And now the Eurosceptics have managed to flip all three narratives. For the settlers, the EU offered peace and stability, but today these working-class voters are as likely to see the EU as a source of instability that has stripped the country of border controls and led to mass migration. For prospectors, the single market promised jobs and prosperity, but today many people see the UK’s membership of the EU as the equivalent of “being shackled to a corpse”.<sup>16</sup> And for pioneers, the EU was an exotic and exciting experiment of the future, but today’s Eurosceptics claim that the model has failed. They portray the EU as a fossilised relic of the 20th century in a new digital world. They have laid out a new future for Britain as a Singapore off the shore of Europe. The details of this vision are sketchy, but it is a modern-sounding argument that has a different tone to the isolationism of Euroscepticism’s past.

15 “Council Elections, May 2013: Little England on the Warpath”, Cultural Dynamics blog, May 2013, available at [http://www.cultdyn.co.uk/ART067736u/Council\\_Elections\\_2013.html](http://www.cultdyn.co.uk/ART067736u/Council_Elections_2013.html).

16 “MPs Debate case for UK pulling out of European Union”, *BBC News*, 26 October 2012, available at <http://www.bbc.com/news/uk-politics-20085437>.

In this phony war, the European question has been largely been framed as a subsection of the debate about migration but, in the event of a referendum, the big questions will no doubt be economic. As YouGov’s Peter Kellner argues, the subliminal question that opinion poll respondents answer when asked about EU referendums is “do you like the EU?” However, in the event of a referendum, the subliminal question will not be whether people like the EU, but whether Britain should take the risk of going solo.

For this reason, pro-European strategists expect the dynamics of public opinion to change fundamentally in a campaign. A senior Liberal Democrat close to Deputy Prime Minister and Lib Dem leader Nick Clegg said: “The debate will shift very quickly if people think that a Brexit is really in the cards. There are a lot of businesses that will be very worried about being stuck outside the EU.” He pointed out how the Japanese government has already warned that many British people who work for Japanese companies would lose their jobs and that companies such as Nissan and Ford have come out publicly, as well as making these points to their staff.

It seems likely that a referendum campaign could drive many prospectors back into the pro-European camp, while a more optimistic case for a European future might reignite the support of pioneers. If this happens, the anti-Europe coalition will once again become so dominated by the traditionalist, anti-immigration argument that it loses its breadth.

In fact, as the talk of actual withdrawal has increased, Britons today are more in favour of staying in the union than they were five years ago. This has also been labelled “the Farage paradox” – the more support Farage gets for UKIP, the less support there is for its core idea: leaving the EU. In other words, the electoral success of hardcore Eurosceptics seems to be scaring the pragmatic centre into supporting the EU. As Sunder Katwala, director of the non-partisan think-tank British Future, argued, “most people like complaining about Brussels but that doesn’t mean that they want to risk leaving the club, and certainly not on a ticket back to the 1950s”.

## EU referendum: record ‘IN’ lead

If there was a referendum on Britain’s membership of the European Union, how would you vote?

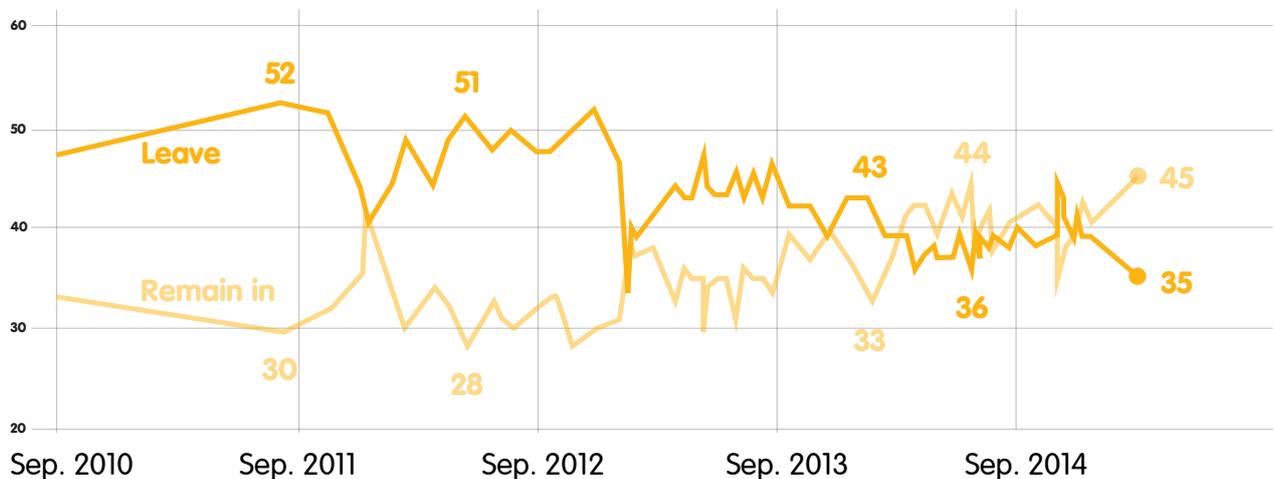


Figure adapted from a yougov.com chart. Results from 22-23 February 2015.

What is more, the YouGov poll shows that some of the public continues to be willing to follow political leaders on this issue. If you rephrase the question and ask what would happen in the event that Cameron secured a renegotiation of the terms of British membership, there is overwhelming support for staying in the EU, with 54 percent choosing to stay in as opposed to 25 percent who would want to leave.

The fact that public opinion is soft shows that there is still everything to play for in the debate on Europe. The future shape of these discussions will depend upon the interaction between the elite politics within political parties and the extent to which both sides manage to connect with wider public concerns. And other EU states can play a role in this interaction.

### Why does Brexit matter to the rest of Europe?

With economic growth and stability of the eurozone the priority of most European leaders, policymakers in member states question how much a British exit would really matter to them. Cameron's clumsy campaign against Jean-Claude Juncker's appointment as European Commission president, in which other member states saw a touch of blackmail, followed several years of self-marginalisation – starting with the Tories' decision to withdraw from the European People's Party (EPP), the centre-right composite party in the European Parliament, as well as Cameron's refusal to sign the fiscal stability treaty in 2011, his withdrawal from much of the justice (JLS) agenda in 2012, and – finally – his promise to call a referendum on EU membership.

In discussions with other EU governments one encounters a growing concern about Brexit. Martin Kotthaus, head of the Europe department at the German Foreign Office, spoke for many when he said “we hate the idea of Britain leaving, and we will do almost anything to prevent it.” However there are still many in EU capitals who downplay the dangers of Brexit. They tend to subscribe to one of two perspectives: that a British exit would be a positive development because it would remove the UK as a barrier to further integration that they feel is badly needed. Without Britain, they assert, France and Germany could push forward projects both in the economic and foreign-policy spheres that were not possible with the UK at the table – just as De Gaulle feared. The other perspective is that a Brexit, although certainly unwelcome, would not be a catastrophe for Europe. And, as a result, the whole unpleasant business, which is in any case a domestic problem, does not warrant much attention. Both of these perspectives are dangerously wrong.

#### *Ever closer union: is Britain the only obstacle?*

Put simply, London is no longer the main barrier to political union. Five years after the beginning of the euro crisis, the EU has neither embraced political union nor seen a collapse of the eurozone. Instead, although the EU has seen large elements of integration, they tend to be pursued through the development of ad hoc new mechanisms such as the European Financial Stability Facility and the European Stability Mechanism, and have been led by intergovernmental cooperation that the UK has accepted.

## European business in the UK

- 2,800 German businesses operate in the UK, employing 370,000 people and with a turnover of £207b and by 2016, these businesses are forecast to have a turnover of £250bn and employ 420,000 people
- Airbus – a European consortium – employs 10,000 people directly and a further 90,000 indirectly in the UK
- Ineos Group, a leading chemical company, employs 7,942 staff in the UK
- Findus Group, a Leading provider of frozen and chilled foods (Sweden) employs 5,651 staff in the UK
- Deutsche Bank employs 7,000 people in London alone, a further 1000 in Birmingham
- BMW's production of the Mini employs 5,500 people in the UK
- UK exports to the EU account for 9% of British GDP – responsible for 2.3 million jobs

In fact, the British government has become reconciled to a three-tier Europe in which it is in the UK's national interest for the eurozone to work, making the UK much less likely to become a “veto power”.

There are, however, plenty of examples of founding member states putting a brake on further European integration. France has resisted attempts to give the European Commission more economic power, and has lobbied to restrict Schengen. This is not new: Paris rejected a European defence community in 1954, failed to act on the 1994 Schäuble-Lamers plan for a political union in a “core Europe”, and spelled the end of the European Constitution by referendum in 2005. While Germany has called for political union rhetorically, it has hollowed out some of the key integration projects such as banking union, and Berlin's resistance to Eurobonds has been an important brake on integration. The interests of its major companies have often overruled the principle of “ever closer union”: the merger of EADS and BAE, which would have made the biggest defence manufacturer in Europe, was blocked by Chancellor Angela Merkel in 2012, and energy union will be much less ambitious than it could be because of the opposition of German energy giants.

Europe without Britain would not find it easier to agree on compromises on questions such as the single market, trade liberalisation, and enlargement. And European foreign policy unity would be unlikely to emerge as a result of the UK's absence: Germany and Poland took a

difference stance to France on the intervention in Libya and the divisions were again different on potentially bombing Syria or the invasion of Iraq.

Furthermore, Euroscepticism is no longer a British disease. In last year's European elections, unprecedented numbers of populist and Eurosceptic representatives were elected, from Denmark to Hungary; from Germany and Greece, and France to Spain. The rise of so many insurgent forces is rightly one of the reasons why European elites are nervous about granting special concessions to the UK – because they fear that it could encourage other countries to make similar demands. But the rise of these forces also shows that – whether or not the UK remains in the EU – it is unlikely that the other 27 member states will make rapid progress to political union.

### *Brexit fallout and contagion*

It is not just that a British exit would not only not help the EU to integrate, it would be in danger of blowing it apart. European officials publicly downplay how much a British exit from the EU would damage the rest of the EU, but private interviews with serving and former foreign ministers, European commissioners, and other statesmen and women around the EU, reveal a widespread fear of four elements:

Firstly, the precedent of any country leaving would be damaging, potentially leading to an unravelling of the EU. There is a debate about whether the euro can survive a Grexit, but the chaos unleashed by a Brexit would be on a totally different scale. Apart from the thousands of hours that would need to go into re-writing laws and negotiating new terms, there would be huge uncertainty for the two and a half million EU citizens from other member states who live in the UK; the dozens of major investments by EU companies; as well as questions posed about the peace process between the UK and Ireland which is underpinned by Britain's UK membership. Untying the links between the UK and its closest partners would consume a huge amount of political and bureaucratic energy. Many of the arguments that the Eurosceptics are deploying within Britain would find resonance in other non-eurozone members such as Sweden, as well as in eurozone countries such as the Netherlands, not to mention more Eurosceptic countries, such as Hungary and the Czech Republic. Former Swedish Foreign Minister Carl Bildt has cited the danger that a British exit could push "Europe back into the 1958 divisions that resulted in the EEC/EFTA split".

Secondly, a Europe without Britain would be smaller and poorer. The UK makes up nearly 12.5 percent of the EU's population, 14.8 percent of its economy, and 19.4 percent of its exports (excluding intra-EU trade). Furthermore, it runs a trade deficit of £28 billion, is home to around two million other EU citizens, and remains one of the largest net contributors to the EU budget (responsible for 12 percent of the budget in total).

Thirdly, the EU would miss the practical application of a well-oiled government machine that has helped drive

forward European integration. Over the years, British politicians and diplomats from all main parties have played an important role in launching many of Europe's most inspiring projects, such as the euro (Roy Jenkins), the single market (Lord Cockfield), enlargement, European defence (Tony Blair at St Malo), and economic competitiveness (the Lisbon Agenda). The semi-detached approach of the Cameron government will not necessarily last, and future British governments may very well come to Brussels with ambitious new European projects.

Fourthly, an underreported risk is the immediate impact on the UK's immediate neighbours. Former Irish Taoiseach John Bruton has voiced concern about how disruptive Brexit would be for Ireland, potentially forcing the introduction of border and custom controls on the Irish border, with negative repercussions for both economies.

Above all, an effective foreign policy will be much harder without Britain. Apart from France, the UK is the only major EU military power, accounting for 25 percent of EU defence spending and 40 percent of EU spending on defence research and development. It's not just the British army's tradition of global foreign policy, but also the fact that London serves as a global financial and media centre. At a time when power is shifting from West to East and the US is rebalancing its attentions, Europe's chances of counting on the world stage – and delivering prosperity and security for its citizens – are greatly enhanced if Britain is playing a constructive role at the heart of Europe. The disintegration of the existing EU would have a corrosive effect on international perceptions of the EU. After the 'no' vote on the Constitutional treaty the EU went from seeming like a rising power to a failing project.

### **Can other countries do anything about the British Question?**

Even among those who want Britain to stay, there is a widespread sense that there is nothing that can be done from the outside – or at least nothing which would not destroy the fundamental character of the EU. It is true that the main actors in this will need to be domestic, but there is an important role for outsiders in framing the parameters of the UK debate.

The last few years are replete with examples of outside voices having both a positive and negative impact on Britain's internal EU debates. The widespread media coverage of interventions by European (and American) leaders shows how much impact outsiders can have – and how helpful it can be. Angela Merkel, José Manuel Barroso, and US Assistant Secretary of State Philip Gordon are among a growing number who have spoken out against Brexit. Italian Prime Minister Matteo Renzi told Sky News that it would be a "disaster". And when companies such as Nissan, Ford and Vodafone have spoken out about the dangers of Brexit, it has helped to make the costs of Brexit more concrete. But there are also examples of counter-productive interventions – such as European Commissioner Laszlo Andor's warning that Britain could be seen as a "nasty country" because of its

## Migration: why does the UK care so much?

The European debate used to be about economics and sovereignty – but today it is predominantly about migration. Nigel Farage admitted in an interview with the author that he struggled to make the issue relevant to people when it was about abstract ideas of sovereignty. But the charge that we have ‘lost control of our borders’ links an issue that people care little about (Europe) with one that they care a lot about (migration). And unless pro-Europeans find a way of dealing with this, they will lose many working class supporters of the case for Europe.

The turning point for this development was 2004 when eight former communist countries joined the European Union. This was one of Europe’s proudest moments and – ironically - it was a historic move that had been pushed by successive British governments. But, much to the surprise of both the Conservative and Labour parties, enlargement transformed the nature of the EU debate in Britain.

Until 2004, no one talked very much about immigration in the context of the EU. With between one and two million British pensioners settled in southern Spain, free movement in western Europe was seen as in our interest or at least as reciprocal. As recently as the year 2000, only 0.1 per cent of EU citizens moved to live in another EU country.<sup>1</sup> Most experts thought that would change little with enlargement in 2004 – the Home Office predicted a few tens of thousands of central and eastern Europeans a year at most – so they were taken aback when almost 1.5 million central and eastern Europeans migrated to the UK in the seven years after 2004 (about 1 million remain resident in the UK). It was, according to David Goodhart, “the biggest peacetime movement in European history”.

Some academics have argued that the most important reason for the drop in Labour support between 2005 and 2010, from 35 per cent to 29 per cent, was immigration from other EU member states.<sup>2</sup> The success of UKIP in the local and European elections in May 2014 has raised again the question of EU migration.

It is true that EU migrants are, on average, net contributors to the British economy and that there is no evidence of widespread welfare tourism. But individual neighbourhoods in areas that attract large migratory flows do have to provide additional housing and services without necessarily receiving an increase in revenue. There are four sets of issues that characterise the debate:

<sup>1</sup> David Goodhart, evidence to the government’s Review of Balance of Competences. For more information visit <https://www.gov.uk/review-of-the-balance-of-competences>.

<sup>2</sup> Evans, G and Chzhen, K. (2013) “Explaining Voters’ Defection from Labour over the 2005–10 Electoral Cycle: Leadership, Economics and the Rising Importance of Immigration”, *Political Studies* VOL 61(S1), 3–22

1) **Economics:** including pressure on wages as a result of agency workers, non-enforcement of minimum wage and the negative externalities of labour market flexibility. Although median wages across the country might have held up, for example, John Denham MP claims that daily wages for construction workers in Southampton went from £140 in 2003 to £70 in 2014

2) **Public services:** putting a finite number of teachers, doctors, nurses and school places under greater pressure and challenging the ‘contributory principle’

3) **Housing:** including pressure on private house prices and waiting lists for social housing

4) **Identity and voice:** rising numbers of non-English speaking groups and cultural segregation, with predominantly Polish pubs, schools and churches springing up around the country.

Polling by the think tank British Future shows that public attitudes are more nuanced than many people realise. They find that the public can be segmented into roughly three groups.<sup>3</sup>

A **liberal minority**, comprising about 23 per cent of the British public, think immigration makes a very positive contribution to Britain. They tend to be young, affluent, metropolitan, hyper-diverse. Roughly half of Britons (54 per cent), on the other hand, form a **sceptical middle** who can see a mixed picture on the benefits of immigration to Britain. They are cross-class, cross-generational, ethnically mixed. Finally, a **hardline minority**, 23 per cent of the British public, see immigration as entirely negative. They tend to be old, working class and white.

The most interesting finding in the British Future polling was that 72 per cent of respondents agreed with the statement that: ‘If Romanians and Bulgarians want to stay in Britain they’ve got to work hard and pay taxes, learn the language, be part of the community. If they do that they’ll find we welcome people who make the effort’.

The instinct of liberal commentators has been to argue that many of the concerns about migration are irrational and ill-conceived. But this response will leave pro-Europeans struggling to win over the sceptical middle. Pro-Europeans must continue to defend migration but in order to earn the right to be listened to, they need to show that they are as serious about mitigating against the negative side effects of migration as they are about opening EU borders to citizens from other EU nations.

<sup>3</sup> Cited in parliamentary report “Public attitudes on immigration”, 13 May 2014, available at <http://www.appmigration.org.uk/sites/default/files/Negotiating%20with%20Public%20Opinion%20Briefing%20Paper.pdf>.

migration debate,<sup>17</sup> former commissioner Viviane Reding's statement that British people do not have enough access to the facts to make an informed decision,<sup>18</sup> and former German foreign minister Guido Westerwelle's remarks about how Britain could not "cherry-pick" which parts of the EU it wanted to be in.<sup>19</sup>

It is helpful for other member states to engage with the debate in Britain, but the best ways of doing that are to engage in a debate about how Europe can be improved rather than suggesting that the status quo must be defended at all costs. Moreover, statements which imply that the British public – as opposed to its government – is irrational are likely to have a counter-productive effect. It is better to stress how important an engaged UK is to the future of Europe, rather than giving people a sense that its government is powerless or impotent. The following are some ideas for interventions that could happen before and after the election.

Firstly, member states should encourage the UK to push for general reform of the EU rather than engaging in special pleading for opt-outs or unilateral concessions. They should show how widespread the desire is for change by sharing their own views of the root-and-branch reforms that Europe needs in the UK media. Moreover, the EU institutions should try to show how Britain – alongside other member states – could benefit from the ambitious reforms already on the agenda.

One obvious example is Juncker's €315 billion investment plan. The UK government and local authorities should be encouraged to prepare projects that could be taken forward under these plans – and a link should be made between this and the government's plans for infrastructure investment in the UK. There is also scope to go beyond important physical infrastructure structures such as energy grids, transport, and digital by promoting investment in breakthrough research, education systems, and even softer features such as childcare.

As well as courting British business with the benefits of capital markets union and trade agreements with countries such as the US and Japan, the EU should reach out to settlers and show how it will help drive up standards in the global economy and level the playing field with China. Just as importantly, the European Commission should show how its push to end the scourge of tax avoidance could help contribute to George Osborne's plans to balance the UK budget.

The new European Commission first vice-president, Frans Timmermans, could take the lead in crafting a new democratic agenda by exploring the role of national parliaments, flexibility, tackling waste, and giving people a direct voice. If EU leaders in other countries make clear that their goal is to reform Europe and look to the future rather

17 Rowena Mason and Patrick Wintour, "Migration plan risks UK being seen as nasty country, says EU commissioner," *The Guardian*, 27 November 2013, available at <http://www.theguardian.com/uk-news/2013/nov/27/migration-uk-nasty-country-eu-commissioner>.

18 Jason Groves, "Britons 'too ignorant' for EU referendum: Top official says debate on Europe is so distorted that people could not make an 'informed decision'," *Daily Mail*, 11 February 2014, available at <http://www.dailymail.co.uk/news/article-2556397/Britons-ignorant-EU-referendum-Top-official-says-debate-Europe-distorted-people-not-make-informed-decision.html>.

19 "Britain 'cherry picking the benefits of Europe'," *Sunday Express*, 31 January 2013, available at <http://www.express.co.uk/news/uk/374539/Britain-cherry-picking-the-benefits-of-Europe>.

than defend the status quo, it will make it easier to engage all of Britain's parties in a serious debate about making Europe as a whole stronger.

Secondly, EU leaders should work with the government to break the link between public worries about migration and Euroscepticism. Very few British people are passionate about leaving the EU. They do, however, worry about migration. If it is possible to find a way of dealing with those concerns without affecting the sacred principle of free movement, it will help restore consent for free movement. Donald Tusk, as the president of the European Council, may be uniquely positioned to push for a new deal on migration. And, in fact, he has already indicated his willingness to work with Cameron on abuses of the borderless labour market.<sup>20</sup> As well as changes to the rules on welfare and tough action to enforce minimum wages, a political response could include adopting much more ambitious measures on public services, housing, and welfare. The fact that EU migrants make a net fiscal contribution means that the national pot for public services is growing, but there is a mismatch between that growth and pressure on services in specific areas. The EU needs to help national governments move resources in a timely way to areas of rapid population change. One way of monitoring the use of public services would be to set up measures to ensure that all users of public services have social insurance cards. Once this is done, the EU could create a European 'migration adjustment fund' in the EU budget that would be open to all member states. Local authorities that had seen large population flows could apply to this for help in increasing the capacity of schools, hospitals, and public services so that the indigenous population would benefit from an upgrade of local provision in areas with large levels of intra-EU migration.

Thirdly, other EU member states should engage the UK, even as it is marginalising itself, by trying to include it in discussions that currently exclude Britain. This applies both to the economic sphere, where eurozone caucusing strikes at the heart of British fears that it will be elbowed out of decision-making on the single market, and to foreign policy decision-making, where meetings of the Weimar triangle or France and Germany that do not involve the UK close off an obvious avenue for British engagement. Anything that suggests that the UK is isolated and embattled plays into the Eurosceptic message that Britain is better off out.

As part of this process, it would be helpful to launch a step-change in the contact between European elites in other capitals and those in the UK. The Juncker debate pointed to a growing gulf between a British political class that is increasingly focused on its own politics and parties and other countries that are increasingly looking to Brussels. It is not enough for Angela Merkel to engage with David Cameron. There needs to be an explosion of contact between political parties, national ministers, parliaments, the leadership of big cities and even the leaders of newspapers and television channels. Frank-Walter Steinmeier should try to engage with Ed Miliband, Anne Hidalgo should reach out to Boris

20 Adrian Croft, "New EU chief vows to address Cameron's demands for reforms", *Reuters*, 30 August 2014, available at <http://www.reuters.com/article/2014/08/30/us-8-eu-summit-britain-tusk-idUSKBN0GU0W320140830>.

Johnson, Radosław Sikorski should set up links with his counterpart John Bercow, and so on. It would be particularly helpful for centre-right parties outside the UK to step up their engagement with the Conservative Party to try to draw it back towards the European mainstream. The danger is that if the party is freed from the constraints of government, it will veer to a position of radical Euroscepticism. This may be difficult to counteract in the short term, but it would be helpful if there were a long-term project of trying to bring the Conservative Party back into the EPP.

Fourthly, there should be a new debate about variable geometry within the EU. There are nine member states outside the eurozone, and some – such as Poland and Sweden – are likely to remain outside for a considerable period of time. It is therefore high time to have a more serious discussion about not only how the EU's institutions can be placed at the disposal of the eurozone, but also how non-eurozone members can be included in discussions that have a considerable bearing on their interests. This debate would also allow member states to indicate more clearly which areas they are willing to make flexible in order to accommodate Britain and other member states and which areas where there are strict red lines. London should perhaps initiate this debate with some ideas of its own, but it would need other countries to join in.

Finally, more voices from outside should speak up about the risks of life outside the EU. It will also be important for other member states not simply to focus on intergovernmental negotiations between the EU and the British government, but rather to find ways of reaching out to the whole political spectrum – and to British society more generally – with an eye on the referendum. For example, European governments should encourage their national companies based in Britain to begin issuing early warnings about British jobs in the event of Britain leaving the single market. While the public are sceptical about the statements of politicians on the European question, they would be likely to heed warnings from their employers about the economic effects of a Brexit. Rather than waiting until the last minute, major companies – from Ikea and Findus to BMW and Deutsche Bank – that benefit from Britain's membership of the single market should inform their staff, local MPs, and local papers of the dangers of Brexit. Trade unions in other countries should engage the British trade union movement on the social Europe agenda – and show how many British rights could be threatened by an exit from the EU. There is a particularly strong opportunity to make the case in Northern Ireland which shares a land border with another EU member state. Irish politicians are well placed to talk about the threats to cross-border trade, free movement, and the peace process.

The next year will be critical for the European debate in Britain – and therefore for the EU's long-term future. During this period, EU leaders and political parties should engage with all the British political parties in a debate about the future of Europe and how to respond to the major economic and social challenges facing our continent, as well as the problems of legitimacy within our societies. Even if a government is elected in May that does not support a

referendum, member states should avoid breathing a sigh of relief and reverting to business as usual. The question of a referendum might go into remission, but it will not disappear. Therefore, other EU member states should go out of their way to engage the UK in coming up with constructive suggestions for a reform of the EU, maybe establish a number of working groups on mobility, on a new growth and social Europe agenda, and on self-government. Ultimately, the best way to respond to the British question is to show a new generation of Europeans that the EU is the answer to their problems in the 21st century.

## About the author

*Mark Leonard* is co-founder and Director of the European Council on Foreign Relations. He writes a syndicated column on global affairs for Reuters and is Chairman of the World Economic Forum's Global Agenda Council on geoeconomics. He is author of *Why Europe Will Run the 21st Century* (Fourth Estate, 2005) and *What Does China Think?* (Fourth Estate, 2008).

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35 Old Queen Street, London,  
SW1H 9JA, United Kingdom

[london@ecfr.eu](mailto:london@ecfr.eu)