

### The United Kingdom and the European Union: What would a “Brexit” mean for the EU and other States around the World?

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# DGAPanalyse

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## The United Kingdom and the European Union:

What would a “Brexit” mean for the EU  
and other States around the World?

Edited by Almut Möller and Tim Oliver

With a foreword by Alexander Stubb



Deutsche Gesellschaft  
für Auswärtige Politik e.V.



## Summary

# The United Kingdom and the European Union:

## What would a “Brexit” mean for the EU and other States around the World?

Edited by Almut Möller and Tim Oliver

The possibility of Britain withdrawing from the European Union – a “Brexit” – has been receiving growing attention. Reports have largely focused on what this withdrawal could mean for the United Kingdom; however, there has been little analysis of what it could mean for the rest of the Union, its individual members, wider Europe, and other states around the world such as the United States and Japan. This analysis gathers 26 views from think-tanks, research institutions, and universities from sixteen EU member states, nine non-EU countries, and a view from the EU’s institutions in Brussels. Five overall themes emerge from the contributions:

1. Developments in the UK have not passed unnoticed, but there are varying levels of understanding as to what is driving UK behavior as well as a great deal of uncertainty about the potential impact for the EU and the countries covered. While no country seems to be planning actively for a Brexit, many are aware that this step may become necessary because of developments in the UK’s domestic debate.
2. Awareness of the UK’s position is largely framed by wider concerns facing the EU, especially the euro zone. For many states, the UK is important, and the EU would be a lesser place without it. Yet while the UK’s reform agenda does appeal to some states, the real pressure for reform will remain within the euro zone. Reform agendas might happen to overlap with London’s, but with the euro zone continuing to move ahead, they might increasingly diverge. Countries within the euro zone, the pre-in countries, and even Denmark with its opt-out have focused on Germany and France for leadership and have tried to secure a place close to euro zone decision-making. London has become a bystander.
3. While there is some support for the UK’s positions on EU reform, conceptual clarity and language are crucial. States like the Netherlands and Germany seek better enforcement of the principle of subsidiarity, not repatriation. A multispeed EU is considered a possibility, but not – as the UK might hope – in a pick-and-choose fashion; there is less and less appetite in Brussels for “third ways” like Switzerland. And because many EU members perceive the UK’s long-term EU agenda as opaque or unpredictable, they are hesitant to align with London.
4. Countries both inside and outside the EU are clearly concerned about the economic and, to a lesser degree, security consequences of a British exit. Britain’s economic approach – especially its free-market, liberal outlook – would be the most noticeable loss. Yet some countries note a growing “mercantilist” attitude in British thinking; its economic connections to some traditionally close countries have been in decline for some time; and some states will seek to exploit economically Britain’s marginalization, using this tactic to strengthen their appeal to global investors. In European foreign, security, and defense

policies, the UK is not easily replaced, and the EU and Europe's place in the world would lose from a British withdrawal: France would face Germany's "culture of restraint" on external affairs, while for the United States a Brexit would further complicate transatlantic relations by stunting not only its long-sought improvements to the European arm of NATO but also a reduction in Europe's dependence on the United States and efforts to make Europe take on a more global role. Furthermore, outside powers may seek to play on divisions, choosing between bilateral and multilateral relations when necessary.

5. While these economic and security concerns serve to remind other countries of the UK's role in the EU, they do not necessarily generate sympathy for it, but rather exasperation at the country's inability to offer leadership other than "negative leadership." The UK's debate on limiting immigration is seen as a direct attack on the fundamental right of the free movement of people and labor in the single market. EU countries fear the influence of British Euroskeptics on their own domestic debate and are frustrated with London for not successfully confronting the issue at home. In view of previous episodes of UK-EU difficulties, the EU today is much larger and in parts much deeper. Some member states have little if any attachment to the UK. The British government's rapprochement with Germany while neglecting, and in some areas abusing, relations with former close partners in central and eastern Europe and Scandinavia means it has found itself on the sidelines of EU politics. Some of the UK's criticisms of the EU and proposals for its reform are seen as legitimate. What is not seen as legitimate is advancing these as a purely national interest and using the threat of a Brexit as leverage. London will have to work harder and engage in more effective coalition-building if it wants to succeed in shaping the ongoing debates about EU reform.

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## Foreword

In many ways, Britain is a second home to me. In 1999, I wrote my doctoral thesis on flexible integration at the London School of Economics. My dear wife is British, and our family is of mixed Finnish and British heritage. I owe Britain a lot. I am a true friend of Britain, but a worried friend.

Britain's relationship with the European Union is under intense scrutiny and subject to heated debate; this publication is proof of that. There is talk about renegotiation and repatriation. There is speculation on a possible "Brexit." There are initiatives for in/out referendums. There is a lot of Euroscepticism, reflected also in the EU elections this spring.

In other words, there is a lot of uncertainty. At the same time, whatever path Britain chooses, it will certainly have implications for its relations not only with the EU as a whole, but also with EU member states individually and with its partners worldwide. Britain's choice surely has implications for the EU's position, but also for Britain's own position in the world.

This juncture is where this publication steps in. It consists of 26 articles mapping out the debate outside Britain. We are offered academic analysis of debate both within and outside the EU, including contributions from Brazil, Japan, Singapore, Switzerland, Australia, New Zealand, the United States, Canada, China, and Norway. This range of non-EU contributions I find particularly interesting; after all, academic thinking is often about gaining an independent perspective from the outside.

In my view, the ideas about renegotiating membership or repatriating competences rest on the assumption that the EU's treaties would be open for renegotiation. This assumption is grounded more on the internal British EU debate than on reality. I find it unrealistic.

First of all, with 28 members, treaty change would be immensely complicated; once you open the treaties, there will be 28 different views on what to do. We have been too obsessed with European processes and institutional revisions. The EU is not about to become a federal superstate. What we really need to focus on are European outputs. The EU needs to evolve through pragmatic steps, improving its practical output in terms of growth and jobs.

Second, there may have been an assumption that treaties need revisiting because fixing the euro would require new treaty powers. Events have demonstrated that this assumption is not the case – the euro and its governance are being strengthened within the existing treaties. The real issue with the euro zone crisis is to get the European economy growing, which involves improving competitiveness, developing the Single Market, and promoting free trade, regardless of the institutional setup of the euro area.

And third, the idea that only one member would be allowed to pick and choose the policies it wants is not a realistic perspective. If we all could opt out at will from the single policies we dislike, no coherent Union would be left. It would be like giving the individual citizen the choice of which taxes to pay. Referring to my academic background, I would suggest this is not what flexible integration is about. At least, it should not be.

Therefore, if EU membership proves unpopular in Britain and renegotiation becomes a reality, the logical outcome would be substantially similar to the arrangements of the European Economic Area. You participate in the Single Market, but you have no say in legislation. You contribute financially, but you have less influence. I cannot see this outcome being attractive for a country like Britain.

I believe Britain makes a great contribution to EU policy. The Single Market, free trade, fiscal restraint, enlargement, foreign policy, and competitiveness are all areas where Britain has had a decisive impact. The EU is essentially all about the internal market. If you are against the internal market, you are in essence anti-EU. If you are pro-internal market, you are also pro-European. Britain is definitely pro-internal market, making it an instinctively pro-EU country, as paradoxical as this statement may appear.

At the same time, I believe EU membership is of great benefit to Britain. Industries and the City depend on European markets, and British influence builds on being a leading member of a major

regional entity. The European Union counts among the global top; as individual nations, even bigger European countries would struggle to obtain a seat at the top table.

In conclusion and in the spirit of this publication – as a Finn, as an academic, as an EU policymaker, and as a true friend of Britain – I argue that EU membership is the best option for Britain. This question, of course, is for Britain itself to decide.

I welcome this publication as a contribution to the debate, and truly hope you enjoy it.

*Alexander Stubb*  
*Prime Minister of Finland*

## Introduction

Britain's relationship with the European Union has always attracted considerable comment. More recently, the possibility of Britain withdrawing from the EU – branded a “Brexit” – has received growing attention in the United Kingdom, the rest of the EU, and beyond. Britain's ever more strained relations with the EU have recently led commentators in both Britain and the rest of Europe to ask whether some new relationship with the UK on the outside might be preferable. In the UK, this development has been a result of the rise in support for the United Kingdom Independence Party (UKIP), polling showing growing levels of Euroskepticism, the current government's review of EU laws and powers, and commitments – in differing ways – by the Conservative, Labour, and Liberal Democrat parties to hold an in/out referendum. The most attention was provoked by David Cameron's speech in January 2013, in which he stated that a future majority Conservative government would seek a renegotiated relationship with the EU that would then be put to the British people in an in/out referendum.

Developments in the EU and beyond have added to the speculation. The need for the EU to undertake further integration to deal with the euro zone crisis has raised questions of whether the UK is willing to go along with this integration, especially as it could necessitate the type of treaty change that under UK law would trigger an in/out referendum. The emergence of new markets in Asia and the possibility of a transatlantic free-trade area draw the UK's eyes away from a European Union that is often seen as riven by crises, and part of the past rather than the future.

In the UK, this development has led to an avalanche of reports, most of which focus almost entirely on what an exit from the EU could mean for the UK. There is next to no assessment of the further impact of a post-Brexit EU on the UK, or of how withdrawing from the Union might change the UK's relations with countries such as Germany and Australia. The UK also needs to reflect on how its current debates are viewed elsewhere in Europe and beyond, and on what effect this perception is

having on these states in their relations with the UK and plans for the future. The UK will require the other 27 EU member states to agree to any renegotiated relationship, so understanding their debates on this topic is crucial to assessing the likelihood of David Cameron or any other British prime minister securing such a deal.

Commentators outside the UK have been quick too in pointing to what leaving the EU could mean for the UK. Often such commentary by politicians or the media does little more than acknowledge that a Brexit would be a bad development for Britain – and for the EU. But such analysis rarely if ever looks at what a Brexit could mean for the rest of the EU, its individual members, wider Europe, and other states around the world such as the United States and Japan and their relations with the EU.

The withdrawal of any member state is a sensitive topic, but it certainly would rock the EU if its third largest member state decided to leave. Undoubtedly, if the UK were to withdraw, this change would alter the EU, transform the UK's relations with the EU and its members, and have implications for the UK's and the EU's respective positions in the world. It is a prospect that the EU, its members, and third countries should not rule out from happening. Given the volatile state of UK-EU relations, there is a need for improved assessments of the overall implications of the United Kingdom leaving the European Union.

This project therefore shifts the perspective of the debate. We asked colleagues from think-tanks, research institutions, and universities across the EU and beyond to set out how the UK's current approach to the EU is being discussed in their country, and in particular what are the current assessments of what a Brexit might mean for them.

Contributors were provided with a series of questions to guide their thinking. For those states within the EU, the questions included the following:

- What debate has there been about the UK's relations with the EU; what role is Britain seen as having played in the EU?
- What official government statements and other political opinions have been made about the possibility of the UK seeking a renegotiated relationship with the EU?
- What is the attitude of the general public toward the UK and its relations with the EU? Are there any opinion polls or other measures of public opinion that provide data on this question?
- What opinions exist about British aims to reform the EU and about the question of how to manage relations between the euro zone and the rest of the EU?
- What impact would a UK withdrawal from the EU have on your state and its relations with the UK?
- What approach would your state like to see the UK take toward the EU?

For states outside the EU, the questions were slightly adapted:

- What debate has there been in your country about the UK's relations with the EU; what role is Britain seen as having played in the EU?
- What opinions exist about British aims to reform the EU and about the question of how to manage relations between the euro zone and the rest of the EU?
- What impact would a UK withdrawal from the EU have on your state's relations with the UK?

- What impact would a UK withdrawal have on your state's relations with the rest of the EU?
- What approach would your state like to see the UK take toward the EU?

Starting in November 2013, the IP Journal of the German Council on Foreign Relations (DGAP) released several countries' views each month until July 2014. The papers met with considerable interest in Europe and elsewhere. This compilation follows the order in which the respective national views were published. Opinions expressed are those of the authors and should not be taken to represent the institutions where the authors are based, nor the opinions of the DGAP.

We would like to thank our colleagues from Europe and beyond for devoting their time to this project and for their incisive and insightful analyses.

We are grateful to Alexander Stubb, Prime Minister of Finland, for supporting this contribution to the debate on Britain's future engagement with the European Union and for writing the foreword.

Our thanks go to Rachel Tausendfreund, Hilary Brown, and Henning Hoff at the IP Journal for their support and excellent cooperation. Andreas Alvarez, Sabine Wolf, and Ginger A. Diekmann supported the editing process of this volume with patience and diligence.

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*Almut Möller and Tim Oliver*  
*Berlin and Washington DC, July 2014*

## France

Vivien Pertusot

France has a tradition of ambivalence vis-à-vis Britain's role in the European Union. There are a number of fundamental differences between Paris and London regarding Europe's direction, yet on other issues Britain is an important partner that France would not want to lose. Certainly, though, France will not hesitate to call Britain's bluff.

In the late 1950s, the United Kingdom advocated creating a free-trade agreement (FTA) in Western Europe. It aimed to counter the development of the Common Market, which Britain saw as an impediment to doing business with the Common Market's six members. France, reluctant to commit to a project that threatened to dilute the political components of the Common Market, was eventually able to halt negotiations. This episode illustrates how, even before the UK joined the European Economic Community, the two countries had long held diverging views on what the European project should be. France has cherished the ideal of a political *Europe puissance* ("a Europe of power"), whereas Britain has favored an economic *Europe espace* ("a Europe of space"). This dichotomy may be hackneyed, but it still holds some truth.

Furthermore, current French perceptions of British European policy cannot overlook a legacy of centuries of fluctuation between cooperation and rivalry between the two. Perhaps now more than ever, France and Britain share similarities that should foster a fruitful partnership, but the relationship is beset by what former French diplomat Geoffroy de Courcel called a "difficult complementarity."<sup>1</sup>

This "difficult complementarity" is even more evident on the EU level. On the one hand, both countries share an international outlook and a sense of international responsibility, which spans from development aid to military interventions. This outlook has been central to the launch of certain EU policies, such as the Common Security and Defence Policy (CSDP). On the other hand, France and Britain have profound disagreements on EU economic and competition policies, with France being favorable to regulation and wary of globalization, and Britain a staunch supporter of

deregulation and at ease with globalization. France considers its participation in the EU as belonging to a community of fate and a political project, and wants to make the European Union in France's model as much as possible. Britain, in the French perspective, sees its participation as a contractual, largely economic arrangement, and is only anxious to ensure that its membership fulfills British national interests. So how has the Franco-British relationship influenced French perceptions of the UK debate on Europe? And what does it indicate about France's position, should the UK's involvement in the EU change?

### French Ambivalence

France has a tradition of ambivalence vis-à-vis Britain and the EU. Nicolas Sarkozy's presidency was perhaps the high point in this respect, in no small part thanks to the impetuous character of the then president. The bilateral relationship underwent a dramatic rapprochement under Sarkozy, especially on foreign and security issues. Pragmatism was the main driver behind this approach. French and British strategic outlooks, foreign policy ambitions, and diplomatic and military apparatuses display many points of convergence. In a world of scarce resources, it made sense to explore strengthened cooperation.<sup>2</sup> The two countries signed a comprehensive defense agreement, the Lancaster House treaties, in December 2010. Nicolas Sarkozy and David Cameron led the coalition that went to war in Libya. In March 2011, Sarkozy even said that the military intervention showed yet again "that there [is] a Franco-English leadership on *l'Europe de la défense*."<sup>3</sup> This perspective runs counterintuitive to traditional French positions, as France has traditionally stressed the need to link the political development of the EU with that of a common defense policy.

In contrast, Sarkozy was irked at the perceived British meddling in the euro zone crisis. During a European Council meeting in October 2011, he reportedly told Cameron that he had “lost a good opportunity to shut up,” after the British Prime Minister expressed concerns over the management of the euro zone crisis.<sup>4</sup> In December 2011, Sarkozy was equally irritated that his British counterpart had not given him prior notice of demands to secure compromises for the UK financial services sector, especially because German Chancellor Angela Merkel had been kept in the loop.<sup>5</sup> On top of Sarkozy’s resentment over British criticism of the euro zone management, he took issue with British demands. The outcome is well known: the French leader rejected Cameron’s demands at the Council meeting, and the British prime minister consequently blocked an EU treaty. Sarkozy said afterward that “the [British] demands on the financial services were not acceptable. The crisis has come from deregulation in the financial sector. We could never accept to go backward. Europe must adopt further regulation.”<sup>6</sup>

This two-layered approach of Franco-British cooperation remained in place with the change of French leadership in 2012. President François Hollande is not known to engage in the outbursts that characterized his predecessor, but disagreements with Britain are no less salient. Hollande’s reactions to Cameron’s speech in January 2013 were measured. He left it to Foreign Minister Laurent Fabius to oppose the UK’s demand for *l’Europe à la carte*, arguing that “they cannot join a football club and suddenly say, Let’s play rugby.”<sup>7</sup> On a visit to London, then Finance Minister Pierre Moscovici delivered a similar message, arguing that he saw no reason why other countries should be ready to accept piecemeal application of the rules by one member state.<sup>8</sup>

The government’s position reflects French public opinion. A poll in 2012 showed that 62 percent of the French had a neither good nor bad opinion of Britain. This number is considerably higher than in previous polls, and shows that the French are becoming more neutral – that is to say, less negative – toward their neighbor across the Channel. Yet the French remain somewhat divided over the

UK’s position within the EU. Polls asking a different set of questions displayed contrasting results: a poll for *Parisien-Aujourd’hui en France* showed that 52 percent of French would favor a UK exit,<sup>9</sup> in a poll by Ifop for *Le Journal du Dimanche*, 58 percent want the UK to remain within the EU.<sup>10</sup> Among the latter, though, 62 percent favored EU integration in which all countries abide by the same rules rather than a *Europe à la carte*. A missing, but important, question would be whether a British exit would make France stronger within the EU, and vis-à-vis Germany – an issue yet to be explored.

### Equivocal on Terms, Not on Principles

The UK’s current renegotiation strategy has so far gone largely unnoticed in France, but some political positions have surfaced. The Socialist Party criticized the British for their vision of “a *Europe à la carte* and on the cheap [au rabais].”<sup>11</sup> Reactions from the political right have been mixed, but overall mild. Some expressed sympathy, and others agreed that Britain was becoming an outlier and needed to figure out what it wanted. The greatest sympathy came from the far-right Front National. Its leader Marine Le Pen welcomed David Cameron’s speech, hoping that France might hold a similar referendum.

However, the debate is more nuanced when it comes to differentiated integration. The French political class would agree that some differentiated integration is indeed inevitable. The concept, however, remains vague. What is not acceptable for a majority of the French political establishment is that some countries reap the benefits of EU integration while discarding the constraints. The conclusions drawn from this consensus diverge. For some, the British government is pushing an agenda of cherry-picking that cannot be tolerated. Such voices are likely to support a common destination for all member states, but they would accept that they could go at different speeds. For others, the British debate has rekindled the idea of concentric circles, in which a core group of members would be highly integrated, surrounded by a periphery where the UK could fit in. In other words, there would not be



a single destination for integration within the EU. The problem is that concepts such as “differentiated integration,” “concentric circles,” or “multispeed Europe” are used in French political debate with little agreement on what they actually mean.

This situation makes it difficult to foresee what position the French government would adopt with respect to the British strategy of renegotiating powers from the EU. It also depends on what the British government will eventually put on the table. At this stage, London has adopted a two-pronged approach: first, to instill deregulation at the heart of EU reform; second, to renegotiate terms of membership, although precise items have not been revealed. If this approach becomes British policy vis-à-vis the EU, the French are likely to belong to the category of blunt member states – those who would call the UK’s bluff. The vast majority of member states could agree to British proposals to cut down on regulation, especially for small and medium-sized businesses. France may even support these proposals, but the crux will be in the overarching approach taken, as France rejects deregulation and wants to talk instead about simplification of the rules.<sup>12</sup> The recent business report commissioned by Cameron on “cutting EU red tape” has already caused concerns in France because some recommendations go far beyond lighter regulation for small and medium-sized businesses, for instance the proposal not to legislate on shale gas at the EU level or to reduce the requirements for food labeling by country of origin. Additionally, the French know this strategy is merely a brick in a British master plan of renegotiation.

The likelihood that the French government will agree to UK demands on repatriation of competences is even smaller. This position is one of principle. Unless the EU overhauls its architecture to offer different treatments for different countries – and thus different membership benefits – France is unlikely to accept that the UK take part in the Single Market and shed responsibilities with regard to policies it does not like.

## To Go or Not to Go

France certainly has mixed feelings regarding the UK staying in or leaving the EU. It senses that some initiatives could make headway without the UK, notably on social policy and CSDP. On the latter, France sees Britain as the main obstacle to launching some key initiatives, such as the opening of a permanent EU operational headquarters and beefing up the European Defence Agency’s budget. However, the overall potential weight of the CSDP could decrease with the UK’s absence. France could feel a bit lonely being the last major military power in the EU willing to use force. However, France could see how a British exit might be the only way to develop a more common defense policy within the EU – France and the UK being on the opposing ends of the ideological spectrum on this issue.

Yet Britain is an important partner that France would not want to lose. France can rely on the UK’s support for nuclear energy. The two countries agree on the importance of the European Council in the EU decision-making process, and they do not support expanding competences for the European Commission. On foreign policy, they often appear together at the forefront, whereas most EU countries are wary of the limelight. Without Britain, France would face Germany’s “culture of restraint” on external affairs, which could find support from other member states. In that regard, a Franco-British leadership may be the best recipe to prevent a toothless Europe.

France does not want the UK to exit the EU. But should Britain go down that road, then France would be unlikely to hold Britain back. However, detailed discussion in France of what a British withdrawal could mean for France and the EU remains limited. For example, there has been little analysis of what it could mean for the Franco-German tandem, or whether without the UK the center of the EU would shift eastward. Nevertheless, the nature of the Franco-British relationship predates the existence of the EU and has arguably not been redefined by the European Union. Whether the UK is inside or outside the EU, France’s views of Britain will remain ambivalent.





## United States of America

Jeff Lightfoot and Tim Oliver

Britain is one of the United States' most important relationships, but Britain's position within the European Union is central to its importance. Were the United Kingdom to exit from the EU, it would weaken the geopolitical position of Britain and change the EU and Europe in ways that could be detrimental to US interests.

The United States has been a long-standing supporter of both European integration and a British role in the European project. The US-designed Marshall Plan for assisting the reconstruction of Europe required European unity and cooperation as a means of facilitating reconstruction and security. When in 1962 retired US Secretary of State Dean Acheson said, "Great Britain has lost an empire and has not yet found a role," he immediately followed it with another clear statement: "The attempt to play a separate power role apart from Europe, a role based on a 'special relationship' with the United States and on being the head of a 'commonwealth' which has no political structure, unity, or strength – this role is about played out." The part about playing "a separate power role apart from Europe" is often overlooked, not least by the British. Acheson's speech reflected growing opinion in Washington that has led US administrations from Kennedy onward to push for UK participation in European integration.

US support for a strong British role in Europe helped create fear that Britain was an "American Trojan horse" set to sabotage European unity on behalf of Washington. No one personified these fears more than French President Charles de Gaulle, who twice vetoed UK entry into the Common Market. Yet these fears overlooked the United States' close relations with other major continental European powers, especially Germany. And they misunderstood the fundamental interest that the United States had in European unity on economic and security grounds, concerns born from its involvement in two World Wars centered around Europe.

Fears of the UK serving as a Trojan horse for America resurfaced during the bitter European disputes over the Iraq War. And indeed, throughout the 1990s and 2000s – and particularly under the

Bush administration – the United States would on occasion cherry-pick the diplomatic support of individual member states to advance broader diplomatic goals. Yet in backing the United States on the 2003 Iraq War, the UK was not alone in the EU, with the then governments (if not necessarily the citizens) of 16 of the current 28 member states supporting the war in some way. Moreover, just two years after the Iraq war, President Bush made very clear in his 2005 trip to Brussels that the United States had an enduring interest in a strong, successful European Union.

### The American Interest

The Obama administration has continued the Bush administration's support for a strong and united EU, with the UK as an engaged member. US policymakers increasingly appreciate that US power is reduced from just a decade ago, if only in relative terms. Unilateralist impulses have been replaced by a search for like-minded and reliable allies capable of helping advance common Atlantic values. As President Obama made clear in his state visit to the UK in 2011, Europe remains the cornerstone for US global engagement and the greatest catalyst for global action in the world today.

From the US perspective, the UK and the EU are increasingly bound together, and must remain so if the transatlantic relationship is to remain healthy and relevant in a world marked by the profound shift of power and economic influence toward the East and the South. In the medium term, the United States will seek to work through NATO or through coalitions of the willing on key issues. But in the longer term, the United States will likely need a strong and coherent EU to advance common interests and values in a globally competitive world. And as Obama's then Assistant Secretary of State for European and Eurasian Affairs, Phil

Gordon, declared in a visit to London in January 2013: “We welcome an outward-looking European Union with Britain in it. We benefit when the EU is unified, speaking with a single voice, and focused on our shared interests around the world and in Europe ... We want to see a strong British voice in that European Union. That is in the American interest.”

The United States has expressed frustrations at Europe’s inability to act coherently in the world either through the European Union or NATO. The EU’s own problems, especially those in the euro zone, leave the United States concerned about the damage that a euro zone collapse could cause for both Europe and the United States. Though the United States realizes that a phase of navel-gazing is inevitable while the EU deals with its euro zone challenges, it nonetheless finds it frustrating. This current phase adds to fears that the EU is too inward-looking in general.

From Washington’s perspective, British membership in the EU enhances the prospects for cooperation between the EU and the United States. American and British alignment on a range of issues – such as economic liberalization, free trade, and security outlooks – makes UK membership in the EU in the direct interest of the United States. Efforts to reform the EU, to make it more responsive and dynamic, are therefore welcomed by the United States. However, the United States is also alert to concerns from other member states that British efforts are more about British domestic politics and national interests, and less about the interests of either the EU or stable transatlantic relations.

The Transatlantic Trade and Investment Partnership (TTIP) has emerged as a crucial focus of US–EU relations. For the United States, this deal is not simply about trade. If successfully negotiated, it could shift the center of gravity of transatlantic relations from NATO toward a US–EU relationship. Britain has been central to efforts to move this relationship forward, thanks in no small part to its position as one of the United States’ largest trading and investment partners. But Britain’s strained relations with the EU haunt negotiations.

Although a TTIP without the UK (in the case of its secession from the EU) would not be impossible – indeed, the United States and other EU members have warned that this alliance could happen – it would be a more difficult deal to secure, especially in Washington, where it would be a more difficult sell to Congress. Talk of Britain joining NAFTA, or securing some other deal with the United States, overlooks how for the United States, any such relationship would take place in the shadow of the TTIP.

Despite talk of an Asian pivot, the United States remains committed to Europe. An improved geopolitical relationship is the prize that the United States seeks through the TTIP. For the United States, the TTIP could be less effective if Britain was not to play a leading part in the European side of the relationship.

NATO remains an important part of the United States’ relations with Europe, but in part thanks to failures in Europe to organize better on defense or act coherently on security matters, the United States is growing weary of the security alliance. Operations in Libya, where the US role proved essential, along with the behavior of states such as Germany with respect to Syria, and the UK after the House of Commons vote, have reinforced concerns. As a result, US concerns that EU defense cooperation could undermine NATO have given way to a desire to see any progress on defense, regardless of the facilitator. The United States sees the lack of European capability – be it through NATO or the EU – as the primary risk to NATO and the future of transatlantic security cooperation.

Beyond concerns about trade and security, the general political debate in the United States about the UK and the EU can seem lackluster. Relations with the UK are still seen very much through talk about Churchill or Thatcher. Although some Republicans lament US relations with the EU, the potential for this position to extend into executive policy, should the Republicans win the White House, is, at best, remote. Moreover, no one in the United States any longer sees the European Union – with its many crises – as a threat to American power, as some did in the late 1990s. Instead, a lazy but popular view

of Europe, the UK included (especially among conservatives), sees it as a place alien to US values and in decline, thanks to issues such as socialized medical care and Islamization.

### A European Union without Britain: Implications for the United States

For the United States, the UK's geopolitical relevance would be much reduced by withdrawal from the EU. Britain would remain an important ally, with strong economic, social, and cultural links. The practical core of any "special relationship" would more than likely remain in nuclear weapons, intelligence sharing, and Special Forces. The UK's involvement in US intelligence activities monitoring other EU member states points to how strong this link is. British prime ministers would likely continue the long-standing approach of offering British military contributions to US military operations as a way of securing influence in Washington, and in turn a continued US defense commitment to the UK. But declining UK military capabilities will make this strategy increasingly difficult. Other options would need to be considered. The United States does not see EU membership as limiting the UK to only engaging in European matters. It welcomes London's global engagement, but this role is built in part on a foundation of European and transatlantic links. Any efforts by Britain from the outside to play a bridging role between the United States and the EU would not likely be welcome in either party. Britain therefore risks finding itself sidelined in US–EU relations.

Britain must avoid a situation in which a US administration is forced to choose between a deep and special bilateral relationship with the UK, and a more brittle, but much larger and important relationship with the rest of the EU. From the US perspective, Britain and the EU should remain

together for the health and relevance of the transatlantic relationship. Nor would the United States appreciate – if anything it would deeply resent – being drawn in to play the part of a counselor to limit the damage, not least to its own relations with its European allies, from a UK–EU divorce.

The United States, like powers such as Russia and China, would not assess Britain's withdrawal simply in terms of what it means for its own relations with the UK, but in terms of what it means for its more important and larger relationship with the European Union. The implications of a UK withdrawal for the EU are generally under-researched, but it could make the EU more inward-looking, unwilling to enlarge further, less focused on the Atlantic, and even less able to marshal the full potential for military and diplomatic power. It would remain dependent on a US security guarantee.

Alternatively, freed of an awkward member, the EU could become a more coherent actor. Whichever way the EU moves, the UK should not expect the United States to disengage from the EU because Britain has withdrawn. If anything, Britain's absence would mean that the United States would have to increase its relations with the remaining members of the EU, to the detriment of relations with the UK. There would be no shortage of applicants to fill the position of claiming to be the United States' closest ally within the EU, and the United States would be keen to build closer relations with, for example, France, the Netherlands, or Poland. Although such applicants might struggle to offer a relationship that could claim to be as "special" as British–American ties, for Washington they would be of increased importance thanks to Europe and the EU, as an area of the world in which it would retain considerable interests.



## Canada

Charles Pentland

As the finishing touches are placed on a Comprehensive Economic and Trade Agreement between Canada and the European Union, fear of the United Kingdom eventually leaving the EU mars celebration of this significant step forward in transatlantic relations.

It is no surprise that the prospect of the United Kingdom leaving the European Union has barely registered in Canadian political circles. A federal election is scheduled for 2015, and major domestic matters loom, including energy, climate change, aboriginals' rights, and the Arctic. In foreign policy, relations with China, Brazil, Russia, and, as always, the United States tend to attract more intense public scrutiny than those with the EU. Even NATO, through which Canada's security and defense relations with Europe have largely been conducted, may slip into relative obscurity as the Afghanistan mission winds down.

Moreover, a Brexit seems, to many outsiders, hard to take seriously. British Prime Minister David Cameron's strategy consists of a series of tight passages to be navigated, each obscured by a fog of political contingencies. The first is a UK election in 2015. If won by the Conservatives, it would trigger a UK–EU renegotiation of uncertain scope and prospects; if by Labour, possibly a similar, if less defined, scenario. The second troublesome stage would concern when and how to declare victory (or indeed any outcome) in this campaign. The third decision point, assuming some clarity on the second, would be a clear and simple in/out British referendum, probably in 2017. A national election, negotiations between a member state determined to bargain and EU partners reluctant to sit at the table, and finally, a roll of the democratic dice in which anything can happen – such a vague, uncertain, and distant scenario seems to defy rational analysis. Such a mix of uncertainty and improbability makes it difficult at the moment to start a conversation about Britain's future in the EU with any well-informed or influential Canadian.

### Transatlantic Free-Trade Agreements

The modest company of Canadians interested in Europe has tended, in recent years, to be preoccupied with two big issues that seem weightier than the UK government's emergent European strategy: the negotiation of a Canada–EU Comprehensive Economic and Trade Agreement (CETA), to which the final legal touches are currently being applied before formal signature and ratification; and the extended agony of the EU's euro zone crisis, which has tested the economic stability of some of Canada's main trade partners and weakened the global economy upon which Canada is so reliant. These two issues can serve as lenses through which to examine how Canada might respond to the prospect of a British exit from the EU.

CETA, whose main features and selling points have been announced, exemplifies the new generation of economic agreements that go far beyond tariff-cutting on traded goods to the liberalization of markets in services, investment, public procurement, agriculture, and other aspects of each party's domestic economy. As with earlier agreements signed in 1959 and 1976 with the then EEC, Canada is the first EU trading partner to sign this new form of treaty, even as the United States has launched similar, potentially more consequential, negotiations with the EU for a Transatlantic Trade and Investment Partnership (TTIP).

If the risk of a British breach with the EU gains prominence in the next few years, it will be natural for Canadians to ask what this change would mean for CETA and, by extension, for Canada's economy and its relations with the UK and the rest of Europe. At the moment the UK accounts for about 30 percent of Canada's merchandise trade with the EU – 50 percent more than Germany, Canada's second-largest market in Europe. Trade in services and two-way investment give the UK even

greater prominence among Canada's EU partners. The question is whether this well-established pattern would be affected if the UK walked out of the EU, presumably leaving CETA behind.

Indeed, most divorce scenarios would mean that international agreements such as CETA would cease to apply to the UK. At a stroke, then, Canada's chief economic partner in the EU and arguably one of its principal incentives for pursuing CETA would be lost to the agreement. Some might claim, of course, that a bilateral pact very similar to it – indeed even more liberal, given the economic views of the Conservatives currently in power on both sides of the Atlantic – could be negotiated forthwith, although this solution may underestimate the transaction costs to both sides and the negative political climate engendered in Ottawa by the UK's exit. A second possibility is that Britain seeks to attach itself to the US–EU negotiations over the TTIP. But these negotiations are likely to be well advanced by that time, and neither a recently rejected EU nor a United States that had made clear its preference for a strong Britain in a strong Europe would be terribly receptive to such a brash initiative. A third possibility, mooted among some British Conservatives, is a more radical turn away from Europe toward the Commonwealth (for which successive British governments have in fact shown decreasing regard) or the “Anglo-sphere” (a nostalgia-laden construct largely bereft of economic content). For Canadians, the Commonwealth as such holds little appeal as a vehicle for trade liberalization agreements with emergent markets. On the one hand, they prefer bilateral or regional approaches to such countries. On the other, the travails of the World Trade Organization's Doha Round suggest that, for the UK and Canada alike, emergent markets may be a seductive but illusory escape from hard but potentially more rewarding bargaining with the EU.

These unlikely prospects aside, a pending British exit from the EU would confront Canada with the failure of a strategic vision of Europe that it has shared with the United States since the 1960s: that of a wealthy, stable single market strengthened and liberalized by the inclusion of Britain and like-minded northern members; and thus a strong

European pillar for the North Atlantic security community centered on NATO. On these grounds the Americans pushed hard for Britain's membership in the EEC from the Macmillan government's first initiative in 1961 through two French rejections, the accession in 1973, and the referendum two years later. Canada came to share that enthusiasm, after some hesitation over trade diversion and the implications of a US–Europe two-pillared model of transatlantic relations that would consign Canada to the shadow of the United States.

### Prospects for Relations between Canada and a Post-UK European Union

If a divorce would raise questions for Canada about how to deal with a free-floating UK, it would also challenge some established nostrums about the EU, already shaken by the five-year euro crisis. Even with CETA still in place, would a post-UK European Union remain as attractive to Canadian traders, investors, and governments? Insofar as one of the benefits of British membership is its leading role as a platform for Canadians selling to and investing in the broader European market – not to mention the allure of London as Europe's financial center – the answer could well be no. That might not be so if Britain managed to escape the EU policies it most dislikes while remaining in the Single Market. Such an outcome could reduce the threat, for example, of the wholesale migration of financial services from London to Frankfurt or Paris.

Absent the UK, the EU would remain an economy comparable in size – if not in dynamism – to the United States and China. Its major members, especially Germany, France, Italy, and the Netherlands, would retain their importance for Canada. To the extent that its troubled southern members pass the remaining tests of economic recovery and, along with others such as France, adopt growth-friendly structural reforms, the EU should deliver the results promised for CETA in both Ottawa and Brussels.

On the other hand, although the UK is not a member of the euro zone, its trade performance does not yet seem to be benefiting from the depreciation of sterling that has accompanied its own version



of Europe's economic crisis. Combined with the weakness of its recovery in general, this development suggests that, even as the UK government's European strategy unfolds in the next few years, its allure as Canada's main EU partner may start to diminish. Would a Britain – however open to the world – that has largely failed to arrest the decline of manufacturing but built new strengths in services (now 80 percent of its economy) become more or less attractive to Canadian traders and investors?

Important to Canadian policymakers, although less so than CETA and the euro crisis, is a third area of concern: the future of the EU and the UK as global actors, particularly with respect to peace and security. Britain has brought to the EU the global perspective of a great power along with impressive military and diplomatic capabilities. Despite its reluctance to commit meaningfully to the EU's Common Security and Defence Policy (CSDP), it

has provided key diplomatic assets to the nascent External Action Service. While giving priority to NATO, Canada has expressed interest in working with CSDP missions and, more generally, values the EU as a regional and global "security provider." A British departure, although not directly harmful to NATO, would surely be seen in Ottawa as the diminution of a promising European capacity.

It is unlikely that any of the above concerns will surface as matters of debate in Canada until and unless renegotiations take place and a referendum looms. Canada's own experience with referendums in 1980 and 1995 shows that, in the public and the political class alike, concern arises late but surges quickly and often irrationally. Unlikely as this scenario may seem at the time of writing, most Canadians would find themselves hoping that the British will opt to stay inside the European Union and work for a better Europe.





## Germany

Almut Möller

Berlin would rather not have a British in/out question added to its already packed EU agenda. Although David Cameron's speech in January 2013 did resonate with some in the German political arena, the attitude so far has been one of "let's cross that bridge when we come to it."

If and when a UK in/out referendum happens, and whether it will result in Britain leaving the European Union, is considered a subject of speculation. There is a feeling in Berlin that London might need to face a fundamental choice about its EU membership – and that a move that leads to Britain either staying in or getting out might turn out to be cathartic. Germany believes that its leverage on British public opinion and stakeholders' opinions is limited, as is its desire to offer tailor-made solutions to London to help it win its domestic campaign for Europe. Nonetheless, Germany's vision of the EU is not one of a "Britainless Europe." This situation presents the new coalition government in Berlin with a dilemma.

In the coming months, Germany will have to continue devoting a great deal of its energy to euro zone reform. The agreement founding the German coalition government suggests that the grand coalition of Angela Merkel's Christian Democratic Union (CDU), its Bavarian sister party the Christian Social Union (CSU), and the Social Democratic Party (SPD) is likely to take a cautious approach toward further integration of the Economic and Monetary Union. But even with a limited approach, the German government will contribute to widening the gaps between the "ins" and "outs" of the euro zone. It is therefore heading toward a choice that it would rather not make: between a more integrated euro zone, and a wider European Union in which all member states can find their place – a predicament that German policymakers are increasingly aware of. To avoid such a choice, Germany and Britain need to find common ground in the discussion on how the euro zone and the wider EU can be reconciled with one another.

### Britain as a European, Germany as an EU Power

Germany has an interest in strong cooperation with Britain, in particular with regard to London's global ambitions. London is seen as a powerful ally in shaping Europe's opportunities in a globalizing world. Angela Merkel's vision of the EU is not inward-looking, but instead focuses on a future global role for Europe, with Germany a central figure. Trade, innovation, competitiveness, and a willingness to embrace the promises of globalization are often cited as strong bridges between Britain and Germany in Europe. While it is often overlooked in Britain that Germany, even under a conservative chancellor, remains committed to a social market economy, there is still room for cooperation on an outward-looking economic agenda. With regard to European security, there is little doubt in Berlin that the British contribution is vital; otherwise Germany would be under even more pressure to contribute more to EU defense and security.

An argument often heard in Germany is that an EU without Britain would result in a shift of power within the EU toward France and the southern countries, a development detrimental to Berlin's interests. Yet Britain's role as a spoiler within the EU is something that also worries Germany. In particular, there are concerns that a renegotiated UK–EU relationship would lead to other member states adopting a cherry-picking approach to membership. If Germany was faced with a British "no" vote, it would have to find new ways to work with Britain as a European power, but it would do so while remaining committed to EU interests. It is not clear whether the two approaches are reconcilable.

## Competing Visions of the Notion of EU Membership

Even with an increasingly global outlook and growing confidence in shaping the euro zone according to its own preferences, Germany continues to focus on the economic health of all members of the euro zone. This approach is seen as a necessity for the German economic model with its strong focus on exports. Germany must consider its fellow euro zone members, both in terms of the substance of its policies and in terms of the style it adopts in negotiations. Arguably, the 2009–2013 coalition government of Chancellor Merkel did not always get intra-euro zone communication right. The vital euro zone interests lead Germany to weigh its priorities carefully, and make it especially perceptive to intended or unintended spoilers. For now, the so far opaque British claim for “less Europe” is being largely ignored as Angela Merkel and her new coalition continue to shape their ideas for “more Europe” within the euro zone. But if London’s claims infringe on Germany’s vital interests, Berlin is likely to side with the euro zone. As much as Berlin might wish for German and British agendas to be reconcilable under the EU umbrella, this task might be too difficult. Saving the euro zone through further integration may come at the price of losing Britain and weakening the wider EU.

### Britain as a Spoiler or as a Partner?

German policymakers are well aware of the often fierce debates in Britain about the EU. Berlin acknowledges that the nature of EU membership is again changing with the need to further integrate the euro zone, and understands that these developments run counter to British preferences. The German government itself faces domestic challenges with respect to Europe, and understands the challenges of navigating public opinion. For the time being, however, this process seems peaceful; in the September 2013 elections, a majority of Germans showed that they place their trust in Angela Merkel’s abilities to manage the euro crisis. However, it is questionable whether the German public is aware of the fundamental choices about economic and social policies that are currently being discussed as part of efforts to save the euro,

because the previous government and most of the opposition parties largely shied away from public debate on these choices.

What is noted with surprise in Germany is that while it has become more pragmatic toward EU affairs and more outward-looking, the British debate appears to have become more ideological, less pragmatic, and inward-looking. German policymakers are having trouble reading London’s signals and wonder where Britain is headed. A wave of visits by officials and politicians from London, not all of them proving successful, have not added clarity. Despite some problems and remaining hesitancy, Berlin has gained confidence in leading EU debates, and as a result expects to be challenged over its European policies. However, there is a limited appetite for conversations with the British, who seem to suffer from a fundamental lack of understanding of the German position and the wider debate elsewhere in the EU.

London has to work harder to establish itself as a credible voice in the debate over EU reform, and demonstrate that it is not acting purely out of national self-interest, particularly with respect to the British government’s ongoing Balance of Competences Review and the wider reform agenda that David Cameron outlined in his January 2013 speech on Europe. Germany has a tradition of discussing subsidiarity, and therefore could potentially contribute a great deal to a competence debate (especially given its powerful federal states), but the timing of the British initiative was met with indignation in Berlin. It was seen as a rather divisive exercise at a time when Germany was investing a lot of energy into fighting centrifugal forces within the EU. To German ears it sounds rather strange to hear from Britain that the EU needs to reform. Germany has spent four years heavily engaged in EU reform, or, more precisely, euro zone reform. From a German point of view, ideas on how to bridge the widening gaps between the “ins” and the “outs” of the euro zone would be more useful than stirring up the sensitive question of competences as the British Balance of Competences Review does.

The euro zone/non-euro zone division will increasingly shape British–German relations in the EU. Britain and Germany will have to find a joint agenda that allows them to bridge the widening gaps. This effort could form part of a positive agenda for the British government to succeed in any British in/out referendum.

### Britainless Europe – What Would It Mean for Germany?

An EU without Britain is not in Germany’s interest. Even the process would be messy. The negotiations for withdrawal not only would be legally challenging; they would absorb a good deal of political energy, especially from Germany, which would likely play a central role in negotiations. A British withdrawal would have spillover effects not only on a number of EU policies, but also on fundamental debates over the future path of the EU. Having invested a great deal of energy and resources into saving the euro zone from collapse, Germany

would find itself confronted with yet another period of EU change and reform – and one that, unlike euro zone reform, would be largely beyond its control.

A British exit would also mean the loss of one of the EU’s most ambitious international and military players. If the EU continues to build its own foreign and security policies, then Germany would be increasingly pressed by Paris, Warsaw, and others to do much more to compensate for Britain leaving these structures.

Finally, Germany would have to continue to engage with Britain as a non-EU member. A major European country would find itself outside the EU’s institutions, procedures, and many if not all of its legal arrangements. Ironically, in continuing to engage with London, Berlin risks weakening the institutions and structures of the European Union on which it places such great emphasis.



## Poland

Roderick Parkes

When Poland secured EU membership in 2004, in a move strongly backed by the United Kingdom, the two countries were acutely aware of the potential of their cooperation, viewing it as a means to constructively shape the European bloc. Now, a decade later, the British–Polish relationship is indeed emerging as one of the key relationships of the new Europe. And yet, it is not the closeness of their relationship that makes it so important, but the tensions in it.

Poland’s perspective on the EU is still conditioned by its fierce battle to secure membership and a historical awareness that its economic and political standing could be snatched away. The UK, having enjoyed a millennium of more or less linear economic and political development, has a different sense of its own worth and the purpose of EU membership. The difference in perspectives between catch-up country and “incumbent” Western power makes close cooperation difficult.

This difference matters for two reasons. First, and unusually for today’s fragmented European Union, the two countries are actually in broad agreement about the EU’s future. Both talk about a liberal area, aligned with the United States but not dependent on it, a bloc prepared to enlarge for geostrategic reasons and to behave pragmatically on vital issues such as renewable energy. Thus, any failure to overcome their differences of interpretation and capitalize on this overlap of interests increases the chances that a rather different vision of the EU will win out.

Second, the bilateral issues that bind the two countries in the EU are becoming almost existential in their dimensions, be this the challenge of large-scale migration flows from Poland to the UK under the EU’s free movement laws or the emergence of a euro zone core with the capacity to define both countries politically. The UK and Poland would greatly increase their chances of solving these problems if they worked together, whereas any failure to do so will turn European integration from a solution into a serious problem for them.

This tight symmetry in an otherwise unequal EU relationship means not only that one side’s actions can disproportionately affect the other, but that each often assumes that the other shares its basic

approach to European affairs. This assumption is proving a recipe for tension and misunderstanding, currently played out in three perceptions of the UK in Poland – as spoiler, talker, and mirror.

### Britain the Spoiler

The British frequently express their surprise about the way in which Warsaw is conducting its Europe policy. They are confused by what they see as Poland rebalancing away from the UK in a way potentially inimical to Poland’s own interests. They question the wisdom of Warsaw building bridges with France (the country most opposed to Polish EU accession), hugging Germany tight (history cautions against a Polish–German tandem), and lining up to join a euro zone wracked by crisis.

Because these efforts are the principal contours of Poland’s current European policy, the critique can be rather irksome (the Poles can be credited with at least a basic awareness of the potential pitfalls of their approach). But what exasperates officials in Warsaw most is not the implicit accusation of political naivety. It is what they see as London’s lack of self-awareness. After all, the UK has had a significant role in cutting down the options available to Poland and pushing Warsaw to rebalance.

Take the British role in Poland’s changed relationship to France. In 2011, David Cameron tried to block EU treaty change. When the euro zone member states pushed ahead without him and agreed on a fiscal compact, it was by recourse to an intergovernmental treaty outside the EU framework. This move created a parallel legal architecture beyond the EU and without the safeguards provided by Union decision-making rules. It gave euro zone members a formal channel to cooperate among themselves if they again wanted to move

ahead without nonmembers. From the perspective of Poland, and following years of hostility from Chirac and Sarkozy, the French now had them over a barrel: Agree to our policy line, or we will exclude you.

As for Poland's relationship to Germany, one reason why Warsaw hugs Berlin so close is because London is hugging Berlin so close. The UK formerly acted as a kind of "consensual spoiler" in the EU. It stood up for a broad range of members – including Poland – nervous about ideas emanating from Brussels, Paris, and Berlin. Today, London is more focused on itself, and perceives that it can gain concessions directly from Berlin. In particular, the UK seems convinced that its agenda to reform the EU, either through a general decentralization of power or a set of UK-only arrangements, can be best achieved through Germany. To prevent a diktat of these two governments, or a free-for-all where large countries take back the powers they want, Warsaw feels that it too must talk with Berlin.

Nowhere, though, are the effects of the changed British approach to Europe clearer than in the area of euro zone governance. From Warsaw's perspective, the UK's self-centered focus of late has fundamentally weakened the position of Poland and the other non-euro members. Since the onset of the euro zone crisis, the UK has singularly failed to build alliances with any other euro-out except Sweden, let alone push for euro zone decision-making to remain open and transparent to nonmembers. In the absence of support from the most powerful non-euro member, the only way that Warsaw can now ensure that its interests are taken into account by the euro zone core is by articulating its firm commitment to join the common currency.

Of course, it would be wrong to believe that Poland has deepened its relations with France, Germany, and the euro zone only because of Britain's self-elimination as a partner. Even before the French presidential elections, for example, Warsaw appeared to be looking for a means of engaging with François Hollande, and has actively used the change of political direction in Paris to deepen ties. As for the partnership with Berlin, the government

of Donald Tusk made a priority of that from the very first. The point is simply: Warsaw cannot share the analysis that its bond with other governments is an example of political naivety or evidence of continental caucusing, or just some kind of inexplicable given. While it may be true that Warsaw bases its relations with euro zone governments on a rather exaggerated fear of its potential exclusion from the core, the UK's attitude that the euro zone should integrate politically without the rest is almost designed to exacerbate such perceptions.

### Britain the Talker

The British are of course aware of the tense state of relations, and London has made some serious efforts to engage with Warsaw, not least in the form of a recent joint initiative on EU deregulation. But this effort is the exception rather than the rule. Instead of seeking out consensus positions, especially on matters like intra-EU migration and cross-border crime, where EU-wide reform depends largely on the two capitals, London has more usually focused on clarifying British motives to Warsaw.

The assumption seems to be that if Warsaw only understood the reasons behind the British position, it would fall in line with it. The British explain, for instance, that David Cameron is often speaking as leader of the Tory Party when he is at his most Euroskeptic. When listening to his speeches about the reform of the EU, Poles should not fret that he is defining government policy – London remains pragmatic, not ideological, and the two countries can work together.

Yet London's emphasis on explaining rather than listening is problematic, for Warsaw has a strong sense that the UK is not being honest with itself. Much Polish scorn is reserved, for instance, for the Commonwealth policy promoted by former Foreign Secretary William Hague. Polish commentators deem it wishful thinking that the Commonwealth states, neglected by London since the 1970s, will offer a serious alternative to EU membership. Like the UK, Poland is aware of the growing relevance of non-European powers and their challenge to the competitiveness of the EU. Unlike the UK, however, Poland will have to build its relations to them



from a standing start: it does not have a global history. Warsaw is thus sensitive to any indication that the UK is squandering its advantages and treating its relations to, say, Canada, Australia, or India as nothing more than an expedient means of reducing its exposure to Europe.

Poland recognizes that if the UK really wants to boost its international standing, it will first have to face up to its close dependence on other EU members. And, of course, this important step also holds true for Britain's chances to realize its European agenda: without investing in relations with other governments, Poles believe, British-style intergovernmentalism will only leave London marginalized by other capitals and reliant on the supranational European Commission, Court, and Parliament to stand up for it. Developments in the summer of 2013, when Spain introduced tight border controls on people crossing into Gibraltar, were seen to confirm this trend. After a round of gunboat diplomacy with its old rival Spain over the British Overseas Territory, London was forced to recognize that the problem could be solved only within an EU context and – worse – that it now lacked the web of governmental relations to achieve this end. In an embarrassing climbdown, it called in the European Commission. After a year spent trying to water down the European Commission's powers to scrutinize border controls, the UK was the first to activate them.

All of these examples show that a decade of increased exchange between Poland and the UK has done little to increase mutual trust. The current situation flies in the face of the UK's foreign policy elite, which back in 2004 stressed the idea that opening the British labor market to Polish nationals would secure good relations. Instead, the large-scale migration seems to have cemented British prejudices about Poland and confirmed Polish fears about Britain.

The reason may be that the UK's foreign policy elites were displaying thinking typical of a receiving country: immigration may be a burden, but the payoff will come in the form of the gratitude of the sending state. This attitude meant that the Poles who migrated often found themselves funneled into jobs far below their skill levels. For the govern-

ment in Warsaw, there was the added frustration of seeing a generation of ambitious and relatively affluent Poles leave.

In contrast to Ireland – traditionally a country of emigration, and one that is said to have made better use of the qualifications brought by Poles – the UK thus failed to capitalize on the brave move to open its labor market in 2004. And while a large tranche of the Polish elite is familiar with British motivations and thinking, having worked and trained there, this familiarity has not bred sympathy so much as contempt.

### Britain the Mirror

The UK's efforts to boost understanding of its policies have been problematic for one last reason: they hold up a mirror to Warsaw and its own problems. When explaining the difficulties of dealing with a Euroskeptic public or government, for instance, British officials cannot help but point to equivalent tendencies in Poland. Indeed, across a whole range of issues – defense, the budget, free movement – the British cannot explain their weaknesses without forcing Poles to face up to theirs.

This habit is made more difficult by the complex “seesaw” nature of their current relationship. Poland is currently hovering between two states – not yet a leading member of the EU, no longer a junior member. Britain's decline may thus boost Poland's status in the EU, but it could also push it into a role that it is not equal to. For that reason, Warsaw does not know whether to rejoice in the UK's predicaments and play down its own, or to mourn the loss of Britain as a close partner with similar predicaments.

On the one hand, therefore, Warsaw is embracing its reputation as a member state on the rise – it has used this narrative to bolster its influence in Brussels and to sell difficult choices at home. Any indication that British politicians are stuck in the mind-set of the last decade is treated severely, and Poland dislikes being taken for granted as “our transatlantic partner in the east,” or viewed as a country reliant on British protection, influence, or money.



On the other hand, Poland is acutely aware of how far it still needs to go if it is to play at the top table in Brussels. For this reason, Poland still belongs to a band of British “orphans” in the EU – member states that once viewed the UK as their principal partner, but now have to fend for themselves. This group includes the Czechs, the Dutch, the Swedes, and the Commonwealth countries Cyprus and Malta. For its part, Britain is struggling with its

own in-between status in the EU – part leading member, part exposed and marginalized state. Its efforts to navigate this precarious situation throw up dilemmas for Poland. Both are unsure whether to break away from the protective structures of the EU and embrace subregionalism (e.g., the 2010 Anglo-French defense entente) or differentiated integration (e.g., the fiscal compact), or closer ties with Berlin rather than Brussels.

## Ireland

James Kilcourse

Ireland's accession to the European Economic Community (EEC) helped it move away from economic dependence on the United Kingdom, enhancing its international profile and self-confidence. The two countries still have very close economic and political relations and cooperate on issues relating to the Northern Ireland peace process. But the prospect of the UK obtaining special concessions on EU regulations, giving it a competitive advantage over other member states, is almost as unwelcome as an outright UK exit.

Owing to Ireland's overwhelming economic dependence on the UK in 1973, the country's accession to the EEC was contingent upon the accession of its larger neighbor. Once inside the club, however, Ireland almost immediately distinguished itself from the UK by becoming a firm supporter of European integration. As early as 1975, when London decided to hold a referendum on EEC membership, the Irish government concluded that Ireland would not follow were Britain to leave the EEC. This decision was remarkable given that Irish foreign policy up to this point had mainly focused on managing relations with the UK. The effect of EEC membership was liberating for Ireland, as it enabled the country to diversify its trade links and become less dependent on the UK while simultaneously raising the state's international profile and self-confidence.

The divergence between the UK and Ireland in their attitudes toward EU membership has persisted and deepened ever since. The distinct possibility that the UK will leave the European Union is problematic for Ireland, which remains as committed as ever to full and active membership. This deepening divergence stands in marked contrast to the improvement in recent years in their bilateral relationship, which is now stronger than it ever has been. The positive change in relations was due in no small part to EU membership, as this setting enabled personal contacts to develop between Irish and British politicians and officials in a way that had not previously been possible. Following the 1998 Good Friday Agreement in Northern Ireland, London and Dublin have been able to turn their attention to the wider interests at stake in their relationship.

### Deep Ties

Although the Irish economy is now much less dependent on the UK than in the past, the bilateral economic relationship – a trade flow of one billion euros per week – remains very important. The UK is Ireland's largest export recipient; Ireland is the fifth-largest destination of UK exports, which exceeds by far the relative size of its population and economy. This strong economic relationship is based on a complex web of commercial, institutional, and transport connections. Social, cultural, sporting, and familial ties, combined with a common language, also bring the two states close together and contribute to mutual understanding.

The ties that bind the two states are further strengthened by the imperative of maintaining peace and stability in Northern Ireland, which requires the continued engagement and cooperation of London and Dublin. After months of talks led by US diplomats, the failure in December 2013 of Northern Irish political parties to reach agreement on a number of residual issues demonstrates the challenges still to be overcome in this respect.<sup>13</sup> Northern Ireland has benefited greatly from EU membership, not only through direct funding, such as through the Common and Agricultural Policy (300 million euros annually), peace and reconciliation programs such as PEACE (with PEACE IV securing 150 million euros for the period 2014–2020), and regional funds, but also through the symbolic and practical implications of common membership with the Republic of Ireland, which has diminished the physical presence of the border. Former Irish Prime Minister John Bruton has warned that the Northern Ireland peace process is “reversible,”<sup>14</sup> though this aspect is being ignored in the UK's debate on EU membership.

Northern Ireland's political leaders, not yet fully engaged in the EU debate, have a role to play in setting out the possible consequences of an EU exit for the region.<sup>15</sup> Any barriers to the free movement of goods and people could have a destabilizing effect on Northern Ireland's fragile economy, not to mention the relations between nationalist and unionist communities. Even if the Common Travel Area between the UK and Ireland remained in place, UK withdrawal could impede the strengthening of economic and social relations between the Republic and Northern Ireland. For instance, many existing areas of north–south cooperation, such as trade promotion, agriculture and rural development, environmental issues, health, and transport, take place within an EU framework. Add to this uncertainty the possibility of Scottish independence following the referendum in September 2014 (also related to the UK's EU debate), and the future shape of relations across these islands – and Europe's western borders – becomes even more unpredictable.<sup>16</sup>

### Irish Reaction

It is not surprising then that Irish government representatives have expressed deep concern over the prospect of a UK withdrawal, and particularly over its implications for continued British–Irish bilateral cooperation.<sup>17</sup> One cabinet member has referred to UK withdrawal as a “doomsday scenario” for Ireland.<sup>18</sup> The potential difficulty is that safeguarding the Common Travel Area and bilateral relations with the UK could reduce Ireland's capacity for independent participation at the EU level, thereby forcing on Ireland an uncomfortable choice between its nearest neighbor and its continental partners. However, the message from the government is clear: “Ireland is an integrated and committed member of the EU community. And will remain so. On such a vital topic of national interest, we will not be caught in the slipstream of decisions that others make.”<sup>19</sup> This stance is very much supported by public opinion. The most recent Eurobarometer poll shows that 70 percent of the Irish population supports European economic and monetary union, compared to just 19 percent in the UK.<sup>20</sup>

Viewed from outside, Ireland's high level of public support for EU membership and the euro may seem surprising after five years of economic turmoil, austerity, and a bailout program perceived by many as being imposed by the European Commission, the European Central Bank, and the International Monetary Fund. However, Ireland's support for EU membership runs deep. This strong support is not only an outcome of EU membership reducing Ireland's economic dependence on the UK, nor indeed the infrastructural, social, and socio-economic progress that followed EEC accession in 1973. Ireland's enthusiastic membership in the EU and the euro zone continues to pay off in economic terms. Ireland has become an important link in the value chain of US firms, for which its access to the Single Market is key. Even before the crisis began, Ireland prospered as an investment gateway to Europe. In 2013, Ireland became the number one export platform in the world for US multinationals.<sup>21</sup> Between 2009 and 2012, US firms invested 97.7 billion dollars in Ireland (8.5 percent of the global total). While US foreign direct investment (FDI) to the UK over the same period amounted to 141.7 billion dollars (12.4 percent of the global total), it is worth bearing in mind that the GDP of the UK is about twelve times that of Ireland.

Foreign investment therefore plays a central role in the Irish economy, and one of Ireland's key assets as an investment base is its membership in the Single Market and in the euro zone. Recent trade missions by government representatives to countries like China, Japan, and Saudi Arabia will have emphasized Ireland's access to a market of 500 million people. This advantage helps to explain the general consensus that the national interest lies in the European Union. In a poll carried out in January 2013, 83 percent of respondents agreed that Ireland has, on balance, benefited from membership in the EU.<sup>22</sup> In the same survey, two-thirds of respondents held the view that Ireland should remain in the EU even if the UK leaves.

## Preparing for an EU without Britain

Given the solid core of support for Ireland's membership in the EU and the countervailing trend in Britain, the two partners appear to be heading in opposite directions. UK withdrawal is, therefore, a situation for which Ireland – north and south – must be fully prepared. In the case of withdrawal, Ireland could be a potential beneficiary in attracting FDI away from an isolated UK. A number of multinational companies and financial institutions have already suggested that their investment in the UK would have to be reviewed following an EU exit. As an English-speaking, euro-trading, amenable location for mobile global investment, Ireland could become a larger gateway to the EU. However, the risks for Ireland are great. Aside from the potential for barriers to trade and free movement between Ireland and its primary economic partner, the loss of a crucial liberal ally on issues ranging from taxation to free trade could make Ireland's position within the EU considerably less comfortable.

A key question that then arises: How far would Ireland be willing to go to keep the UK in the EU? It is important to remember in this regard that, as well as being Ireland's closest partner, the UK competes with Ireland for investment from outside the EU. It is not yet clear what specific demands Prime Minister Cameron will make of his European partners. However, if the UK were to succeed in exempting itself from certain EU regulations while retaining full access to the Single Market, this arrangement could see a rule-constrained Ireland being outcompeted by its neighbor, a prospect almost as unwelcome as an outright UK withdrawal. This concern was reflected in a statement by Eamon Gilmore, Ireland's minister of foreign affairs and trade, in January 2013: "The European Union is not an à la carte menu. We're either

a union or we're not. This is not going to work if we have 27 or 28 categories of membership."<sup>23</sup> Ireland might support EU-wide reform on issues like subsidiarity, proportionality, and overregulation if this reform will keep the UK in the EU. However, the unilateral repatriation of competences or opt-outs of EU legislation would be far more difficult to accept.

The decision of the UK to opt out of over 130 measures in EU Justice and Home Affairs (JHA) cooperation and attempt to rejoin 35 individual measures is therefore being closely watched in Ireland. The process could provide a rehearsal of the negotiations that would follow a later UK decision to withdraw from the EU. The JHA opt-outs could have a significant impact on British–Irish police cooperation dealing with terrorism and organized crime across the Irish border. This possibility was acknowledged in a House of Lords EU Committee Report on the opt-outs in October 2013, which stated that "insufficient attention has been paid to the possible negative impact on Anglo-Irish cooperation in policing and criminal justice matters."<sup>24</sup> Aside from the practical implications flagged by the House of Lords, UK withdrawal from the EU would also leave Ireland isolated as the only common law jurisdiction in the EU.

Ireland's national interests would be best served by a UK at the heart of the European project. Because this scenario is increasingly unlikely, Irish European and foreign policy could face considerable strategic challenges over the coming years, as Ireland attempts to balance its close bilateral relationship with the UK with its equally strong commitment to European integration.

*All views and opinions expressed are solely those of the author.*



## China

Lirong Liu

With the Chinese snubbing London for Brussels, Paris, and Berlin on President Xi Jinping's spring European visit and arguing that "Britain is easily replaceable in China's European foreign policy," it is clear that the United Kingdom's influence on China – including its desirability as a Single Market location for East Asian investment – is far greater within the European Union than without.

China's vision of a multipolar world shapes its views of both the EU and the UK's place in the EU. A united, strong, and open Europe that is a credible global actor suits China's interests. However, in pursuing this vision, China's interests in the EU and the UK alternate between being primarily economic and geopolitical, albeit with considerable overlap between the two. China's geopolitical thinking concentrates largely on its neighboring states and superpowers such as the United States. Uncertainties over European integration and cooperation, especially since the euro zone crisis, have temporarily marginalized the position of the EU in China's geopolitical thinking and have led China to focus instead on bilateral relations with individual EU member states. However, despite the euro zone crisis, the EU remains of central importance in China's economic thinking. Similarly, China's views of the UK's position in the EU alternate between support for the UK's strong free-trade approach to EU–Chinese trade, and concerns about UK support for a more value-oriented diplomacy toward China. Despite these tensions, British marginalization within or withdrawal from the European Union would change China's relations with both the EU and the UK, possibly in ways damaging to all concerned.

### Chinese Views of the EU

China looks at the EU through the lens of four underlying factors: the global strategic balance of power, the way in which European integration has developed over time, the development of the EU's China policy, and China's changing role in the world.<sup>25</sup> Based on this framing, China's current EU policy is characterized as follows.

First, economic and trade cooperation has long been, and remains, the basis of Chinese–EU relations. As a result, China's policy toward the EU

concentrates on cooperation on economic, cultural, and technological matters. Despite the euro zone and European debt crisis, Chinese analysts and businesses are optimistic about Europe's economic prospects.

Second, China considers the EU to have a limited role as a global actor, judging from the internal coordination problems seen in the repeated failure to develop a credible common foreign and security policy. Even when the EU does act, for example in crisis management, it does so almost exclusively in areas surrounding the EU or in its traditional spheres of influence such as Africa. As far as East Asian security is concerned – one example is the tensions surrounding the Diaoyu Islands – the EU and its member states have so far played no active role. Despite some policy differences and transatlantic spats over NSA spying, the EU and its members clearly remain close allies of the United States on most international issues. In China's view, the EU embraces the role of a "civilian power," while its members continue to relegate hard security issues to NATO.

Third, EU–China relations have been disturbed by the many debates about human rights and democracy.<sup>26</sup> China and the EU have had a series of long-running disagreements on human rights issues such as Tibet, China's policy toward Africa, and environmental issues. For example, between 2006 and 2008 the European Parliament adopted a series of resolutions and drafted reports on China that provoked negative responses from Beijing. As a way of countering a collective EU values-based approach, China has attached more importance to bilateral relations with individual EU member states. China's experience has been that member states, in particular Germany, are more open to pragmatic relations in isolation.

Fourth, the global financial crisis caused disturbances in trilateral relations between the EU, China,



and the United States, and although there are many unsolved problems in the transatlantic relationship, the close relationship between the United States and Europe should not be underestimated. China has doubts about the Transatlantic Trade and Investment Partnership (TTIP), currently under negotiation between the United States and the EU. Beijing worries that the TTIP could come to shape new trade rules and dominate the governance of global trade at the expense of China and other emerging economies. These fears have been heightened by Japanese efforts to connect the free-trade negotiations it started with the EU in 2013 to TTIP negotiations. China sees this development as an attempt to balance its rising economic power. Such free-trade agreements have the potential to become an important factor influencing the way Chinese–EU trade relations develop in the next decade.

Finally, the primary focus of China's EU policy has oscillated between relations at the supranational and relations at the intergovernmental levels. Since the failure of the EU constitution in 2005, the Chinese government has focused on developing bilateral relations with individual EU member states. This approach has been embraced even more in the face of the euro zone and European debt crisis, a topic of much concern among participants at the November 2013 annual meeting of the Chinese Association for European Studies held in Shanghai.

### Chinese Views of the UK and of the UK in the EU

David Cameron's 2013 visit to China provided a number of opportunities to learn about Chinese views of the role of the UK in the world. According to an article published in the *Global Times*, a newspaper owned by the official Communist Party People's Daily newspaper, the UK is no longer considered a great power and "is easily replaceable in China's European foreign policy."<sup>27</sup> This evaluation was not so much an accurate estimate of Britain's position in the world, as an expression of the Chinese government's dissatisfaction with Britain's value-oriented foreign policy vis-à-vis China.

China is well aware of the UK's difficult relationship with the EU. The UK has hindered European

political integration on account of several factors, the most notable of which, from China's perspective, is its special position between the United States and Europe. The UK's position in a changing EU has not passed unnoticed in China. The euro zone crisis has created a situation in which the UK appears increasingly isolated, both through developments within the rest of the EU and through growing skepticism in the UK. Thanks to efforts principally led by France and Germany to reform the euro zone, a "Union within the Union" is emerging, meaning the UK can be excluded from decisions within this new core. This possibility has heightened tensions between the EU's "big three." From Beijing's perspective, the British government needs to focus on a renewal of its European policy as well as improved diplomacy.<sup>28</sup>

Yet, as explained above, China's relationship with the EU is mostly of an economic nature, and London plays a strong role in this area. The EU is China's biggest market, and the UK has played and can continue to play a positive role in the development of economic relations between the two. Among the EU's big three, the UK has always been a leading advocate of free trade and open markets.<sup>29</sup> This position contrasts with France's preference for protectionism, and Germany's alternation between the two. During the EU–China Summit in 2012, the former Chinese Prime Minister Wen Jiabao proposed a bilateral free-trade deal similar to the TTIP negotiations. This proposal was welcomed by Cameron during his 2013 visit. He also promised Britain's support to facilitate trade and investment relations between China and the EU. His statement was criticized by the European Commission, which argued that it was too early to start such negotiations.

The UK has also played a prominent role in the EU's approach on matters of human rights and fundamental freedoms. These issues are key elements of the EU's overall foreign policy.<sup>30</sup> However, the EU's human rights dialogue with China has not been consistent, with some member states emphasizing human rights and others prioritizing economic cooperation. The UK has taken an active role in the EU–China human rights dialogue while also pursuing its own dialogue bilaterally. Germany,

despite also having its own human rights dialogue with China, has tended more toward economic cooperation.<sup>31</sup> As a clear example of the British emphasis, British prime ministers have met the Dalai Lama more often than their French or German counterparts have.

Concerns over security issues in East Asia do not play as prominent a role in the EU's China policy. The EU has expressed concern about stability in East Asia, and also has stressed that the US military presence is an important factor in maintaining stability in the region. At the same time, proposals to lift the EU's arms embargo against China, in place since 2004, have met with opposition from the UK. The proposal, pushed by France and Germany, was initially welcomed by the UK, but thanks to US pressure, especially on the UK, the embargo remains in place.

### What a Change in UK–EU Relations would mean for China

Chinese scholars view the discussion of a UK withdrawal from the EU as reflecting two factors: Cameron's need to appease the Euroskeptic elements of his party and maintain its unity; and, at the same time, in facing the aforementioned changes to the EU that have come about because of the euro zone crisis, Cameron's push for more favorable conditions for the UK to remain inside a reformed EU.<sup>32</sup> His success will depend on the rest of the EU agreeing to give the UK a new position within the EU, in particular granting it continued access to the Single Market. This effort will in part be shaped by Britain's place in EU foreign and security cooperation, where neither France nor Germany want Britain to leave the EU, as it would damage EU efforts in these areas.

The Chinese government has not made any clear statements about the possibility of the UK renegotiating its relationship with the EU. It has, however, paid close attention to the euro zone crisis and Britain's role in the European Union's China policy. When Wen Jiabao visited the UK in June 2011, Yang Jiechi, the former Chinese foreign minister, reiterated a long-standing view that a healthy and stable development of Sino-British relations

was useful in promoting China–EU relations.<sup>33</sup> Overall, it can be argued that Beijing would prefer to see the UK stay in the EU and play an active role in European integration. In January 2011, former Chinese Vice–Prime Minister Li Keqiang met British Deputy Prime Minister Nick Clegg in London. Li reaffirmed that Beijing attaches great importance to China–EU relations and that China is ready to help European countries overcome the euro zone crisis. According to Li, a further deepening of China–EU relations is not only beneficial for both sides, but also helpful in creating a stable multipolar world.<sup>34</sup> He hoped the UK would play an active role in the EU's China policy by continuing to oppose protectionism, pushing for the EU to recognize China's full market economy status, and urging the EU to relax restrictions on high-tech exports to China.

China would face some serious problems should the UK withdraw from the EU. First, a British withdrawal could change the regional integration of Europe and the EU's trade policy toward China. Since the outbreak of the debt crisis, China's exports to the euro area have experienced ups and downs, whereas according to the International Monetary Fund's 2014 Direction of Trade Statistics, China's exports to the UK increased from 31.3 billion US dollars in 2009 to 46.3 billion US dollars in 2012, a growth of 47.9 percent. If the euro zone does not recover, then China's trade with the EU could be confronted with stronger support for protectionism – and Britain would be lost as a free-market advocate.

Second, Sino-British trade could be affected. The UK is China's third-largest trade partner in the EU, and Britain's EU membership is crucial to the future development of Sino-British trade relations. The view in Beijing is that the UK will only be able to access the world's largest single market by being an EU member.

Third, Chinese investment in the UK would be affected too. In recent years Chinese investments in the UK have increased rapidly, especially since the financial crisis; the UK's independent monetary system and stable regulatory market mechanisms make it an appealing destination within the larger



European market. After a UK withdrawal, Chinese industry investors would have to pay customs as they export products to the EU. However, compared to Japanese investments in the UK, the impact on China would be relatively limited, as Hong Kong investments focus mainly on utility assets and mainland Chinese on real estate investment.

In its relations with China, Britain has both an EU and a bilateral identity, which creates particular challenges for China. On the one hand, the view of the UK in the EU focuses on the UK's support for free trade, its central role in maintaining the EU's international power and influence, and its role in shaping the EU's approach to matters such as human rights in China. At the same time,

the UK's often half-hearted approach to the EU means that Beijing has increasingly looked to other EU member states to build and manage China–EU relations. China has also adjusted its focus toward individual EU member states in managing the euro zone crisis and handling matters related to human rights. Especially notable here are relations with Germany. The importance of Germany, and the lesser position accorded to the UK, was shown in May 2013 during the first overseas trip of the new Chinese Prime Minister Li Keqiang: the only EU country he visited was Germany. This trend has begun to change, with the March 2014 European visit of Chinese President Xi Jinping including a visit to the EU institutions, emphasizing once again the importance of EU–China relations at a supranational level.

## Slovenia

Marko Lovec

The British attempt to renegotiate EU policies with distributional implications is tempting from a Slovenian perspective. Slovenia faces problems of its own, and London raising the stakes could, at least in the short term, improve Ljubljana's position. However, the two do not really share a vision of the future design of the European Union, and as a member of the euro zone, Slovenia's focus is on Berlin and Paris.

After the fall of the Berlin Wall, the United Kingdom supported EU enlargement with eastern and southeastern Europe. It saw the possibility of divergences in a larger Europe as an opportunity for a more variable and market-driven structure to European integration. The foreign policy declaration adopted by the Slovenian Parliament in 1999 identified the UK as one of the most important EU member states. In accordance with the text, relations with neighboring countries, the United States, and the main EU member states – namely, Germany, France, and the UK – “carry specific weight from a political and economic point of view.” However, the UK did not capitalize on what could have become a special relationship. In practice, relations with Germany and France have become far more important. Since 1999, Slovenia has managed to enter the EU and NATO, as well as join the euro zone in 2007. Ljubljana has become accustomed to the fact that the main decisions are being made in Berlin and Paris, in particular with regard to euro zone matters. As a result, Britain's position in Slovenian thinking has continued to decline. Although the 2008 state visit to Slovenia by Queen Elizabeth II proved popular, political links have been anything but. London has become infamous for warning against the massive migration of “Polish plumbers,” interpreted in Slovenia as an attack on all immigrants from eastern and southeastern Europe – in spite of the fact that in the group of new member states, labor migration from Slovenia has been the smallest, with remittances playing an insignificant role in Slovenian GDP. Economic ties between Slovenia and the UK are marginal. Slovenian imports from and exports to the UK account for no more than 0.1 percent of its total trade.

### Reactions to David Cameron's Europe Speech

David Cameron's January 2013 announcement that a future Conservative-run government would try to renegotiate the UK's position in the EU did not go unnoticed in Ljubljana. However, because Paris and Berlin decided to not give too much attention to Cameron's speech, the Slovenian government decided to wait too. In any case, Slovenia has more pressing matters at home. It is under pressure because of a high budget deficit and growing public debt. The cleaning of the balance sheets of the state-owned banks is being closely monitored by the EU. Because the country depends on new credit and investments, it prefers to keep a low profile on other issues.

One of the few “formal” political views on the UK's new strategy was voiced by Slovenian MEP Tanja Fajon, who blogged that the UK's position was an “act of populism,” as “even the biggest EU member states are not big enough to prosper on their own.” The fact that Fajon did not distinguish between Cameron's position and that of the UK is symptomatic of how Cameron's announcement was perceived in Slovenia, and perhaps in much of continental Europe. Fajon's view echoed statements made by Gunther Krichbaum, president of the committee for European affairs in the German Bundestag and an ally of Chancellor Angela Merkel, who led a high-powered delegation from the German Bundestag on a two-day visit to Britain in January 2013.<sup>35</sup> In a direct response to Cameron's speech, Krichbaum said that the UK was attempting to blackmail the rest of the EU, which “is not the way to create a political future.” In his opinion, a renegotiation of the EU treaties would trigger other EU member states to make

yet other demands. In Slovenia, this statement was interpreted as a warning against disintegrative forces and had a strong negative connotation in the political discourse. The so-called Balkanization process – the events that led to the disintegration of Yugoslavia and that resulted in a “lost decade” dominated by political conflicts in the region – is still remembered vividly.

Slovenian media, referring to various analyses of a potential British exit, such as the one made by *The Economist*, argued that an exit from the EU could save the UK around six billion euros in contributions to the common budget, that food prices might decrease, and that London would be able to avoid financial regulations.<sup>36</sup> To the Slovenian public, this analysis sounded as if the UK no longer wanted to pay the costs of membership. However, with half of its exports going to the EU, the UK would have to renegotiate its trade agreements from a position of dependency and risk a substantial share of investments and finance relocating to continental Europe. The media also quoted Olli Rehn, the commissioner for economic and monetary affairs and the euro and the vice president of the European Commission: “If I were a Briton in the EU, I would prefer to be in the midfield as a playmaker, rather than sitting on the sidelines as a substitute ... You never score goals from the bench.”<sup>37</sup> The Slovenian public understood the Obama administration’s response – that the UK is much more valuable to the United States inside than outside the EU – as a sign that the UK is overestimating its strategic opportunities outside the European Union.<sup>38</sup> The Slovenian economist Jože Damijan compared the relationship between the UK and the rest of the EU to a married couple that has long been sleeping in separate bedrooms; in his opinion, not much would change – at least in economic terms – if one of the partners finally decided to move out.

### Divergent Visions for the Future

As a consequence of the global financial and economic crisis and the euro zone crisis, the UK – along with most EU member states – is facing increased economic pressure. The decision of the

euro zone to enforce strict fiscal rules created a divide between the euro area, including Slovenia, and the rest of the EU, with the latter also having to pay the price for the forced rescue of the euro. London decided to contribute only selectively to the bailout programs. In addition, Cameron’s promise of a referendum on EU membership is seen as contributing to a democratization of decision-making on fundamental EU issues and to a rebalancing of the positions of the various categories of EU member states. As such, this path is appealing to Ljubljana.

However, national referendums on EU-related matters have a bad history of turning into referendums on the popularity of national governments, which makes Slovenia cautious.

Slovenia also faces economic problems. The adoption of the euro in 2007 supported a credit boom, which created fictional growth and covered up the need for economic restructuring. With the beginning of the financial crisis, debt began to accumulate, and Slovenia found itself under pressure from financial markets. It had to cut public spending and undertake painful restructuring. In Slovenia, there is a growing sentiment that smaller and less-developed countries are paying an asymmetrical price for the euro zone crisis. Thus, the British attempt to negotiate issues that have distributional implications is far from unimportant from the Slovenian perspective.

Overall, there is a clear limit to what the UK’s claims could bring to Slovenia, as they are based on ideas that probably would leave Slovenia worse off in the longer term. What London appears to want is a Europe led by free markets and cooperation between member states on a pick-and-choose basis. In Slovenia, many believe that such an arrangement would expose smaller and less-developed member states to the daily politics of bigger countries. Cameron himself gave an example of this tendency, when in the spring of 2013 he said that the UK should not be paying child benefits to the family of a Polish worker back in Poland, thus suggesting that immigration would be one of the points in the UK’s renegotiation of its position in the EU.<sup>39</sup> Unsurprisingly, this comment triggered a negative

reaction from the Hungarian EU commissioner for employment, social affairs, and inclusion, László Andor, as well as from several Slovenian members of the European Parliament. Although the number of Slovenian labor migrants in the UK is insignificant, the issue has taken on more than symbolic importance, as it demonstrated that the UK was ready to take advantage of cheap labor from the new member states while dumping social costs on their home countries. The UK's approach was seen as a threat to free movement as one of the pillars and key mechanisms for achieving economic convergence in the EU.

The immigration issue as voiced by Cameron reflects broader contradictions in Slovenia's and the UK's strategic EU outlooks. Slovenia supports the German and French vision of a proper economic and monetary union as a next step in the

integration process. Slovenia is also in favor of the establishment of growth mechanisms in return for stricter fiscal and banking regulation, thus preventing future asymmetrical crises in the euro zone. In the Slovenian vision, the EU is more of a super-state, enhancing the position of individual member states in developing their political voice. For a country of little more than two million inhabitants, this support is a strong asset in a fast-changing world of emerging powers. Such a vision is directly opposed by Cameron: "I've said we want to get Britain out of the idea that there's an ever-closer union in the European Union – we don't want an ever-closer union, we want to have trade and cooperation, not an ever-closer union." While Ljubljana might be tempted by a short-term alleviation of its economic situation, its longer-term needs have it lined up firmly with the drivers of the euro zone.



## Norway

Kristin Haugevik

A British exit from the European Union could revitalize the bilateral relationship between Britain and Norway and add a powerful voice to the group of EU outsiders. But as an adaptive external player without a seat at the table in Brussels, Norway prefers to have like-minded allies like Britain on the inside.

The British–Norwegian political relationship has deep roots. Before and immediately after World War II, security was at the center of the bilateral relationship. As the 1950s began, the Norwegian government increasingly looked to Britain for political guidance as well. Politically and culturally, Norway’s then foreign minister observed, Norway felt closer to Britain than to the countries on the European continent.

Accordingly, as the process of European integration began to emerge in the early 1950s, Norway aligned itself closely with British positions. Norway shared British skepticism about federalist thinking on European integration, and it too preferred European cooperation as an integrated part of the transatlantic security framework rather than some other alternative. Reportedly, the bilateral ties between the two countries were so strong at the time that the possibility of Norway joining the British Commonwealth was subject to serious internal discussion.

When the European Economic Community (EEC) was established in 1957, both countries remained outside. Instead, in the 1960s they formed the less politically ambitious European Free Trade Association (EFTA), which also comprised Austria, Denmark, Ireland, Portugal, Sweden, and Switzerland. Such was the strength of Norway’s relationship with Britain that when Britain soon afterward decided to apply for EEC membership, Norway followed suit. The Norwegian government observed that this step was natural given the close ties to Britain in foreign, security, and economic policy. That said, during this period frictions also emerged between the two countries – within EFTA, in their membership negotiations with the EC, and bilaterally over fishing rights. As the 1960s came to an end, Britain’s role as a lodestar for Norwegian foreign policy had waned in Norwegian politics. In 1973 the two countries’ shared path as outsiders

came to an end. Whereas Britain became a full member of the EEC, Norway remained outside after a small majority (53.5 percent) of Norwegians voted against membership in a referendum.

### Being an Outsider

Norwegians once again voted against EU membership in a second referendum in 1994, this time, too, with a small majority (52.3 percent). Since then membership has not been on the political agenda of any Norwegian government. In fact, coalition governments with internally divergent positions on EU membership have often had an internal agreement, sometimes referred to as a “suicide paragraph,” stating that the government will resign should one of the parties wish to put the issue of EU membership on the political agenda. As Norwegian public opposition to membership has been steadily increasing in recent years, it could be argued that there are also few incentives for the pro-EU parties to put the issue of membership back onto the political agenda. Recent polls suggest that as many as 71 percent of the Norwegian people now oppose EU membership, with only 19 percent in favor.<sup>40</sup>

To outside observers, the steady Norwegian opposition to membership may come across as somewhat puzzling. Not least because Norway in many areas is as closely integrated in the EU as many member states. In 2012 a report from a government-appointed review committee assessing Norway’s agreements with the EU concluded that while Norway formally remains a nonmember of the EU, it “is far more closely associated with the EU than most people realize.”<sup>41</sup> Beyond the EEA agreement, which gives Norway access to the EU’s internal market, Norway also has bilateral agreements with the EU on a wide range of other policy areas, including issues under justice and home affairs, and foreign, security, and defense policy.<sup>42</sup> The

present Norwegian government, elected in 2013, has declared – like the previous one – that it will pursue an active policy toward Europe, ensuring an active presence in Brussels and making use of “the opportunities and available options provided by the EEA agreement to safeguard Norway’s interests.”<sup>43</sup> For the first time, Norway now has a minister responsible for EEA and EU affairs.

For Norway, there have been practical consequences from being “neither completely outside nor fully inside” the EU, as the aforementioned review put it. On the one hand, Norway adopts a large majority of EU law and often aligns itself closely with the EU on issues that are not covered by formal agreements, including EU positions and declarations on foreign policy.<sup>44</sup> On the other hand, Norway does not have a seat at the EU table when decisions are made, and often has to rely on “back channels” in order to make its views known in Brussels. Bilateral dialogue with states within the EU is a key means of achieving this aim. On many issues, the Nordic EU members Denmark, Finland, and Sweden are natural allies. However, Britain is also commonly portrayed as a country with which Norway often has coinciding interests, not least on external affairs and on the development of a European security and defense policy, with respect to which both countries have been supporters of preserving NATO’s role as the primary security organization in Europe. On such issues, Britain is often an important ally for Norway within the EU system.

### Implications for Norway

David Cameron’s speech in January 2013 on the future of Britain’s relationship with the EU, in which he outlined the plan for a future Conservative government to seek a renegotiation between Britain and the EU to be followed by a national referendum, received broad public attention in Norway.<sup>45</sup> In particular, Norwegian media reports emphasized that Cameron’s speech stated that he did not consider the Norwegian association with the EU a good model for Britain – both because of the two countries’ very different points of departure in terms of resources and because of Norway’s lack of a say in Brussels. As Cam-

eron argued, “Norway sits on the biggest energy reserves in Europe, and has a sovereign wealth fund of over 500 billion euros. And while Norway is part of the Single Market – and pays for the principle – it has no say at all in setting its rules. It just has to implement its directives.”<sup>46</sup>

The Norwegian government at the time did not give an official response to Cameron’s speech. Before the speech, however, then Foreign Minister Espen Barth Eide warned Britain against following Norway’s example, pointing out that Norway in practice was closely integrated in the EU, but absent “when decisions are made.”<sup>47</sup> The new Norwegian government has taken a similar stance. When Prime Minister Erna Solberg met with Cameron early in 2014, she made it clear that she did not consider the EEA agreement a good alternative to full membership, especially not for a country like Britain.<sup>48</sup> As she argued, “I do not believe that Great Britain, with its old empire mind-set, should consider becoming a member of an organization [the EEA] which basically means that laws and rules which are made in other countries are implemented directly.”

There is little doubt that a British withdrawal from the EU, either partially or fully, would influence Norway. But what the exact practical implications would be remains more uncertain. On the one hand, one might argue that a British exit could add to Norway’s political room for maneuver vis-à-vis the EU, adding a strong voice to the group of EU outsiders and smoothing out the differences between those on the inside and those on the outside. A British exit might also revitalize and strengthen British–Norwegian bilateral cooperation further. Today, trade, energy, and defense are at the center of the bilateral relationship, and the two countries have coinciding views on a wide range of international issues. The working relationship is commonly described as close and good, even if it does not, as former British Prime Minister Tony Blair once observed, attract the most newspaper headlines and political attention.

On the other hand, should Britain decide to leave the EU, it seems quite likely that it would steal much of the attention from the EU’s institutions



and the remaining EU member states, perhaps at the cost of the visibility of smaller nonmembers such as Norway. On issues where Britain and Norway do not have coinciding interests, one could imagine that it would become more difficult for Norway to make itself heard in Brussels. From this perspective, a British exit and a more fragmented EU could complicate matters for Norway. It also remains to be seen how Norway would react if Britain secured a deal with the EU that is perceived as “better” than the one Norway has.

More importantly, perhaps, as Britain is often portrayed as one of Norway’s closest and most like-minded bilateral partners in Europe, it could be argued that Norway needs Britain’s continued presence around the EU decision-making table – where it does not itself have a seat. Prime Minister Solberg communicated this message in January, when she observed, “[Norway is] better served if there are countries in the EU [like Britain] that are concerned that [it] should not be a fast train ... but instead want to ensure that the cooperation we already have today works better.”<sup>249</sup>



## Austria

Emmanuel Sigalas

Austria has so far remained silent on the issue of Britain leaving the European Union. However, a British withdrawal entails the risk of strengthening populist arguments in Austria.

“No kangaroos in Austria” reads a popular T-shirt for tourists. It is a sentence that summarizes how little known the central European country of Austria is to the rest of the world. Not surprising, you might say, for a small country of eight million people on a continent of half a billion. But it is not only its size that allows Austria to go fairly unnoticed in world politics; a combination of factors has resulted in a country that is on the one hand economically open and on the other politically introverted. The dismembering of the Austro-Hungarian Empire in the aftermath of World War I, the country’s disastrous involvement in World War II, and the gaining of independence in 1955 under the condition of neutrality made Austria cautious, if not timid, in the exercise of foreign policy. This situation was intensified by the shadow cast over the country by the Iron Curtain until 1991.

Despite being a member of the European Union since 1995 and a member of the euro zone, Austria has not completely abandoned the notion of neutrality. It may send peacekeeping troops to former Yugoslavia or Africa, but Austria is not a member of NATO.<sup>50</sup> Similarly, Austria may side with the West with respect to the promotion of human rights and the fight against discrimination, but it will not jeopardize its relationship with Russia. This ambivalent stance has its benefits. First of all, it allows the country to keep all of its options open and to build its international relations on the principle of cooperation instead of confrontation or conflict. Second, the international image of a stable, democratic, prosperous, yet neutral country helps Austria present itself as a bridge between West and East. It is not surprising, therefore, that a number of international organizations, such as the United Nations, the Organization for Security and Co-operation in Europe (OSCE), and the Organization of the Petroleum Exporting Countries (OPEC), among others, have a seat in Vienna. As long as (selective) neutrality pays off, it is unlikely that Austria’s foreign policy will hit the headlines, except perhaps for the wrong reasons.<sup>51</sup>

Neutrality does not necessarily amount to sitting on the fence. After all, Austria was forthright in its support for enlarging the European Union eastward and bringing its neighboring countries into it. However, when it comes to the prospect of Britain leaving the EU, Austria has chosen, for the time being, to remain silent. When I asked about the possibility of a “Brexit,” the issue was dismissed by officials as a hypothetical scenario. It is not unusual for diplomats to refuse to comment on actions or events that have not yet taken place and may never materialize, but I am left wondering whether the potential shrinkage of the EU preoccupies the Austrian government at all. If we are to judge from the few and infrequent Austrian media reports on the possibility of a Brexit and its implications, it is clear that the issue does not feature highly on the public agenda. Thus, a casual observer may be left with the impression that Austria has little to lose if Britain decides to leave the EU. In comparison to other European countries, this impression is probably correct. But it would be wrong to assume that Austria has nothing to worry about. Quite the opposite is true, for Austria would prefer Britain in the EU for both economic and political reasons.

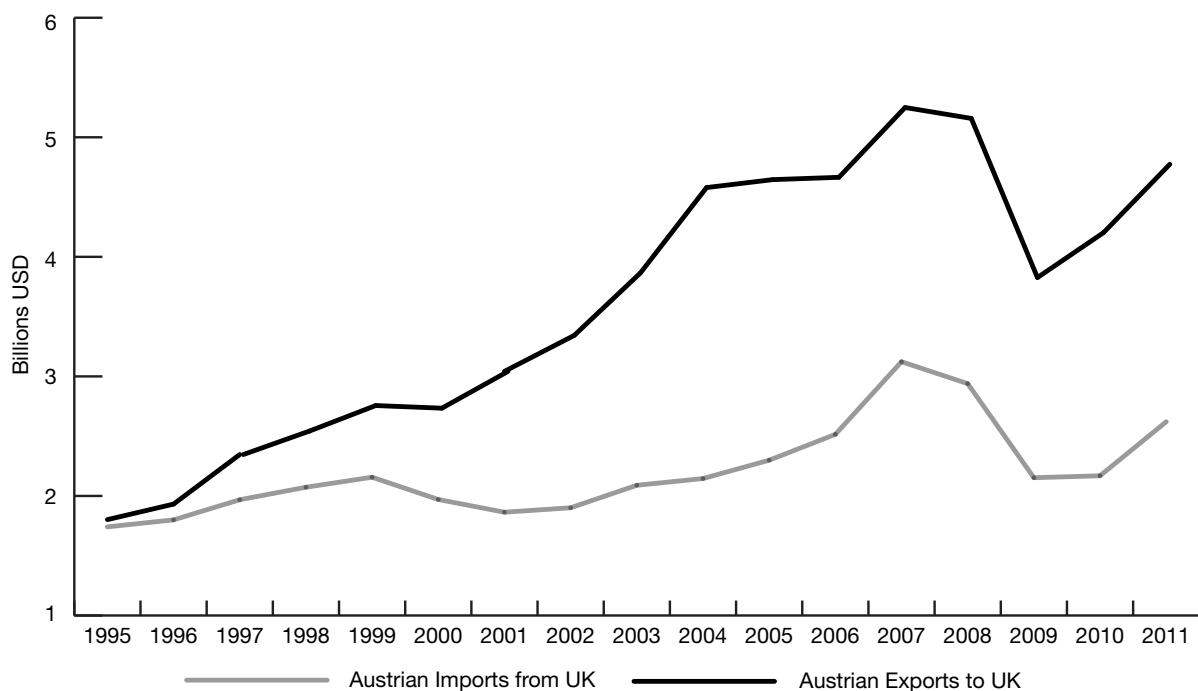
Austria’s main trading partner is, of course, Germany, not Britain. According to Eurostat figures, in 2010, 44 percent of the value of Austria’s exports in the EU-27 area went to the country’s biggest neighbor.<sup>52</sup> The second-most important market for Austria’s exports is Italy (10.8 percent), followed by France (5.8 percent) and Hungary (4.5 percent). Britain comes in fifth, taking in 4.3 percent of its exports in terms of value. In 2001 this figure was 6.4 percent. Consequently, Britain may not be the most important trading partner of Austria, but it is not negligible either. A slightly different look at the data confirms this. OECD data, illustrated below, reveal that the trade imbalance between Austria and Britain has been growing over the years in favor of Austria.<sup>53</sup> For this reason, Austria would not welcome any developments that disturb its trade flows

with the United Kingdom, and yet the latter leaving the EU might do just that.

Nevertheless, the greatest threat for Austria is not economic but political, and it is not direct but indirect. A decision by the UK to end its EU membership would change not only the UK, but the other EU member states as well. It would take the EU

the EU, compared to the EU-28 average of 31 percent.<sup>54</sup> Furthermore, the influence of the populist Freedom Party (FPÖ) among the electorate, which employs xenophobic and anti-EU rhetoric, has been growing. In comparison to the previous general elections, the FPÖ increased its vote share in the elections in 2013 by nearly 3 percent to 20.5 percent, whereas the two mainstream par-

### Trade between Austria and the UK, 1995–2011



Source: OECD iLibrary, STAN bilateral trade database by industry and end-use category

into uncharted territory with potentially formidable challenges for the future of supranational institutions and European integration in general. To start with, Britain’s departure from the EU would probably result in the need for greater contributions to the EU budget from the remaining member states, because Britain is a net payer. Austria, too, is a net payer, and the demand for more EU-bound money from taxpayers would almost inevitably lead to popular dissatisfaction and political controversy.

### The Impact on Austrian Euroskepticism

Austrians may not be the most Euroskeptic nation in the EU, but they are no Euro-enthusiasts either. A recent Eurobarometer survey revealed that only 25 percent of Austrians have a positive image of

ties currently in a coalition government, the Social Democrats (SPÖ) and the People’s Party (ÖVP), lost about 2 percent each, earning 26.8 percent and 24 percent, respectively. In the European Parliament elections in May 2014, the FPÖ received almost 20 percent of the vote, securing third place after the ÖVP and the SPÖ, and four seats in the European Parliament compared to just one in 2009.

Given these results, it may not be long until the FPÖ ranks second in the national parliament elections, making it the obvious partner in a coalition government, unless a broader alternative coalition of at least three parties were able to form. For the time being, it is not possible to assess the probability of different coalition combinations, but it is easy to see why Austria (and the rest of Europe) could

do without a xenophobic and populist party in power. The last time the FPÖ was in government it provoked an international outcry that resulted in Austria's isolation, not to mention domestic repercussions (e.g., social tensions, financial mismanagement, and scandals). Against this background, any significant development facilitating the electoral strengthening of the FPÖ ought to concern Austria, even if it originates in another country. Britain's potential exit from the EU is such an alarming prospect. It would become an example used by Euroskeptical parties and forces across Europe. It would prove that EU membership is not necessarily a one-way street, and that a pick-and-mix approach is feasible and even commendable. The FPÖ would probably seek to capitalize on such a development, as it did recently with the Swiss referendum on EU immigration in February 2014, when the FPÖ party leader Heinz-Christian Strache argued that he could imagine a similar referendum taking place in Austria.

Drawing on the precedent of the third-largest member state and a long-time participant turning its back on the EU, the FPÖ would appear more convincing to voters who have started wondering whether the euro is a good idea, whether Austria should be bailing out other member states, and whether Austria would not be better off outside the EU. In other words, Britain leaving the EU would strengthen the FPÖ's political arsenal by making its populist claims seem more credible. This development, in turn, would help the FPÖ boost its popularity further, and perhaps help it climb to second position in the next national elections, to be held in December 2018. With the prospect of losing power, the political forces that support the idea of an open, cosmopolitan, and pro-EU Austria

would have to adjust their agenda to that of their Euroskeptical, xenophobic, and nationalist challengers. With the prospect of this bleak scenario, even if the other political parties succeed in excluding the FPÖ from a future coalition government, Austria's position toward the EU and European integration is likely to become more critical.

If we assume that the turn of events will be comparable in other countries where Euroskeptical parties are strong, the outlook for the EU appears uncertain. British withdrawal would not cause Austria to follow suit, and it is doubtful whether it would trigger similar moves in other member states in the short term. However, it would release two competing forces that would shape the future EU. On the one hand, the powerful image of a victorious British Euroskepticism would serve as a role model for Euroskeptical parties and movements in other countries. On the other hand, the promise of improved efficiency in EU decision-making might translate into more benefits for the remaining member states and greater output legitimacy for the EU.

Neither Austria nor any other EU country can prevent Britain from leaving should its people vote for an exit in an in/out referendum. Nevertheless, there is more at stake than meets the eye. It is not simply a question of economic gains and losses, but also of domestic and international politics deeply intertwined and cutting across borders. Seen in this light, there is enough for Austria to lose from a British withdrawal from the EU that the Austrian government should, instead of dismissing the idea as a hypothetical scenario, start preparing for all eventualities.



## Romania

Agnes Nicolescu

Romania has watched as the United Kingdom has turned from an outspoken supporter of EU enlargement in the 1990s into a more inward-looking actor. While Bucharest may understand London's arguments about the size of its contribution to the EU budget, Romanians are less enthusiastic about restrictions on the right of free movement for EU citizens. From a Romanian point of view, such poisonous debate could undermine bilateral relations and the credibility and potential of the UK's wider EU reform agenda.

Bilateral relations between Bucharest and London have, given the number and relevance of shared interests, until recently been characterized by constructive collaboration. The UK has acted since the 1990s as a strong supporter of Romanian membership in European–Atlantic institutions. A strategic partnership was launched between Bucharest and London in 2003, and strengthened in 2011. This commitment has translated into cooperation on a number of relevant dossiers in European and international politics to date. Within the EU, Bucharest and London cooperated on the Single Market, energy security, education, and labor. Within NATO, the strategic partnership translated into cooperation in Afghanistan. Fundamentally, both countries consider the Single Market and its untapped potential to be highly important. However, the current political discourse in London is seen as drifting away from discussions in Brussels, with the free movement debate in particular touching a raw nerve in Romania.

### Differing Visions of Constructing Europe

The UK's vision of the EU's *raison d'être* diverges from the Romanian one in that London does not consider deeper European integration key to the future success of its country. For Romanians, the deepening of the integration process is indeed essential to bring their country closer to the European goals of shared security and prosperity. Over the last few years, Britain's leadership seems to have come to see these objectives as achievable not necessarily in the framework of the European Union, whereas for Romania these goals are not possible outside the EU. The need for Romania to overcome its status as a catch-up country is the main driver of this view, and the crisis has strengthened rather than weakened this argument.

Romanian decision-makers and analysts acknowledge that the UK's EU narrative is equally determined by London's interests and vision of the world. But compared to Romania, the UK is drawing the opposite conclusion from the crisis, that is, "less Europe."

The last few years have also seen the development of an overall different UK discourse in its relationship with the EU, which has not escaped the attention of Romanian politicians, media, and civil society. David Cameron's intention to hold a referendum on Britain's exit from the EU has raised Romanian concerns about how such a possibility might affect bilateral economic ties as well as work and study opportunities for Romanian nationals. Particularly worrying was his call for the removal of the phrase making reference to an "ever closer union" from the preamble of the EU treaty. Romanian politicians and civil society, considering deeper integration an indispensable condition, do not support such a narrative change. The negotiations on the current multiannual financial framework have been a case in point. In this particular field, there is growing concern in Bucharest that London will most likely block any future attempt to further consolidate supranational governance, something particularly welcomed by Romania in the field of budgetary and fiscal affairs.

Recently, Bucharest and London have taken up different, even opposing perspectives on a number of important issues: the size of the European budget, the political and financial implications of euro zone membership, and, more recently, the right of free movement. In Bucharest's interpretation, the persisting differences – particularly on the latter topic – are likely to have an impact also on the way in which the UK, once one of the stron-



gest supporters of European enlargement, views further enlargements of the bloc. The geopolitical and geo-economic motivations that guided British pro-enlargement thinking over the last two decades seem to be fading away, bringing to the fore a more pragmatic cost–benefit approach among leading UK political figures.

For many Romanians, the line adopted by the Conservative Party on some of the most important European issues leaves little choice to the average British citizen, as it has become increasingly difficult to differentiate between the various shades of dark gray to black promoted by the Tories and the United Kingdom Independence Party. It is also true that Labour and the Liberal Democrats are open to the idea of holding some form of in/out referendum – in either case following any future transfers of power from London to Brussels – and they also call for EU reform. At the same time, both parties clearly acknowledge the benefits of EU membership. However, it remains to be seen whether they will stick to their current discourse on the EU should they come to power after the next election.

### Poisonous Debate on Free Movement of Labor

The heated domestic debate in the UK has also had a direct effect on Romanians. They are concerned that the issue of the labor-related mobility of Romanian and Bulgarian workers will be used as an electoral topic, including in the forthcoming European elections. The “invasion” by Romanian nationals, announced in tabloids across the UK, has not, in fact, taken place, as later acknowledged by British authorities, with Cameron himself admitting that immigration from Romania and Bulgaria was “reasonable” and that nothing more could be done within the set rules to keep workers from coming over from these countries.<sup>55</sup> Furthermore, according to a 2011 European Commission report on labor mobility within the EU, the removal of work restrictions for new member states did not lead to a “mass phenomenon.”<sup>56</sup>

The way in which the issue was covered by much of the UK media has sparked strong reactions from Romania’s political class and civil society. They protested against a massive bias that failed to

discuss the benefits to the British economy, including Romanians working in positions otherwise difficult to fill with British nationals. Currently, around 100,000 Romanians live, work, and/or study in the UK. As shown by several studies and reports, most of these Romanians arrived before Romania joined the EU in 2007, and most are regulated through various forms of work permits, ensuring their inclusion in the official tax system.

Sending large numbers of workers abroad also reduces the output of Romania’s labor force. The effect of this trend – set to decline over the next few years – is greater on Romania as a sender country than on the UK as a receiving state. Furthermore, workers from countries such as Romania and Bulgaria exert relatively little pressure on the UK healthcare system because most such workers are young people, often taking jobs below their educational level that have gone unfilled by native workers.<sup>57</sup> After the UK lifted transitional employment restrictions for Romania and Bulgaria in January 2014, numerous Romanian commentators noted with bitterness that the British authorities’ acknowledgment that the actual number of Romanians going to the UK was actually lower than in previous years – and in any case nothing close to the numbers predicted – did little to ease the concerns of the average British citizen.

This debate continues to be particularly harmful for Romanian and Bulgarian nationals, as discriminatory measures have followed, including the suspension of maintenance loans that British universities usually grant to students. This action has negatively affected the community of Romanian students and junior professionals studying or working in the UK, one of the best-educated Romanian communities abroad. Most worryingly, this measure may have set a precedent for Romanians to be subject to further restrictions on the grounds of nationality; such restrictions have not been set in other EU member states.

### Implications for Romania

Some Romanians may fancy the idea that a UK exit from the EU might free eastern Europeans – Romanians included – from being thought of as mere beneficiaries of European cooperation rather than providers too. But in reality such a scenario

would have largely negative consequences for Romania's economy and society overall, especially for British interests and investments in Romania. For all of the hurdles in recent UK–EU relations, a British exit from the EU would have serious consequences for both London and Bucharest. Bilateral trade between the two totaled to about 1.86 billion euros in the first two quarters of 2012. Romanian exports to the UK grew by 7.5 percent in the same year, contributing to the maintenance of a positive trade balance for Bucharest. A UK exit would be severely detrimental to Romania's major economic and political interests, from the Single Market to trade ties, investments, and work mobility. The renegotiation of the UK's relations with the Single Market would be particularly relevant to Romania. Complaints already voiced by the British business sector in relation to working hours, fiscal issues, the protection of personal data, and access to health care will perhaps intensify as the UK fundamentally rethinks its relations with the EU. London's maneuvering for ever more exceptions in comparison with its European partners is set to become the rule. Once this avenue is opened – such is the assessment in Bucharest – it will be very difficult for EU member states to keep their initial standing in their relationship with the UK, including unrestricted access to its labor market.

Although, according to the latest polls, the Tories are unlikely to win the next election, the discourse and measures adopted so far have already set a more mercantilist tone in UK–EU relations. They also pose questions about the direction of European integration in the longer term, which British political debate increasingly challenges. This approach, though unsurprising in light of Britain's historical quest for exceptionalism within Europe, is likely to harm both the EU's overall tenure as a global actor and London's image as a link between the European Union and the rest of the world.

An EU without the UK would raise further challenges for Romania and other countries in central and eastern Europe, primarily regarding the economic and banking integration to which they committed themselves. Whereas in British politics no change of course on this topic is to be expected, the stability of the euro zone is clearly vital also for London's interests. Britain leaving the EU would make things more difficult, for instance, in negotiating the transatlantic free-trade agreement TTIP and in consolidating the EU's backbone, the Single Market. In order to succeed, the EU requires the strengthening of trade relations, mutual investments, education exchanges, and unrestricted access to the labor market for Romanian citizens between Romania and all of its partners, including the UK.



## Bulgaria

Antoinette Primatarova

A European Union without the United Kingdom is not considered a realistic scenario in Bulgaria. Britain's cherished opt-outs from Schengen, the euro zone, and some justice and home affairs matters, its budgetary rebate, and an appetite for more sit in stark contrast with Bulgarian fears of any changes to the functioning of the EU that might delay Bulgaria's prospects of becoming part of Schengen and the euro zone, and that might consolidate a multispeed Europe, thus increasing the chances that poor countries will fail to catch up.

Attitudes toward the EU in Britain and Bulgaria could not be more different. According to a 2013 Eurobarometer poll, 50 percent of Britons believe that their country could better face the future outside the EU, whereas 67 percent of Bulgarians do not hold this belief about Bulgaria.<sup>58</sup> The two countries are also very different with regard to what their governments stand for or against in the EU. With regard to managing the euro crisis, Bulgaria's center-right government (2009–2013) firmly sided with Germany.<sup>59</sup> As a euro outsider, Bulgaria did not have much of a say, but being keen to join the euro meant it was eager to position itself as a reliable prospective insider.

This position contrasts sharply with David Cameron's 2011 veto and his willingness to isolate the UK. Bulgaria's incumbent center-left government, on the other hand, has not pursued such a clear course. Whereas the bigger coalition partner (the Socialists) went into the 2014 European elections campaign with domestic rhetoric stressing a new beginning for the EU, the government itself does not seem to have positioned itself in any particular EU camp. Nevertheless, what the two successive Bulgarian governments have in common are their aspirations to join Schengen and their opposition to tax harmonization and an EU-wide financial transaction tax. However, this opposition is related to concerns about losing competitive advantages rather than to general objections to deeper integration.

How Bulgaria is positioning (or rather failing to position) itself in the EU has been experienced on the ground in Sofia and captured by British Ambassador Jonathan Allen, who has spoken out against the Bulgarian authorities' downbeat attitude of being at the periphery of the EU: "Saying 'We are a small country' permits the attitude to take

root that things happen to Bulgaria and that Bulgaria shouldn't expect to get what it wants or to win in a negotiation."<sup>60</sup>

It should not then come as a surprise that the Bulgarian authorities have been silent on British demands for EU reform. It may be that this silence will have to be broken, with the Bulgarian government forced to face the possible consequences should Cameron be able to fulfill his promise to hold an in/out referendum by the end of 2017. In 2017–2018, the EU presidency troika will comprise the UK, Estonia, and Bulgaria. A debate on EU reform and a referendum on a British exit before Bulgaria's EU presidency would therefore pose a serious challenge for Sofia. Nonetheless, the possibility of Britain leaving is not on the Bulgarian government's radar in this early stage of preparation for Bulgaria's 2018 EU presidency. In late 2013 the Diplomatic Institute of the Bulgarian Ministry of Foreign Affairs organized a roundtable on the 2018 EU copresidency of Bulgaria and the UK, entitled "BG–GB: Changing Images in the Mirror." The titles of two panels ("Pride and Prejudice" and "Great Expectations") and the concluding session ("The Show Must Go On") suggested lightness; there was no debate about "Britain outside Europe," even less so about implications for Bulgaria, and nothing on any possible renegotiation.

In contrast, a key issue was Bulgaria's image in the UK and vice versa. During the Cold War, Bulgaria and Britain were in opposing Eastern and Western European camps; today they are allies in both NATO and the EU. Moreover, Britain has been one of the major supporters of Bulgaria's integration into a "free world," in which "we are all Brits."<sup>61</sup> Back in May 1999, it was Tony Blair who first raised the question of making the Eastern

enlargement an inclusive one and opening negotiations not only with Latvia, Lithuania, and Slovakia, but also with Bulgaria and Romania.

There is a mismatch between the image of Bulgaria as a NATO and EU member and the image of Bulgaria in the British mass media. In 2013, Bulgaria and Romania were subjected to repeated negative reporting on a potential influx of immigrants and a potential drain on the British welfare state following the end of free-movement restrictions on January 1, 2014. The United Kingdom Independence Party, in particular, poured oil on the fire. The negative portrayal of Bulgaria in British mass media throughout 2013 was mirrored by angry media reporting in Bulgaria on British efforts to curb both the rights of Bulgarian students in the UK and the free movement of potential Bulgarian workers. However, this reporting never connected to Cameron's aims of EU-wide reform, a renegotiation of UK membership, and an in/out referendum.

This failure to connect the two debates, along with Bulgaria's uncertain approach to the EU in general, stems in part from how few Bulgarian newspapers and Internet media commit time and effort to in-depth analysis of EU issues. The weekly *Capital* and the online *einside* are two of the few exceptions.

Since 2010, *Capital* has organized regular, three-stage online votes on topical issues. On the eve of Cameron's speech on the EU in January 2013,<sup>62</sup> *Capital* launched a vote on the question, "Should Britain stay in the EU?"<sup>63</sup> On March 8, 2014, close to the announcement of Cameron's seven points for EU reform,<sup>64</sup> *Capital* launched a vote on "For or 'against' two-speed Europe?"<sup>65</sup> These votes cannot be considered public opinion polls either in terms of numbers or representativeness, but they offer a rare insight into these issues. In the 2013 vote, the supporters of Britain staying in the EU prevailed in all three stages, with the final result being 60 percent to 40 percent. The arguments of those who presented the cases for or against focused mainly on the consequences for Britain. Possible consequences for Bulgaria and the EU touched on political

implications, such as how Britain's membership means less EU navel-gazing, a greater openness to modernization, more global thinking, and the possibility of further enlargement. In the first round of the 2014 vote on a multispeed Europe, there was a strong trend against a two-speed Europe (71 percent). This opposition did shrink in the second round to 64 percent and to 52 percent in the third. The final, almost balanced result was clearly due to the arguments of the proponent that only a two-speed Europe would allow Bulgaria to catch up on the basis of improving its competitiveness outside the straitjacket of a one-size-fits-all model. The volatility of this vote also demonstrated a lack of firm opinions about the positive and negative implications of deeper integration. This result is not surprising, given the lack of political debate about a multispeed Europe and British demands for EU reform.

The unwillingness to discuss openly the future of the EU can be seen in how incumbent decision-makers ignore or turn down media requests for interviews on Bulgaria's position on EU reform. Analysts and opinionated politicians from previous governments demonstrate a much more open attitude to discussing the problem (the most recent example appeared on *einside* in early March 2014).<sup>66</sup> Reform-related questions were answered by Meglena Kuneva (European minister 2002–2006, commissioner 2007–2010, and leader of the list of a newly established coalition of center-right parties for the May European Parliament elections), Ivailo Kalfin (minister of foreign affairs 2005–2009, MEP from the S&D Group since 2009, and leader of the list of a newly established coalition of center-left parties for the May European Parliament elections), and Dimitar Bechev (head of the Sofia office of the European Council on Foreign Relations). All three shared the concern that EU reform is a challenge that the incumbent government is not prepared to tackle – a circumstance that might cement a kind of second-class membership for Bulgaria. They fear a situation in which the euro zone and some members of the EU begin to act in ways detrimental to both Bulgaria and the idea of European unity. If the euro zone consolidates its position as the heart of the EU, it could neglect

the interests of outsiders who would like to be inside, such as Bulgaria. At the same time, some members, such as the UK, could try to isolate themselves by adopting national as opposed to EU policies on border controls, migration policies, and social rights. These policies would limit the opportunities that the EU offers to Bulgaria.

A UK departure from the EU would of course also affect British–Bulgarian economic relations. At present, 15,000 British citizens have houses in Bulgaria, and 300,000 visit the country annually. According to statistics from the Ministry of Industry and Energy, in 2013, 2.1 percent of Bulgarian exports went to Britain.<sup>67</sup> In 2007, the UK ranked ninth on the list of export destinations, but was down to twelfth in 2013. For the last fifteen years, 2.5 billion euros of British investment have flowed into Bulgaria, although a check against the list of major foreign direct investors includes only

one British company on the list, in 107th position (Imperial Tobacco Group PLC).

To refer once again to Ambassador Allen and his attempt to encourage Bulgarian authorities to speak out: “You can either see Bulgaria as being at the periphery of everywhere or at the centre of everything: the difference is as much a state of mind as geographical reality.”<sup>68</sup> Bulgarians are clearly not yet ready to consider their country the center of the EU, yet remain afraid of remaining at the periphery forever. Despite the British media’s negative portrayal of Bulgaria, on many occasions the British government has demonstrated that it can imagine Bulgaria as quite central (e.g., in the process of shaping enlargement, in discussing regional security issues, and, more recently, through encouraging cooperation on energy issues). Bulgarians should consider this potential when hoping that Britain will not opt out of the EU.





## The View from Brussels

Fabian Zuleeg

Given the United Kingdom's willingness to promote certain issues, its pragmatism and diligence in implementation, and its budgetary contributions, the EU institutions and other member states are likely to regret a UK exit. But a UK unable to influence both the Single Market, upon which it would still be dependent, and the international political stage to the degree it could as an EU member may find itself regretting an exit from the European Union even more.

Despite their differences and the difficulties in the EU–UK relationship, the UK has played a significant role in many areas of EU integration for more than forty years. Although determining the exact impact of a British withdrawal from the EU is difficult, one can list a number of areas in which such a development would undoubtedly have a profoundly negative impact on the EU, and an even greater negative impact on the UK itself. It would also radically change the way in which the EU functions by changing its main institutions, creating a series of alterations that would, in the end, not necessarily be wholly detrimental to the European Union.

### The Value of the UK in EU Policymaking

One of the reasons virtually no one in the Brussels policymaking community, including the institutions, would like to see the UK leave is because of how the UK's civil service engages with the EU and what priorities it advances at the EU level. While defending national interests, the UK has generally been pragmatic, willing to compromise, and diligent in its implementation of agreed legislation. The UK focus on hard economic benefits – for example, in advancing the Single Market, reducing bureaucratic burdens, or pushing for trade liberalization – was also seen by many countries, from Germany to Scandinavia, and by many in the Commission, as a healthy balance against too much focus on political integration or on Southern-style state interventionism.

Recently, many have seen this positive role of the UK diminish, with the UK placing a much greater focus on its domestic policy agenda, and British

policymakers and, increasingly, the British public, displaying a high distrust of the EU. Even in areas where in the past the UK would have been a champion of European solutions, for instance in enlargement policy or the digital Single Market, there is a trend toward disengagement. In addition, the UK government's current approach to EU negotiations is seen to be less in the spirit of constructive give-and-take, and more in the vein of an increasingly inflexible approach based on unilateral demands and backed by a threat of exit. This change in both substance and style has led many to question whether the approach chosen by the UK is constructive, both for the UK and for the rest of the EU, or whether it will simply increase the distance between Brussels and London.

### Shifting Alliances and Voting Blockages

However, the fact that London does the job of challenging further integration is also convenient for some countries, depending on the issue in question. It allows countries to hide behind the UK on a range of often fundamental issues, such as the EU budget, the reduction in burdens on business, the further integration of the euro zone, and the desirability of a more federal European Union. With the UK outside, countries would have to be more open about policy preferences on these issues.

There would also be a shift in power within the EU system. While the average population size of the remaining EU member states would fall, the individual power of the larger member states, particularly France and Germany, would increase. The qualified-majority voting procedure illustrates this point: currently, France and Germany together

hold around 16.5 percent of the votes, with just under 29 percent of the population. After a UK exit, France and Germany would hold 17 percent of the votes (if votes per country remained unchanged), with almost 33 percent of the population. The overall center of political balance within the EU would also shift, moving both further south and further east. At face value, Germany would become an even stronger power if one of the four large member states left the EU. However, it is not quite that simple: Germany has often formed coalitions with the UK to advance certain issues, for example issues related to trade and the EU budget. Not having the UK in the EU might deprive Germany of an important ally on these issues.

The European Parliament would also change. Britain's departure would weaken the Socialists and Democrats Group, as the Labour Party is one of the larger constituents of this group, whereas the Conservatives have chosen, for the moment, to be outside the European People's Party. It can also be expected that the Parliament would generally be less favorable to British exceptionalism if the UK were outside the EU, making it difficult to find the necessary compromises to facilitate post-Brexit UK access to the Single Market.

A UK exit would also affect those policy areas where there is still unanimity. Enlargement is often cited and could be a case in point. However, it is unlikely that a UK exit would have a major impact on future accessions, given that the UK has generally been supportive, although recent concerns over the freedom of movement might result in a change in stance for further enlargement.

An area where a UK exit would have a major impact is the EU budget. On the one hand, it would open the door for reform, particularly on issues related to the revenue side, including budget rebates. On the other hand, there might be less pressure to increase efficiency or reform the traditional areas of spending such as regional funds and agriculture, because the net payers would lose an important ally. Although the UK has not been particularly successful in achieving reform so far, London succeeded with the support of the other

net payers to limit the overall spending in the current round. In addition, the UK is still a net payer, and the loss of additional revenue would have to be compensated by the net payers and/or by a reduction in expenditure (unless the UK would still pay into the EU budget under post-exit arrangements, as Norway does). There is no agreed way of calculating net contributions, but the UK pays in more than it receives. In 2012 the UK Treasury estimated the UK's net contribution for that year at around £7 billion.<sup>69</sup>

In the past, the UK has also threatened to block major further integration steps and/or treaty changes, most recently with London walking out of the negotiations on the fiscal compact. However, this behavior has only made member states think more creatively about treaty reform, so as not to allow London to delay or hold up much-needed reforms. However, it is questionable whether achieving major steps in integration would be easier without the UK, given the diversity of views among the other member states.

### Future Policy Priorities

With a UK exit, overall policy priorities would also shift, with less focus on issues such as free trade, the Single Market, and business conditions, as the UK has always been one of the strongest proponents of opening markets. The focus on the financial sector would become weaker, although clearly there are still significant financial centers in Frankfurt and Paris, which might even benefit from a UK exit. There would be a tendency to be more interventionist in this area, be it in limitations on bankers' bonuses or in the financial transaction tax. But, again, it is clearly not the case that there is unanimity among the remaining member states.

Future cooperation on defense and security under the EU framework would also be less likely and certainly even less effective than today. In European terms, the UK is clearly one of the heavyweights in this area, and it is hard to envisage effective EU coordination without it. However, there has not been much progress in this field anyway, so the most likely outcome would be that this policy area would remain beyond the EU's ambit.

## Weight in the World

Of course, there would also be a much broader impact on the foreign policy field, going beyond the limited institutional impact on the EU's External Action Service. The UK is an important actor in the world, with a seat on the UN Security Council. It is also a large member state, with around 12 percent of the EU's population, a high GDP (around 14.5 percent of the EU total), and an important role in the Single Market. So overall, the weight and importance of the EU as an international actor would be diminished. However, a UK exit would not only reduce the importance of the EU in global affairs but also reduce the impact that the UK can have in the future. It is questionable whether a country like the UK would continue to be a major global actor without European cooperation, although more limited cooperation on a bilateral basis or through NATO would still be possible.

## Internal Effects with External Impact

There is a high degree of uncertainty about the impact that withdrawal would have on the UK itself, in part because of the policy choices that would then be open to the UK. For example, whether the UK remains an attractive location for foreign direct investment (FDI) and to what extent there would be continued labor mobility would depend on how closely the UK economy remains integrated in the Single Market. A UK outside the Single Market would suffer economically as well as reduce the overall size of the market, although the UK's absence might also benefit some countries: for example, a reduction in FDI might well be compensated by an increase in other parts of the EU, such as Ireland. Although the UK would want to remain part of the Single Market, it is unlikely that the rest of the EU would be particularly willing to offer wide-ranging concessions if these concern the basic rules of the Single Market, in particular the four freedoms. Crucially, access to the Single Market would depend on the willingness of the UK government to accept rules made elsewhere without a UK political voice. A recent pertinent example is the row over Swiss participation in the Single Market, following the Swiss referendum to potentially limit the free movement of people.

There is also the question of the political stability of the UK. For forty years, the EU and the wider European integration process have provided a framework of checks and balances, for example in limiting the severity of anti-terrorism laws, especially important in a country without a codified constitution. There is a probability that a much more strident nationalism could develop in the UK and have a negative impact on inter-European cooperation in areas such as energy and justice.

## Greater Coherence Equals Greater Integration?

One immediate impact of a UK exit would be more coherence in euro zone membership. Currently, one in three EU citizens lives in a country that has not introduced the euro. After a UK exit, that figure would be only one in four, with none of the large countries outside. The most likely impact would be a further concentration on the euro zone, with less differential integration and with countries outside the euro zone being more marginalized in decision-making and receiving less policy attention, including less attention from the institutions. But a UK exit would also mean that the EU would have to come up with ways to manage relations with an outer circle of countries that are unlikely to become full member states.

The marginalization of non-euro zone countries, together with the example of a country leaving, might strengthen anti-EU voices in some countries. However, this scenario seems unlikely because the remaining EU member states would be more aware of the costs of an exit, especially for small countries. The fundamental economic dilemma would be clearer: to be closely integrated in the Single Market means accepting EU rules, regardless of whether a country is politically integrated in the decision-making process or outside of it.

In the longer term, a UK withdrawal might also enable further integration, especially within the euro zone. But this possibility is far from certain: Is there a shared desire among the remaining member states to have "more Europe"? Even if that is the case, is there a shared vision of the direction of further integration? Although some might think

that the UK leaving would bring the EU closer to the “ever closer union,” the reality is different: the appetite for further integration is limited, with most countries willing to accept only what is perceived as the minimal integration necessary to stabilize the system.

Clearly, many issues need to be resolved, with or without a UK exit. There would also be a major issue around timing, with an exit likely to be a pro-

tracted and politically and economically costly process. But at the very least, it would force some of this discussion into the open. In the end, it would be detrimental to the EU and even more so to the UK. But if it does happen, it will have to form part of a broader debate about the direction of EU integration.

## Switzerland

Christian Nünlist

British Euroskeptics often portray Switzerland as an attractive alternative model to EU membership. But the “Swiss model” with its bilateral special solutions has recently come under severe pressure. There are clear links, especially evident to the Swiss, between how Brussels is behaving toward Switzerland and the idea of a British exit. Switzerland could become an example of the limitations on what some British Euroskeptics think the UK can achieve.

There is a certain irony in the fact that Winston Churchill delivered his famous 1946 appeal to create a “United States of Europe” in Switzerland, in the auditorium of the University of Zurich. Churchill’s Zurich speech is widely regarded as the starting point for European integration after World War II – despite the fact that both the United Kingdom and Switzerland still have difficulties dealing with European integration. An aversion to deeper European political integration remains widespread in both countries. As a latecomer to the European Economic Community (EEC), Britain’s struggle with European integration has seen it negotiate a special place with opt-outs and rebates. Switzerland, though geographically located in the heart of the continent, like Britain has a strong insular mentality. Despite not being in the European Union, Switzerland has negotiated a special bilateral relationship with Brussels, allowing it to participate in the EU on special terms.

It is therefore no wonder that in British Euro-skeptic circles, the discussion of a possible UK withdrawal has included the idea of an alliance between the two insular-minded states. This hypothetical quasi-paradise has been dubbed “Britzerland.” There are indeed striking parallels between the United Kingdom and Switzerland, for example with regard to domestic debates about the economic impact of voluntary nonparticipation in the euro zone and the Single Market or about the perceived disadvantages of intra-European labor migration. The British debates are thus followed with special interest in Switzerland, with some hope, but also with concern.

### Two Islands in Europe

As an island, the UK is naturally at arm’s length from the continent of Europe and claims a special position within the EU. Switzerland was also

considered an “island in the middle of a stormy sea,” in the nineteenth century the only democratic republic among Europe’s monarchies and in the twentieth century as an “island of peace,” spared from both world wars. During the Cold War, Switzerland was part of the West. Because of neutrality and sovereignty concerns, however, it refused to join the United Nations or NATO. With the exception of economic and technical cooperation within the framework of the Marshall Plan and the then OEEC (Organisation for European Economic Co-operation), Switzerland in 1947 chose a strictly independent foreign policy.<sup>70</sup> It was quick to realize, however, that it had to deal with Europe on a bilateral basis in order to avoid being completely isolated. By 1956, Bern concluded a consultation agreement with the “European Six” – Switzerland’s bilateralism with the EU thus had a long history before 1992.<sup>71</sup>

Switzerland and the UK hewed to the same line on European matters, especially in the mid-1950s, when they were forced to come up with a counterstrategy to the EEC in order to minimize the economic disadvantages of being outside the developing European bloc. The planned customs union between West Germany, France, Italy, and the Benelux countries posed a dilemma for Switzerland, because at that time around 40 percent of its exports went to these six countries – to West Germany in particular. High external EEC tariffs would have hampered trade and hurt Swiss companies. Ideas for a greater free-trade zone in the OEEC framework were rejected in Paris, on the grounds that the EEC would “dissolve like a sugar cube in a cup of English tea.” In response, in 1960 the UK, Switzerland, Norway, Sweden, Denmark, Austria, and Portugal created the European Free Trade Association (EFTA) as a community of seven states to compete with the EEC.



The common European policy of Switzerland and the UK in the EFTA framework was threatened as early as 1961 by the “betrayal” of the British, who surprisingly submitted an EEC membership application. In 1963, French President Charles de Gaulle’s rejection of the British application was celebrated by the Swiss as the “liberator of Switzerland,” because association plans with Switzerland had also already been drafted in Brussels.<sup>72</sup> In 1972 the EFTA countries succeeded in concluding a free-trade agreement with the EEC for industrial goods. The citizens of Switzerland accepted the deal with an impressive 72.5 percent of the vote.

To date the European political philosophies of the British and the Swiss have remained very similar, even though the UK left EFTA in 1973 and joined the EEC, whereas Swiss voters rejected accession to the European Economic Area (EEA) in December 1992 with a slight majority of 50.3 percent, thus cementing Switzerland’s “special path” in Europe. The main goal of both British and Swiss European policy has always been economic cooperation. Over the years both countries have publicly distanced themselves from some of the high policy areas such as a common foreign and security policy as well as from the goal of an “ever closer union.”

### Britzerland outside Europe

Euroskeptics in the UK like to refer to the model of Switzerland as an example of how relations with Europe could be successfully shaped from outside the EU. In late 2008, the Conservative MEP Daniel Hannan wrote a paean to Switzerland’s alternative model of relations with Europe, “Why Can’t Britain Be More Like Switzerland?”<sup>73</sup> In the journal article, he wondered why Switzerland, as a nonmember of the EU, had suffered the least in the European economic crisis and still produced growth rates of over 3 percent. He pointed out that Switzerland’s per capita exports to the EU market were more than twice as high as those of the EU member Britain. As the scenario of a British EU referendum has grown more likely, the Swiss model has become more popular in the UK. The British press has spoken of Britain outside Europe as a “Greater Switzerland”<sup>74</sup> or a “Switzerland with nuclear weapons.”<sup>75</sup> The comparisons

with Switzerland were even more in vogue after David Cameron’s speech in January 2013, although he admitted that while he admired Switzerland, the UK could achieve a better deal. In April 2014 a young British diplomat even won a 100,000 euro “Brexit prize,” awarded by the Institute of Economic Affairs, for an essay suggesting that a post-EU UK should negotiate a special outsider position somewhere between the positions of Switzerland and Turkey.<sup>76</sup>

Switzerland follows the Brexit debate with great interest. Media analysis has noted the “dangerous kinship” between the two countries, drawing attention to the similarities in rejecting political integration by pointedly asking, “Will we be brothers in decline?” The UK Independence Party (UKIP) was presented as a “turbocharged SVP” (the right-wing, Euroskeptic Swiss People’s Party [SVP] became the strongest political party in Switzerland after its successful 1992 campaign against Switzerland joining the EEA), with UKIP leader Nigel Farage described as a fanatic.<sup>77</sup> In other articles and op-eds, the Swiss and British were jointly characterized as “recalcitrant Europeans” and “problem children of the EU.”<sup>78</sup>

In a late 2012 interview with the Swiss weekly *Die Weltwoche*, London Mayor Boris Johnson campaigned for a new political alliance outside the EU – a “Britzerland”<sup>79</sup> – with Switzerland and the UK at its core, whose members, later to include Norway and Sweden, would be allowed to trade freely with EU members, but would not be obliged to participate in all of the other EU activities.<sup>80</sup>

However, the question remains: Is the bilateral way still the silver bullet, not only for Switzerland but also for the UK? The “Swiss model,” though adored by Euroskeptics in the UK and elsewhere, no longer corresponds to the reality of Switzerland’s actual relations with the EU. In spite of unilateralism, Switzerland today is de facto semi-integrated into the EU. The bilateral way did not send Switzerland into isolation, but led to rapprochement with the EU through ten treaties. In the area of domestic security, Switzerland directly participates in the EU’s Schengen regime, even if the Swiss do not have a direct say in its opera-

tion. Switzerland and the EU profit from free trade and are closely intertwined economically. In 2013, 55 percent of Swiss exports went to the EU; 73 percent of Swiss imports had their origin in the EU (where 57 percent of Switzerland's external trade is with neighboring countries Germany, France, Italy, and Austria). Because of its strong economic dependence on the EU, Switzerland unilaterally adopts most EU legislation by way of what is called "autonomous enactment." Switzerland also contributes financially to EU programs; in 2012 the sum came to 664 million euros.<sup>81</sup>

Thus, Switzerland's independence from the EU is largely illusory and greatly exaggerated in political rhetoric. Nevertheless, the bilateral track remains very popular among Swiss citizens. Until 2014, all bilateral treaties with the EU had been approved by the Swiss voters, with 67.2 percent in 2000 ("Bilaterals I"), 54.6 percent in 2005 (Schengen/Dublin), 56 percent in 2005 (extension of freedom of movement to the ten new member states that had joined the EU in 2004), 53.4 percent in 2006 (cooperation with central and eastern Europe), and 59.6 percent in 2009 (expansion of free movement to Bulgaria and Romania).

### 2014: The Swiss Model Revisited

The surprising outcome of a popular vote in Switzerland has, however, changed the Swiss perception of the British EU debate rather dramatically: on February 9, 2014, Swiss voters narrowly accepted the so-called mass immigration initiative of the SVP with 50.3 percent, thus challenging free movement between the EU and Switzerland that had come into effect in 2002. Switzerland had committed itself in 1999 to respect free movement, one of the EU's core principles and a fundamental right of EU citizens. On the basis of the "guillotine clause,"<sup>82</sup> the EU is now free to terminate all ten bilateral treaties with Switzerland if the latter decides to uphold the vote and violate the treaty guaranteeing free movement.

Euroskeptics in the UK and elsewhere were quick to praise the courage of the Swiss to limit immigration from the EU and to fight the negative consequences of the free movement of persons within Europe.<sup>83</sup>

Ahead of the vote, Swiss Euroskeptics had, for their part, pointed to recent efforts by David Cameron to make the free movement of persons less free and to restrict both immigrants' access to social assistance and the influx of Bulgarians and Romanians through quotas. The British countermeasures against alleged "welfare tourism" from eastern Europe were taken up by the SVP in their election campaign for the immigration initiative. With great satisfaction, national Councilor Christoph Blocher (SVP) registered that Cameron was now voicing the same demands that the SVP had pursued for many years in Switzerland. At that time, there appeared to be a real likelihood that Switzerland and the UK would be able to fight jointly for exceptions in the free movement regime and that Switzerland could profit from the internal EU debate on immigration. In general, the debate in the UK is, from a Swiss perspective, an interesting indicator of the EU's readiness to engage in reform discussions that go to the core of long-standing Swiss-EU controversies, such as those regarding the distribution of jurisdictions between Brussels and European capitals. If these reform discussions were to satisfy British concerns, they would probably also satisfy Swiss interests. In addition, representatives of British banks and car manufacturers have recently begun to speak out and warn of the negative impact that EU withdrawal would have on the British economy; this debate could also influence Switzerland's debate on its future relations with the EU.

But the harsh reactions of the European Commission in Brussels, regarding both Cameron's announcement to restrict the movement of persons in the UK and the narrow yes-vote on the mass immigration initiative in Switzerland, may be interpreted rather differently. Precisely because of the exit scenario, the EU could be tempted in the coming months and years to adopt a hard line and make an example of Switzerland, with a view to applying pressure on the UK. To be fair, in this regard, the EU's approach to Switzerland is not entirely new. In recent years, Brussels has become increasingly dissatisfied with the sectoral bilateralism and has long demanded an institutional agreement with Switzerland. In principle, Brussels is aiming to establish a relationship with Switzerland that is similar to its relationship with EEA countries such as Norway.<sup>84</sup>



Against this backdrop, Brussels could be particularly adamant vis-à-vis Switzerland, in particular with respect to Swiss restrictions on the fundamental freedom of movement.<sup>85</sup> The EU's initial reactions seem to support such an interpretation:<sup>86</sup> the European Commission blocked negotiations with Switzerland on electricity, and suspended Swiss participation in the EU student exchange program (Erasmus) and in an EU research program (Horizon 2020). In 2013, Swiss universities received 1.8 billion euros from EU research funds; the UK received 2 billion euros – British elite universities thus view the recent punitive strike by the EU against Switzerland with great concern.<sup>87</sup>

The EU could therefore deliberately put a damper on the Swiss model by showing that there can be no access to the Single Market without freedom of movement and by demonstrating that Switzerland is more dependent on the EU than vice versa. The idea that bilateralism can serve as a panacea for a prosperous economic future outside the EU would quickly lose ground, which would also affect British EU debates. The signal would be clear: the time of cherry-picking and à la carte access to the Single Market has its limits, even for Switzerland.

## Denmark

Henrik Larsen

Since the Cold War, the United Kingdom and Denmark have been moving in very different directions in their EU policies. Denmark's EU discourse now revolves around the idea of essential cooperation, with the country positioned close to the core of the European Union. Both politically and economically, Denmark's interests lie more closely with Brussels and its EU partners than with its historical allies in London.

Before Denmark's EU membership beginning in 1973, the Danish relationship with the then EEC was closely tied to the political choices of Britain. In the 1950s the UK was the biggest market for Danish exports, the largest part of which were agricultural products; in the early 1970s, 20 percent of Danish exports went to the UK. Danish governments at the time saw it as imperative to follow the UK's institutional affiliations in its market policy. Denmark, therefore, opted for membership in the European Free Trade Association (EFTA) with the UK and followed the UK's rapprochement with the EEC in the 1960s, leading eventually to membership in the EEC in 1973 alongside the UK and Ireland.

Within the EU, Denmark and Britain have often been described as awkward partners for the other member states. In both countries, the EU has been a subject of vehement debate from a very early stage; the EU's institutional dynamics after 1984 have been controversial; and policy responses have often been outside the EU mainstream. This stance and setting originate from a fundamentally instrumental understanding of the EU in both Denmark and the UK, which differs from the understanding, dominant in France and Germany, of a common European cultural base.

Since the Cold War, the majority of the political parties and the political elite in Denmark more generally consider the EU an essential form of cooperation for Denmark for instrumental reasons. Danish governments have acted on this basis in spite of the opt-outs introduced as a consequence of a second referendum in 1993, following the rejection of the Maastricht Treaty in a 1992 referendum. According to the discourse on essential cooperation, Denmark has to be as close as possible to the EU core countries, given its four EU opt-outs. For example, Denmark shadows the euro,

takes part in the euro-plus pact, and is also considering taking part in the banking union currently being negotiated in Brussels. The parties adhering to the essential cooperation discourse want to abolish the Danish opt-outs as soon as possible, although a less positive stance toward participation in the euro has emerged in recent years. However, this abolishing can happen only through a new referendum on some or all of the opt-outs, and the common understanding among these parties is that the European political environment at the moment is not conducive to obtaining a positive outcome in such a referendum.

It is important to note that the radical left and right as well as significant parts of the public do not agree with the discourse on the EU as essential cooperation; they instead take the view that the EU should take the form of normal interstate cooperation, where few if any substantial concessions are made. This strong position means that the government and the mainstream political parties can never be sure of a yes in a referendum, and it was this position that was behind the introduction of the four opt-outs in 1993. At the same time, the logic of the interstate cooperation discourse has a limited effect on Danish EU policy in areas other than the four opt-outs and in daily policy with respect to the EU. The government and the other mainstream parties want to be as close as possible to the EU core, given the opt-outs, on the basis of the essential cooperation discourse. The left-wing Unity List, the ultraliberal New Alliance, and the right-wing Danish People's Party cannot influence this general policy line. The important exception is when, in accordance with the constitution, specific EU legislation deemed to give away Danish sovereignty requires a five-sixths majority to be passed in the Folketing. This exception was the case in relation to the European Patent Court, which both the Unity List and the Danish People's Party have opposed.

The resulting lack of a five-sixths majority means that Denmark could only give its consent through a positive referendum vote (which took place alongside the EU elections in May).

### Strong Reactions to Cameron's Speech

The Danish government did not welcome David Cameron's speech on renegotiating the British relationship with the EU. Danish Prime Minister and Social Democrat Helle Thorning-Schmidt said in an interview that she preferred strong cohesion between all member states and that the UK and Denmark had chosen "different EU paths in relation to European cooperation." While stressing that the two countries were "friends and alliance partners," that Denmark would like to see the UK stay in the EU, and that there should be respect for differences between EU countries, she also said, "We already have a flexible Europe. A good example is the opt-outs we have in Denmark." Prime Minister Thorning-Schmidt emphasized, "We also need a strong, common core amongst the [then] 27 member states ... So in that way Europe is not a buffet ... Now it is up to the UK to work out what kind of position it wants in the EU. But I don't think the EU will be stronger if every member state can tailor their membership to fit, thereby losing the core which ought to be common in our EU." According to the prime minister, the approach put forward by Cameron was neither of interest to nor suitable for Denmark: "We think it serves the Danish interest best to be close to the core in Europe and to make a difference every day in a constructive way – and in that way make our voice heard in Europe."<sup>88</sup>

Deputy Prime Minister Margrethe Vestager also stressed the differences between the Danish and British positions (in spite of both countries having opt-outs): "We are very close to the core in the EU and in a very different situation from the UK."<sup>89</sup> The Liberal Party, Denmark's largest party, which held power from 2001 to 2011 and is poised to regain power in the next general elections, took a stance similar to the current government, stating that Cameron was on the "wrong track."<sup>90</sup>

As much as these responses were directed at EU partners, they were also directed at the internal Danish political scene, with the aim of legitimizing and defending the Danish policy of being close to the core and not fighting for a more flexible EU. And yet the message in Cameron's speech struck a chord with Danish parties skeptical of the continued deepening of EU integration. The UK government's attempt to renegotiate the relationship with the EU lent legitimacy to right-wing and ultraliberal voices in Danish politics that want less EU integration, such as parts of the Conservative Party, the New Alliance, and the Danish People's Party. Ideas about renegotiating Danish EU membership and only participating in the internal market resonate in all three parties. It is only the radical left Unity List that wants Denmark to leave the EU altogether.

A poll from January 2013 showed that 52 percent of Danish voters would not want Denmark to leave the EU if the UK decided to withdraw its membership.<sup>91</sup> However, 47 percent would like the Danish government to renegotiate the conditions of Danish membership, although roughly the same number was against a referendum on membership in the EU following a renegotiation. The poll suggests that the UK's importance as a reference point for the Danish population in EU politics should not be underestimated. This circumstance may be linked to the relatively Anglophile attitude of the Danish population since at least World War II, skepticism about EU integration, or a combination of both factors. The poll also suggests that there was a difference between the negative reactions of the Danish government to Cameron's speech and the wishes of the population concerning the consequences for Denmark. Minister for Europe Nicolai Wammen's comment that the electorate was behind the government's policy of "not jumping on the English ferry" was surprising in the light of the poll's results.<sup>92</sup>

Overall, however, the picture is not so clear. According to the same poll, a majority also supported Denmark's participation in the euro-plus pact and the banking union, although there has also been a consistent majority against joining the euro since the onset of the economic crisis.<sup>93</sup> On

this political issue, there was more of an overlap with Danish government policy and no clear alignment with British policy. This outcome may have to do with the shape of the debate in Denmark in relation to economic EU issues such as the euro: there is widespread fear of serious consequences for Denmark should it be left out of something. In this respect, the essential cooperation discourse often has been powerful in shaping the debate.

### Impact of UK Withdrawal on Denmark

Wammen commented in March 2013 on the prospect of the UK leaving the EU, saying that he did not “expect the UK to leave the EU. And no matter how Britain is linked to the EU after a referendum, Britain will remain an ally, we will remain good friends.”<sup>94</sup> The comment may be read as a commonsense, diplomatic response to an issue that Denmark can do little to influence.

Denmark has had substantial military cooperation with the UK outside the EU for the last ten to fifteen years, so there would be a solid base to build on were Britain to leave the European Union. However, it is interesting that, forty years after Denmark joined the EEC primarily because of the UK’s entry, the reverse prospect of the UK leaving the EU has not evoked stronger terms to characterize the value of UK membership in the EU for

Denmark. But then things have changed over the past forty years. Denmark’s basic intergovernmental and Atlanticist approach is, to a large extent, still shared with the UK, as is a general support for free trade. Denmark and the UK both have EU opt-outs. However, as the statements above illustrate, Copenhagen at present considers itself as “very close to the core,” which is clearly different from the present tenor of London’s EU policy. Also, the UK’s role as a market for Danish exports has diminished, as the UK has now fallen into third position after Germany and Sweden. Arguably, the relative importance of the UK as a partner or leader for Denmark in the EU has declined – not least due to the UK’s marginalization vis-à-vis economic and monetary union. Of course, political cycles in the two countries also affect this decline: the Blair government’s emphasis on the need for the UK to play a “full and leading role in Europe” was closer to Danish ways of thinking than the present Conservative-dominated British government. Moreover, from around the end of the Cold War, Danish governments and mainstream political parties (but not the Danish population) have continuously understood the EU in terms of essential cooperation, whereas views in London have oscillated significantly in this respect. In the past, Danish policy in Europe often followed London, but more recently the relative importance of other European countries has increased.



## Australia and New Zealand

Ben Wellings and Annmarie Elijah

Australia and New Zealand were forced to reorient their spheres of interest and their economies when the United Kingdom joined the EEC. Following the UK's exit from the European Union, these three countries could cooperate again on the global stage, especially in Asia. Yet Aussies and Kiwis might have more to gain from having a liberal partner at the European (and transatlantic) trade negotiating table.

Australia and New Zealand are about as far from Europe as you can get while still remaining on this planet. Nevertheless, both countries' histories have been closely bound with Britain's and therefore Europe's. With regard to their relations with the United Kingdom and the European Union, Australians and New Zealanders might best be described as Euroskeptics of the heart but Europhiles of the head. These attitudes stem from the history of Britain's accession to the European Community, as well as recognition of the importance of contemporary Europe as a trading partner and a potentially like-minded political actor. Opinion in both of these independent nations ultimately wishes to see the UK remain in the EU. But this wish is primarily a means to see the continuing reforms, which both nations feel are necessary as outside powers seeking access and influence in Brussels, even if expectations about the likelihood of reform remain low. Furthermore, these low expectations come at a moment of noticeable reengagement in bilateral relations with the UK and even growth of political support for the so-called Anglosphere.

### Demographic Links

Australia is a country with a population of 23 million people on a continent large enough to comfortably fit Europe; New Zealand's population of 4 million inhabits two main islands about 2,000 kilometers from Sydney. Despite the geographical distance and dominant perceptions of immigration from Asia, people-to-people ties between Australia, New Zealand, the United Kingdom, and Europe remain strong. The Australian Bureau of Statistics found in 2011 that 24.6 percent of Australia's population was born overseas and that 5.3 percent (over one million people) of the current Australian population was born in the UK.<sup>95</sup> Thus, the United Kingdom still provides the largest single migrant group, although the proportion declined margin-

ally from 5.8 percent in 2001. Furthermore, it was the leading country of birth for the overseas-born population in Australia (20.8 percent), followed by New Zealand (9.1 percent), China (6.0 percent), and India (5.6 percent).<sup>96</sup> The situation is similar in New Zealand, with a quarter of the population born overseas. However, the New Zealand statistics agency found from the 2013 census that migrants from the aggregated region of "Asia" (31.6 percent) had overtaken the UK (26.5 percent) as the largest point of origin for the overseas-born.<sup>97</sup> It should be noted that EU-born citizens are also well represented among Australia's population. The 2011 Australian census found that more than one-third of the 5.3 million Australian residents born overseas were born in the European Union – some 1.9 million people. Furthermore, an EU passport remains a prized item, with the promise of international mobility for young and professional Australians. It is estimated that around half of the nearly one million Australians living and working abroad are in Europe,<sup>98</sup> with approximately 100,000 of these living in the United Kingdom.<sup>99</sup>

Despite the cultural proximity, the ties between the UK and Australia and New Zealand are not the same as they were a hundred or even fifty years ago. Australia and New Zealand are two English-speaking countries sharing close historical, economic, political, and cultural ties, but both are independent sovereign states. They shared military service during World War I and established comprehensive economic cooperation under closer economic relations (akin to the EU's Single Market) in 1983.

The date of this economic initiative – whose negotiations began in the late 1970s – is not innocent. Closer economic integration between Australia and New Zealand was linked to the loss of markets suffered when Britain joined the European Community (EC). Thus, debate in Australia and



New Zealand about Britain's involvement in the European Union has been fundamentally shaped by both these countries' relationship with the United Kingdom and the long process of British accession to the EC. When Britain's EC application was first announced in 1961, the shock was profound given the heavy – in New Zealand's case near total – dependence on the UK as a market for primary products such as minerals, meat, and dairy. When British accession came in 1973, it had a significant impact on exports to the UK from both countries, even noting some transitional arrangements made for New Zealand by Britain and the members of the EC. The loss of markets was most keenly felt in agricultural sectors. British plans to join the EEC were widely seen as a betrayal, and one with potentially disastrous consequences. "We are facing the greatest economic crisis of our history," the president of New Zealand's Labour Party told *The Times* in 1962, "wars and depressions not excepted."

### Economic Links

Australia and New Zealand – as part of the Cairns Group established in 1986 – were integral to a push within the World Trade Organization (WTO) for the liberalization of European markets and reform of the Common Agricultural Policy (CAP) in particular. The politics of this initiative and the existence of the EC's external tariff walls defined Australia's and New Zealand's relationships with Brussels for decades. Accordingly, both countries have been supportive of British efforts to speak out against the direction and pace of European integration at certain moments in the history of the EU.

The historic loss of UK markets was somewhat offset by the geopolitical realignment of Australia and New Zealand as regional powers in the Asia-Pacific (or what is now referred to in Canberra as the Indo-Pacific Rim) and as advocates of free trade. Both Australia and New Zealand were early adopters of neoliberalism and implemented policies of so-called economic rationalism with gusto. Like Australia, New Zealand is increasingly focusing its attention northward. New Zealand signed a free-trade agreement with China in 2008, and

the following year China, having already overtaken the UK in 2003, replaced the United States as New Zealand's second-largest trading partner after Australia.

Despite this considerable strategic and economic reorientation in what is now portrayed as "the Asian century,"<sup>100</sup> the EU remains an important economic and strategic partner for Australia and New Zealand. According to the European Commission,<sup>101</sup> in 2012 the EU was Australia's second-largest trading partner in goods and services (after China) and third in merchandise (after China and Japan).

### Antipodean Perceptions of the European Union

Australia boasts strong bilateral diplomatic ties with most EU member states, although public and media awareness of the EU remains low.<sup>102</sup> Until the change of government in 2013, Australian espousal of "middle power" diplomacy (specifically by means of the G20, the UN Security Council, and the Asia-Europe Meeting) sat well with the EU's own emphasis on multilateralism. The formal relationship with the EU itself is long-standing (since 1962) and durable despite tensions. In particular, the attempt to sign a treaty-level agreement has been delayed by what one might call furious agreement over common values. The delay arose over Australian objections to the standard human rights clause attached by the European Parliament to all treaties. The Australians felt (perhaps erroneously) that their human rights record spoke for itself, a view that gained some sympathy in New Zealand. Despite this incident, attention has shifted back to the trade relationship. Following the announcement in 2014 that the EU would upgrade its diplomatic mission to New Zealand, it also said it would consider a trade agreement with Wellington. Likewise, the possibility of an EU–Australia trade deal is under scrutiny in Canberra.

Thus, we should not assume, however important relations with the UK are for the Aussies and Kiwis, that everything is determined by history. Some opinion in New Zealand advocates finding small partners and allies within the EU that



might understand the perspective of a small nation negotiating with large neighbors, rather than seeing the United Kingdom as a natural ally. In Australia, awareness exists of the need to understand the EU from a perspective that is not mediated through the British perspective. An Australian trade delegation to Europe in 2013 visited France, Germany, Slovakia, and Austria – all euro zone countries – and did not visit the UK.

Admittedly, revising a UK-centric perspective is not always easy. UK–Australia ties run strong and deep. Much reporting on European matters is filtered via UK press and media: Rupert Murdoch is Australian, after all. Recent arrivals from Brussels sometimes complain that public debate about the EU in Sydney or Melbourne could easily be taking place in London. Furthermore, the UK remains a major point of access to the EU. According to the Australian Department of Foreign Affairs and Trade, the UK was Australia’s largest two-way goods and services trading partner within the EU in 2012, accounting for 22.3 billion Australian dollars and ahead of Germany in second place, which accounted for 15.7 billion Australian dollars.<sup>103</sup> It was also Australia’s largest export market in Europe (ahead of the Netherlands, Germany, and France) and the second-largest import market after Germany. Although no direct comparison is possible, by contrast these figures compare with total two-way merchandise trade with the euro zone countries of 40.5 billion Australian dollars in 2012. Given the importance of the UK relationship, it is sometimes possible to hear complaints that the UK feels it “owns” the relationship with Australia.

### “More Jakarta, Less Geneva”

Moreover, the UK–Australia relationship has been intensifying in the past decade and particularly since the establishment of the UK’s Conservative–Liberal Democrats coalition in 2010. From the mid-1970s there was a somewhat taken-for-granted nature to political relationships between London and Canberra. Although it is true that Australia has become significantly engaged in Asia, UK–Australia bilateral ties have been revived. AUKMIN meetings (an Australia–United Kingdom engagement at the ministerial level) were established in 2006 after

Tony Blair’s visit to Australia at the opening of the Melbourne Commonwealth Games. The meetings were regularized in 2011 and now take place annually. When William Hague became foreign secretary, he immediately outlined the UK’s foreign policy priorities as directed at emerging countries, traditional allies, and the European Union. Only days before David Cameron gave his speech in January 2013, committing a future Conservative government to renegotiating UK–EU relations and then holding an in/out vote, Hague was in Sydney outlining areas of enhanced cooperation between Britain and Australia as global partners, particularly in Asia.<sup>104</sup>

This development comes on top of significant and ongoing defense intelligence cooperation between the “five eyes” of the United States, the UK, Canada, Australia, and New Zealand in a context in which the US alliance, via the ANZUS Treaty of 1951, enjoys deep support in Australia. However, the treaty is a point of strategic difference between Australia and New Zealand, because the United States suspended its security commitments in 1986 in response to New Zealand’s non-nuclear policies.

Interestingly, Euroskepticism can be observed in Australia. It has been correctly pointed out that for the current right-wing government in Canberra, the European Union is a code word for bureaucracy, secularism, and especially environmentalism (all considered bad). When Australian Prime Minister Tony Abbott called for “more Jakarta, less Geneva”<sup>105</sup> in Australian foreign policy, this appeal was not merely another signaling of a shift in Australian priorities but a comment on European political values too. Indeed, were the British-born and Oxford-educated Abbott transplanted from Australian to British politics, his natural home would be the Euroskeptic right of the Conservative Party.

Such views are not so much linked to the project of a British exit from the EU but are related to the wider cultural politics of the right. They are driven in part by a rehabilitation of the British Empire as a force for good in the world, stemming not only from American neoconservatism, but from British Euroskepticism too. These ideas found their way into Australian politics via right-wing think-tanks

supportive of the so-called Anglosphere.<sup>106</sup> Such notions find receptive ears at important levels of Australian politics, and these ideas of commonality are reflected back at Australia from the UK by figures such as Boris Johnson<sup>107</sup> and Daniel Hannan.<sup>108</sup>

Were Britain to exit the EU, there might be some sense of Schadenfreude on the right of Australian politics. It might even be seen as an opportunity for the UK to return to a more “natural” political grouping of English-speaking countries, a more universal destiny than parochial Europeanism, so to speak. Still, such views, however influentially supported, should not be overstated. The vast majority of the Australian government would be disturbed at the thought of a UK exit from the EU. This opinion is held with more conviction among those who regularly deal with the EU within the Department of Foreign Affairs and Trade. In submitting to the UK’s Balance of Competences Review in 2013, the Australian Foreign Minister stated that “Australia recognizes the UK’s strength and resilience and looks forward to seeing it continue as a leading economy and an effective power. Strong, active membership of the EU,” he added, “contributes to this.”<sup>109</sup>

So this is where Australia’s and New Zealand’s interests in Britain staying in the EU truly lie. The EU is of course a key player in WTO negotiations,

such as they currently are. It is also deeply involved in an array of bilateral and “megaregional” trade negotiations, not least the Transatlantic Trade and Investment Partnership. In the absence of multilateral consensus, the extent to which countries commit to liberalization in these deals will have a great impact on Australia and New Zealand; both countries rely heavily on exports for economic survival. From an antipodean perspective, it is hard to see how the UK losing its voice in the EU could advance Australia’s and New Zealand’s interests.

The idea of European integration as a means to end interstate conflict in Europe did not have the virtue of being accompanied by the prospect of greater trade in this part of the world. For Australia and New Zealand, UK accession to the EU was initially a net loss and occasioned an economic and strategic reorientation toward Asia and the Pacific. Opinion in Australia and New Zealand remains shaped by these foundational events, even if accommodation after CAP reform allowed for better relations to develop. It is impossible to get away from the notion that Australia’s and New Zealand’s interests clearly lie in Asia more than in Europe. Ironically, by positioning itself as a global as much as a European power, the United Kingdom looks attractive once again as a partner for Australia and New Zealand. Few in this part of the world would want to see Britain leave the EU, but they might enjoy seeing it rattle the cage.

## Hungary

Krisztina Vida

Rather than see Britain build a greater wall of opt-outs or leave the European Union, Hungary would like to see Britain remain in the EU and further enhance its cooperation with other member states, especially those in central and eastern Europe.

The role of Britain in the EU has been viewed very positively in Hungary, especially so before Hungary's accession to the EU. The United Kingdom, with its liberal approach to economic integration, strongly supported eastward enlargement, even if this support was with a view to slowing down political deepening. But whatever the motivation, in the accession process Hungary, together with the other applicant countries, perceived the UK as a strategic ally. Within the EU, the UK and Hungary have very close ties. Britain is an important export market for Hungary: according to Eurostat data, France, Italy, the UK, and Romania each consume 6 to 7 percent of total Hungarian exports within the EU. Currently, around 4,700 British companies do business with Hungary – a figure that the UK trade and investment minister wishes to double by 2018.<sup>110</sup> Moreover, a great number of mostly young and well-educated Hungarians (according to estimates, over 100,000) have at some point worked in the UK, which was the first EU member state to open up its labor market to the eastern newcomers. While Hungarians have appeared to integrate well into British society and their economy, this development has fueled worries about the implications for Hungary's future with regard to demography and brain drain.

At the EU level, there are issues on which Hungary and Britain have very different views. In the Multiannual Financial Framework for 2014–2020, Hungary wanted to preserve the size of the EU budget and thus levels of cohesion and agricultural assistance, whereas Britain wanted to see them either frozen or reduced. Budapest also has a different approach to the future of the EU, seeing a pick-and-choose approach as risky for the overall cohesiveness of the EU. At the same time, the two countries have shared interests in some areas, such as the future role of nuclear energy.

### The UK as a Bridge between the Euro Zone and “the Rest”

All in all, Britain's presence and influence in the EU is extremely important for Hungary as a non-euro zone country. Britain's size means non-euro members like Hungary can maintain influence over decisions affecting the entire European Union, thereby preventing a marginalization of non-euro zone countries in matters related to economic and monetary union. This aim requires strong cooperation within the group of the ten outsider countries, and the UK's role in this group should be significant. In other words, the UK – on the basis of its size and weight, and regardless of its opt-outs – could significantly contribute to precluding an institutionalized rift between the eighteen insiders and ten outsiders.

As regards the image of Britain in the EU, Hungarian experts and policymakers in foreign affairs see the country as a Euroskeptic member state but also as a heavyweight player, both in economic and foreign policy terms. It is widely perceived that within the EU, the UK can help counterbalance France and Germany. Its membership also makes the EU stronger and more influential on the global stage. As regards the British Balance of Competences Review, Hungary would be in favor of improving the efficiency of EU decision-making by rationalizing the scope of EU-level regulations and by respecting the principle of subsidiarity even more. But this process should adhere to the Lisbon Treaty and pertain to all member states equally. Revising the exercise of competences by means of treaty change might also be counterproductive, as it would entail complex negotiations and risky national ratifications.

As far as a potential UK exit from the EU is concerned, this issue does not really appear in the public discourse, and no opinion polls have been

conducted on the topic in Hungary. But since the January 2013 speech by David Cameron, several newspapers and websites have been dealing with the British EU dilemma. Most articles on the topic emphasize that Cameron would personally prefer his country to stay in the EU, but in a more flexible and viable EU. The articles also point to the various political pressures on the prime minister from different directions inside and outside his party. The promise of an in/out referendum was also interpreted as a political tactic to secure greater support from British voters in the 2015 general election, given the significant number who would vote for leaving the EU (and given the fact that the Labour Party does not foresee such a referendum unless a major treaty change at the EU level occurs). In the event of the UK leaving the EU, the Franco-German tandem would be strengthened, and the relative weight of all other member states would be enhanced. Others point to the unwanted reinforcement of anti-EU forces in Hungary and across the European Union as a spillover effect of the British attitude.

For this reason, Hungary believes that criticism on EU matters coming from the United Kingdom must be heard and that Britain should not be isolated in this debate. In fact, other countries have also raised criticisms (see, e.g., the Dutch review of EU competences, or the recent confrontations between the Hungarian government and the European Commission over crisis management methods), and indeed many aspects of EU decision-making need improvement. But from Hungary's perspective, these issues should be discussed and settled together, in a joint effort preserving the single institutional and treaty-based framework of the EU and not by moving toward individual solutions and disintegration.

Overall, Hungary is interested in the UK's continued full membership in the European Union, and would like to see its criticisms and proposals heeded and discussed at the EU level. At the same time, Hungary wishes to avoid any fragmentation of the EU's structures.

## Sweden

Erik Brattberg

Sweden is one of Britain's closest partners in the European Union. The two countries share many common positions on specific issue areas and a similar political outlook. It would therefore be highly unfortunate from a Swedish point of view if the United Kingdom were to leave the EU. David Cameron's intent to hold a referendum on Britain's EU membership has therefore had a negative impact on the British–Swedish relationship.

Over the past few years, Sweden has emerged as one of Britain's closest partners in the EU. The two countries share several common positions across a number of issue areas, such as free trade and the EU budget, and both are traditionally outward-oriented and hold liberal outlooks. This congruity is partly reflected by the strong commercial ties between them. Britain is currently the fifth-largest Swedish export market. Sweden is also the home to thousands of British companies. When it comes to investments, Britain is the third-largest foreign investor in Sweden. The UK ranks as the fifth-largest destination of Swedish foreign direct investment.

Britain and Sweden also view European politics through a similar lens. They are both geographically peripheral to the European continent and share a tradition of regarding European politics from an outsider's perspective. Moreover, they are both constitutional monarchies that were not part of the European project from the beginning – Britain joined in 1973, Sweden in 1994. Even after becoming members, they have both opted to remain outside EU cooperation in certain areas, such as the euro zone.

Adding to traditional British–Swedish ties is the strong personal relationship between the countries' two current prime ministers, David Cameron and Fredrik Reinfeldt. In many ways it seems appropriate to speak of a “special relationship” between these two European center-right leaders. Cameron and Reinfeldt are known to frequently meet during EU and other international summits to exchange views. Their friendship predates the current Tory-led coalition government in London. Indeed, even before moving into 10 Downing Street, Cameron had a keen interest in Swedish politics. It was in Sweden that he sought inspiration for reform of the Conservative Party, with a study visit in 2007 to learn from the experience of

the conservative Swedish Moderate Party's rebranding to appeal more strongly to middle-class voters. Furthermore, Sweden's ability to maintain a generous and highly effective welfare state with sound public finances was considered a model for Cameron's general election campaign in 2010. Britain's renewed interest in Sweden and the rest of the Nordic region in general is reflected in the regional cooperation framework that the UK set up in 2010, the Nordic Future Forum. This initiative can be seen as an attempt by the UK to develop more strategic ties with the Nordic-Baltic region, an area that Britain views as being home to like-minded outlooks about the future of Europe.

During the past couple of years, Britain and Sweden have been allies in their approaches to dealing with the euro crisis, the EU budget, and in promoting free trade. Both governments opted to stay out of the euro zone's new banking union. Sweden and the UK have also held similar positions on the Single Resolution Mechanism for overseeing failing lenders. On the recently proposed idea of establishing a distinct EU financial transaction tax, Sweden's Finance Minister Anders Borg worked closely with George Osborne to stop the proposal. In 2012 Sweden and the UK made headlines for their reluctance to sign the new EU budget. Sweden, alongside the UK, emerged as the biggest budget hawk in the EU, with both calling for cuts. Following the recent elections to the European Parliament, Sweden was one of the handful of other countries that defended Cameron's calls not to surrender the power to choose the next Commission president from the heads of states to the members of the European Parliament.

### Cracks in the Friendship

Despite the many obvious similarities between the UK and Sweden and the examples of joint policy approaches in the EU, British–Swedish relations



have grown more sour of late. To a large extent, this development has to do with Cameron's commitment to a referendum on his country's EU status, a decision that was lambasted by the Swedish EU minister. According to Swedish news reports, Cameron had called Reinfeldt before the announcement to inform him personally about the decision.<sup>111</sup> Although Reinfeldt said he was somewhat sympathetic to Cameron's strategy to keep his increasingly anti-EU country in the EU, he did not hide the fact that Sweden would like to see the UK remain a constructive player within the EU.

It is therefore no surprise that London's talk of wanting to renegotiate its status in the EU and put this new relationship to a referendum has been received with mixed feelings in Stockholm. For Sweden, sustaining the idea of a multispeed Europe would be more difficult without the UK, something that could make Sweden more exposed if it led to a "core Europe" capable of making Sweden concede more power to Brussels. There are also Swedish concerns that if taken too far, a multispeed Europe would dilute the effectiveness of the EU altogether. Echoing this position, Swedish Foreign Minister Carl Bildt remarked that while flexibility "is fine," opening up a 28-speed Europe would mean that in the end there would be "just a mess."

Furthermore, Britain and Sweden have pursued two distinctly different paths when it comes to managing their growing Euroskeptic and immigration-skeptic publics. Cameron's recent remarks about alleged "welfare tourism" of citizens from other EU states and his efforts to curtail EU immigration to Britain hit a raw nerve in Sweden, which remains one of the most liberal countries in Europe with regard to immigration. This position is illustrated, for instance, by the country's relatively high intake of Syrian refugees.

### Swedish Views on a UK Exit

Sweden stands to lose tremendously should Britain ultimately decide to leave the EU. Stockholm would lose its most natural ally for a liberal and outward-looking Europe. This situation would weaken

Sweden's position in the EU and its ability to influence the EU's future orientation. Sweden would also be hurt economically. Britain is currently one of Sweden's largest exporting markets. If Britain were to leave the Single Market, this could damage Sweden's growth as new trade barriers would likely be put in place. Additionally, the disappearance of Britain's contributions to the EU budget means that Sweden's share would rise, as it is a major net contributor in the EU.

For a free-trade-oriented and export-dependent nation like Sweden, the prospect of growing protectionism in the wider EU would be bad indeed. Sweden, together with the UK, has been among the most active supporters of the Transatlantic Trade and Investment Partnership that the EU is currently negotiating with the United States. If Britain were to leave the EU, a powerful voice advocating this transatlantic partnership would be lost. It would also weaken the EU's foreign and security policy, as Common Security and Defence Policy (CSDP) missions would become more costly and lose significant military capabilities. For a non-NATO country like Sweden, this change would have real strategic implications.

If the British electorate ultimately decides to exit the EU, however, Sweden is unlikely to follow suit. The country has a firm EU orientation, although popular support for the EU has also declined in the past few years. In an April 2014 poll, 67 percent of those surveyed in both Sweden and the UK thought the EU "is moving in the wrong direction." Unlike the UK, Sweden does not have a large anti-EU movement such as the United Kingdom Independence Party, despite the far-right Sweden Democrats' near 10 percent vote in the latest elections to the European Parliament. Even if there were a change of government in Stockholm following the upcoming national election in September 2014, the Social Democrats, who might get into government would not significantly alter Sweden's overall policy toward the EU. One thing is certain though: with a UK outside the EU, Sweden would lose one of its closest friends and allies for an outward-oriented and liberal EU.

## Italy

Eleonora Poli

British departure from the European Union would have an impact not only on Italy's political stability, but also on its national balance of trade and unemployment rates. Full British involvement in the European project, however, would benefit the Single Market and its institutions, rebalancing what is considered to be excessive German interventionism in European decision-making processes.

Internal economic and institutional instability in Italy – since 2012 the country has experienced four different governments and two parliamentary compositions – has limited Italian involvement in the debates on EU–UK relations. Existing debates have developed largely in response to Britain's Euroskeptic positions. The Italian media often highlight that Euroskepticism is widespread in the UK and that it appears to be supported not only by radical and populist parties such as the United Kingdom Independence Party (UKIP), but also to different degrees by Labour and the Conservatives. On the one hand, the Conservative Party's aim to renegotiate the terms of UK membership by means of an in/out referendum is not seen as significantly different from Labour adopting similar anti-EU political lines in order to increase their electoral success in view of the next national elections.<sup>112</sup> On the other hand, it was noted in Italy that the UKIP, thanks to a strong anti-EU campaign, has become the foremost British party in the European Parliament, now holding 24 seats, 11 more than in 2009 (in comparison, Labour holds 20 seats, Conservatives 19).<sup>113</sup>

In Italy it is generally believed the UK's EU membership is necessary not only for boosting European economic growth and its system of governance, but also for counterbalancing what is perceived to be German political hegemony over EU decision-making.<sup>114</sup> The latter perception is widespread among Italians. In 2013, 83 percent of Italians believed that German dominance over Europe was far too strong and 70 percent feared an increasingly “Germanized” European Union would be detrimental for Italy.<sup>115</sup> In this respect, former Prime Minister Mario Monti held several talks with David Cameron in 2012 to second the UK free-market vision against excessive ordoliberal fiscal strictness and to persuade his counterpart of the necessity of increasing the EU budget as a way to

enhance European governance.<sup>116</sup> His attempts, however, were strongly dismissed.<sup>117</sup> The UK's refusal to sign the fiscal compact as well as denying an increase of the EU budget were evidence of a growing British willingness to disengage with the common institutions.<sup>118</sup>

Although some representatives of the Italian government, like current Prime Minister Matteo Renzi, admire the UK's “third way” of dealing with the EU, it is generally assumed that ultimately there could not be a “greater Europe without the United Kingdom.”<sup>119</sup>

### The Impact of EU–UK Relations on Italy

Even ignoring the Italian government's official position, it is undeniable that British withdrawal from the EU would negatively affect the Italian economy and its balance of trade.

First of all, given that one of the major reasons British citizens support anti-European parties is the perceived need to stop immigration from central and eastern European countries, a renegotiation of the treaties could eventually lead to the UK also further limiting access for Italians to its labor market. Growing levels of unemployment in Italy over the last couple of years have resulted in the emigration of many Italians looking for better job opportunities throughout the EU, including to the UK. In 2012, 119,000 Italians lived in Great Britain, while Italy hosted only 29,184 British citizens. Moreover, the number of British citizens who moved to Italy fell by 2.7 percent in 2012 to 1,548.<sup>120</sup> Conversely, according to data provided by ISTAT,<sup>121</sup> in 2012 7,404 Italians moved to the UK in search of better job opportunities. Since Italians do not have to register with the Italian authorities when exercising their right of free movement, real numbers are likely to be higher.



Britain's leaving the EU could also result in the reintroduction of trade barriers in the form of custom duties. Once outside the European Union, the UK could certainly opt to negotiate a free-trade agreement with the EU to secure access to the Single Market. Yet this solution would more than likely require the UK to apply many of the EU regulations it does now. For British Euroskeptics, this condition would be even more problematic than the current one, as the UK would have to respect EU rules while losing the power to intervene in the EU decision-making process. Hence, it is not very clear what a British exit from the EU would mean for economic relations.

Certainly the EU represents a large market for the UK. Nevertheless, in the first ten months of 2012, the UK exported goods and services to European countries at a value of 596 billion euros, whereas it imported a value of 628 billion euros, registering a negative balance of 32 billion euros.<sup>122</sup> In other words, though the UK would surely be damaged by the reintroduction of custom duties, other European countries' economies might suffer more. This possibility is especially likely for Italy,<sup>123</sup> where in 2013 the number of goods and services exported to the UK increased by 3.3 percent over the previous year, totaling 19.6 billion euros. Indeed,

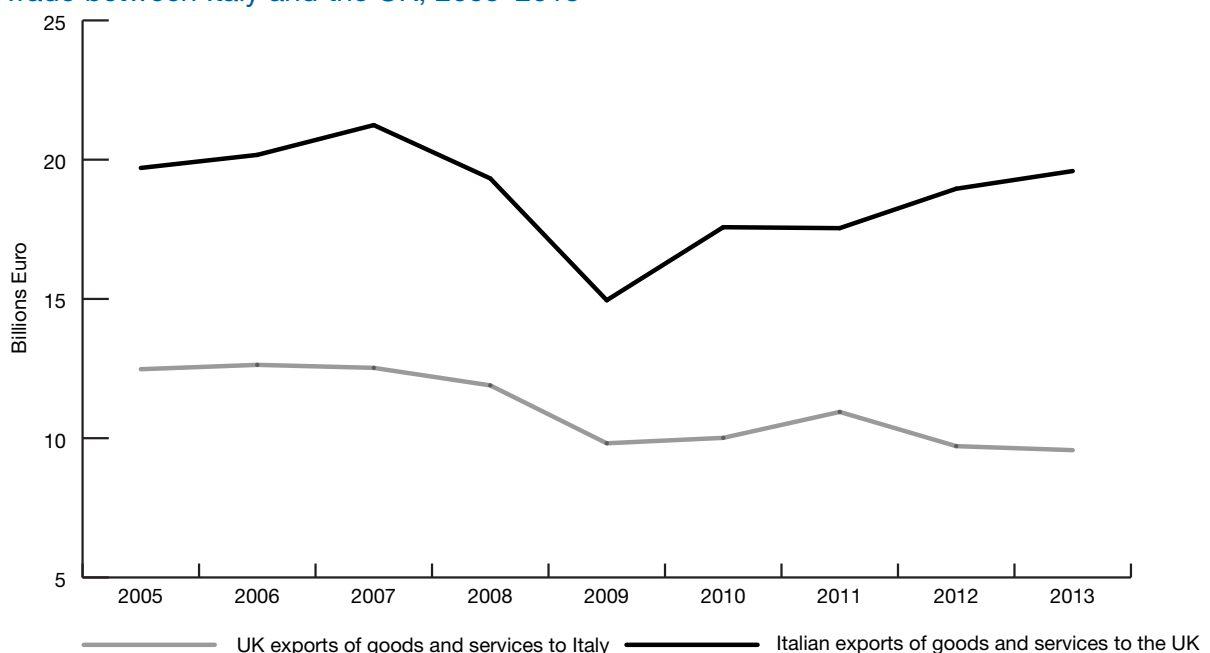
although the 2008 financial crisis and its aftermath resulted in diminished exports to the UK (-29 percent between 2007 and 2009), between 2009 and 2013 Italian trade to Britain grew by 31 percent.<sup>124</sup> In contrast, from 2007 to 2013, UK exports of goods and services to Italy fell by 23.6 percent.

Furthermore, a British opt-out from the EU could affect Italian defense and security policy by undermining the effectiveness of the European Common Security and Defence Policy. Accounting for 22.4 percent of defense expenditures and 11.8 percent of armed forces, the UK is one of the most important European contributors in terms of military capability.<sup>125</sup> Such a decision might also damage Italian export of aircraft, spacecraft, and related machinery to the UK, which in 2013 reached a value of nearly six billion euros together with Finmeccanica's business activities. Italy's Finmeccanica, Europe's third-largest player in the defense and security industry, has widely invested in the UK.

### A Euroskeptical Domino Effect

Looking beyond the economic implications of a possible UK exit from the EU, Europhile Italians generally believe that it is better to have an EU

Trade between Italy and the UK, 2005–2013



Source: ISTAT Coeweb database

without the UK than an EU with a Euroskeptic and anti-federalist Britain. But the Euroskeptic British discourse might affect Italian politics, as it has already inspired some of the positions maintained by Italian Euroskeptic parties such as Lega Nord and Movimento 5 Stelle. For instance, the British refusal to adopt the euro has been strongly endorsed by Lega's members,<sup>126</sup> along with the need for an independent monetary and fiscal policy. As for Movimento 5 Stelle, the party leader, Beppe Grillo, has shown great willingness to cooperate with the UKIP in the European Parliament. Indeed, both parties accuse the EU of a lack of democratic legitimacy,<sup>127</sup> are skeptical of the euro, and feel that Italy and Greece have been led by "puppet governments"<sup>128</sup> put in place by Brussels and German Chancellor Angela Merkel.

Any successful attempt by the UK to renegotiate its relationship with the EU would create a political precedent that would provide Italian Euroskeptic parties the legitimacy to pursue similar objectives. This outcome would perilously affect Italy's already crippled political stability and its ability to contribute to the future development of Euro-

pean institutions.<sup>129</sup> This situation appears to be rather dramatic, especially in view of the results of the European parliamentary elections in which the aforementioned parties won a high number of seats (five seats for Lega Nord and seventeen for Movimento 5 Stelle) by leveraging diminished Italian goodwill toward "more Europe."<sup>130</sup> Nowadays only 30 percent of Italians trust the European institutions, and only 39 percent believe that the EU has protected its citizens – rather than pandered to the financial markets – in the financial crisis.<sup>131</sup>

Although public opinion and Euroskeptic parties have endorsed British anti-EU arguments, a British departure from the European Union would have an impact not only on Italy's political stability but also on its national balance of trade and unemployment rates. Committed British involvement in the European common project, on the other hand, would surely benefit the effectiveness of the Single Market and its institutions, and might well rebalance what is considered excessive German interventionism in European decision-making processes.



## Spain

Laia Mestres

Spain and the United Kingdom have a complex relationship: economic ties are strong and important for crisis-ridden Spain, but in order to overcome its internal crisis, the Spanish government has clearly prioritized support of further euro zone integration. The referendum on Scottish independence is followed with great interest in Spain, as Scotland leaving the UK in the fall could give Catalonia a boost in its own independence aspirations.

The debate about the UK's future in the European Union must be viewed against the backdrop of the severe economic crisis in Spain. This crisis has not only taken a toll on the lives of Spaniards, with cuts in health care and education and ever-growing rates of unemployment, but also resulted in a significant reduction of Spain's room for political maneuvering in the EU. Even though Spain remains the fifth-largest EU member state, its inward-looking attitude has returned the country to the periphery of Europe. Today, Spain is more a matter of concern for the EU than an actor shaping European policies.

Despite this situation, Spain has continued to nurture its links with other European partners, mainly the largest EU member states of Germany, France, Italy, and Britain. In April 2013, after the first visit (albeit a fleeting one) of a British prime minister in Madrid since 2006, Spanish Prime Minister Mariano Rajoy defined Spain and the UK as “[European] partners, [NATO] allies, and [bilateral] friends.”<sup>132</sup> In fact, this bilateral relationship is defined by such complexity.

Political contacts form a central part of this complex. Although in every governmental meeting British and Spanish leaders have praised the “strategic relationship,”<sup>133</sup> it has nevertheless retained a low profile, except in the honeymoon years of José María Aznar and Tony Blair in the early 2000s. Benefiting from their personal friendship, Aznar and Blair jointly boosted the EU agenda on competition and economic growth as well as justice and home affairs. They also both supported the US invasion of Iraq, a position which put them at odds with other EU leaders. The following two heads of state, José Luis Rodríguez Zapatero and Gordon Brown, returned to the usual low profile of bilateral relations, with few common European interests or joint proposals.

The relationship between the UK and Spain is based intensely on population links and economic interdependence. Nearly fourteen million Brits visit Spain each year, with one million of them having a second home along the Spanish coastline. The Spanish bank Santander is the UK's third-largest financial organization, and the merger of British Airways and Iberia has produced Europe's third-largest airline company.

There is also the everlasting dispute over Gibraltar's sovereignty. Its tax-haven status, border control issues, and environmental conservation are a source of permanent distrust between the two governments. The last episode of this conflict made headlines in August 2013, when Spain introduced tight border controls on people crossing into Gibraltar as a reaction to the Gibraltar authorities' decision to drop concrete blocks into the bay in order to create an artificial reef to encourage sea life, but in fact restricted operations of Spanish fishing boats.<sup>134</sup> Even though both countries had always sought to avoid an EU dimension to this bilateral conflict, on this occasion David Cameron asked the European Commission to send a fact-finding mission to investigate the border checks imposed on the Spanish side. Rajoy also asked that the mission be widened to cover smuggling and money laundering in the territory. As a result, the long-standing historical bilateral tension between Spain and the UK has to some extent been Europeanized, even if the sovereignty question will remain under the UN umbrella.

### Reactions to Cameron's Speech

David Cameron's proposal that a future Conservative government would renegotiate Britain's relationship with the EU did not cause any substantive political discussion in Madrid, in spite of carefully calibrated reactions by the government and a few

spectacular headlines. The consequences that a British exit might have for the EU and Spain were overshadowed by a struggling Spanish economy, EU demands for harsh reforms, and the Scottish independence referendum.

The official governmental reaction showed a division of labor between the minister of foreign affairs and the prime minister. On the one hand, Spanish Foreign Minister José Manuel García Margallo took a tougher stance when he affirmed in a radio interview that withdrawing from the EU would be “awful news” for the UK because it would “become isolated in a world dominated by regional integration.”<sup>135</sup> He also stressed that “the British [had] played a dangerous game by feeding Euroskepticism and Cameron [felt] obliged to convene a referendum.” On the other hand, Prime Minister Rajoy took a more conciliatory and respectful tone. In all of his public declarations, Rajoy stated that he really wished Britain would remain in the EU. But above all he underlined his support for Cameron’s stance to defend the “in” option in the would-be referendum. What is more, he appealed to the Conservative Party “to find a way of continuing to be a key European partner, without the need for privileges and while maintaining their obligations as a partner.”<sup>136</sup>

As far as Spanish public opinion is concerned, a poll conducted by the Madrid-based think-tank Real Instituto Elcano showed that a month after Cameron’s speech a majority of Spanish citizens felt a UK withdrawal from the EU would have negative consequences for the UK (48 percent), for Spain (59 percent), but mainly for the EU (66 percent).<sup>137</sup> At the same time, Spaniards felt the British had contributed little to the EU. It was in the Spanish press that voices against the British challenge to the EU appeared most visibly. “British blackmail the EU,” “Cameron gives the EU an ultimatum,” “Cameron opens EU Pandora’s box,” and “Cameron shakes Europe” were some of the headlines published by the Spanish press the day after Cameron’s speech.

Nonetheless, in Spain there has been much more interest in the Scottish independence referendum to be held on September 18, 2014, than in the still ambiguous referendum on Britain’s EU member-

ship, which may or may not be held by 2017. Spain is facing a similar challenge at the moment, with Catalonia possibly heading toward a referendum on independence (at the time of writing, the Catalan regional government, with the support of its parliament, announced that the referendum will be held on November 9, 2014). Therefore, the Foreign Minister’s statements mentioned above also had a domestic dimension. García Margallo, who has been one of the louder voices of the government against Catalan intentions to hold an independence referendum, has clearly argued that an independent Catalonia would be expelled from the EU and would remain outside the UN system.

Britain and Spain have responded differently to nationalist movements active in certain regions within their countries. While Britain has allowed Scotland to hold an independence vote, Spain has always rejected this possibility for Catalonia or the Basque Country, arguing that it was unconstitutional as the Spanish Constitution clearly states that sovereignty lies with all Spanish citizens. But the outcome of the Scottish referendum in September will certainly be followed with great interest in Spain.

### What Britain’s Departure Would Mean for Spain and the Future of the EU

Spain and Britain have begun to represent two diverging visions about the future of European integration and their roles within it. While both are located in the geographical western periphery of Europe, they have taken opposing views on their place in the EU. London has always defended its opt-outs and is now pushing for “less Europe.” Meanwhile, Madrid is fearful of a two-speed Europe, as this option could mean that it would no longer be included in the central core of the process of European integration. Spanish politicians have repeatedly pointed out that only “more Europe” can be the solution for the problems Spain faces. In a nutshell, Spain is a clear supporter of further euro zone integration.

Despite these differences, the two countries share outstanding bilateral economic exchanges,<sup>138</sup> with Britain being the second-biggest gross investor

in Spain and the fourth-largest recipient of gross direct investment from Spain. They also have a common economic policy view based on the promotion of free trade, the dismantling of monopolies, and the deregulation of markets, even though Spain will always defend its commitment to the euro zone.<sup>139</sup> One can predict that if any renegotiation of Britain's EU membership meant restrictions to labor market access for Spanish workers, or any negative consequences for the Spanish economy, Madrid would react fiercely. At the moment, however, Spanish leaders have not seriously considered what an EU without Britain would imply.

For Spaniards, the priority is to get out of the economic, financial, and banking crisis through the reduction of unemployment, returning to a path of economic growth. Certainly, Britain will never become an ally to Spain's goal of enhancing the political component of the EU. Instead, Spain is quite aware that the UK is an indispensable partner for economic issues as well as for enforcing the EU's role in global issues such as economic governance and security. Spain will never defend a "Europe à la carte" strategy for itself, but admits that differentiated integration may allow enhanced integration for those countries that really want it.





## Finland

Juha Jokela

The possibility of the United Kingdom seeking a renegotiated relationship with the European Union has received a lukewarm welcome in Finland. Finns see the UK as largely motivated by domestic politics rather than genuine European interest. Whereas Euroskeptic political forces in Finland have welcomed the British prime minister's EU policy, the pro-European government has largely dismissed it as unrealistic and unhelpful. Increasing concern that the UK is drifting further away from or even leaving the EU is seen as an unwelcome development.

From Finland's perspective, the UK is an important yet hesitant and difficult EU member state. As one of the "big three," its past and present importance in shaping European integration and EU decision-making is widely recognized in Finland. As a champion of free trade, the UK's role in the creation of the Single Market and the development of the EU's external trade policies are often highlighted, as well as its efforts in support of eastern enlargement and the country's importance to EU foreign and security policy. Among the general public, Britain's long history of parliamentary democracy, internationally well-known high and popular culture, and world-class universities are seen as a point of reference for Finland and the whole of Europe. Finns have also welcomed British interest in the "cool north," from Nordic design to the Finnish welfare and education system.

### An Important, Influential, Increasingly Difficult Member

Yet the UK is predominately viewed as a difficult EU member state, one that often creates obstacles for advancing European integration in fields that have been deemed important for Finland. The outcome of the 2010 UK general election heightened these concerns in both political circles and the Finnish media. Even the inclusion of the pro-European Liberal Democratic Party in the coalition government, although initially expected to dampen Euroskeptic trends within the Conservative Party, did not prevent many in Finland from noting a Euroskeptic turn in the UK's EU policy.

For Finland, the UK's resistance to what it sees as "competence creep" – a supposed eagerness by the EU institutions to expand their competences

beyond what is stipulated in the EU treaties – has hindered prospects for a streamlined and more effective EU in some areas such as external relations, an EU policy field in which Finland is greatly invested. The current government's "referendum lock," which triggers a national referendum in the event of any further transfers of national powers to the EU level, as well as the launch of the Balance of Competences Review, are seen as symptomatic of a problematic UK relationship with the EU. In light of these developments, Helsinki has become increasingly frustrated with the UK's eagerness to shape and often lower the possibility of EU consensus on major reforms, even in areas where the UK has little intention of participating in the deepened EU structures.

Despite also illustrating mutual goals, management of the euro zone crisis has most clearly highlighted both the concerns and significant differences between the UK's and Finland's policies and positions vis-à-vis the EU. From Finland's perspective the UK has constituted an additional hurdle to the management of the euro zone crisis. The UK's reluctance to participate in the stability mechanisms was seen as politically sensible and acceptable. The country is not a euro member, and it too has been facing significant economic challenges and an increasingly dissatisfied electorate. Yet London's move to block some of the much-needed reforms of the Economic and Monetary Union (EMU) was not understood in Finland. The UK's decision to veto proposed treaty changes branded the Fiscal Compact in 2011 was predominantly seen as a step driven by UK national interests. It was a step that further alienated the UK from the EU and Finland. At the same time, and largely due to the extraordinary decisions taken to stabilize the single currency, the role of the euro group and in particular the

two other remaining AAA credit-rated euro zone economies, Germany and the Netherlands, gained in importance for euro zone member Finland at the expense of the UK.

The recent UK government review on the repatriation of EU powers has also received a mixed welcome in Finland. While both the Finnish government and the parliament's grand committee overseeing EU affairs have highlighted the importance of assessing the principles of proportionality and subsidiarity as enshrined in the EU's treaties, they have also shied away from the UK's wish to assess EU competences in conjunction with envisaged treaty changes related to EMU reform. The UK's suggestion that EMU reform would open up the possibility for the UK to seek a new settlement with the EU have therefore not gained support from the Finnish government. During his visit to Downing Street on the eve of David Cameron's January 2013 Europe speech, then Finnish Prime Minister Jyrki Katainen reminded his colleague that Britain has benefited a great deal from an integrated Europe, and that "being a member of the EU, and especially in the Single Market, you cannot kind of pick the raisins out of the bun."<sup>140</sup> Yet Katainen also reiterated his government's view that the UK makes a crucial contribution to the EU's Single Market, free trade, and competitiveness. He argued that an "EU without Britain is pretty much the same as fish without chips. It's not a meal anymore."

The Finnish government's position on treaty change seems to have shifted recently to a more hesitant position. It has highlighted that treaty change is not necessary to create many of the envisaged EMU reforms as well as a better and fairer use of EU competences. This position reflects domestic pressures related to the unpopularity of larger reforms, yet it is also shaped by many uncertainties embedded in a treaty reform process intensified by the UK's aspirations to seek a still largely unspecified new settlement.

### Euroskeptic Finnish–British Collaboration

Conversely, Prime Minister Cameron's EU policies were welcomed by Euroskeptic political forces in Finland, which have recently seen growing levels of support. The extremely unpopular political

decisions taken to shore up the failing euro zone economies and stabilize the single currency have resulted in seismic changes in the Finnish political landscape. The emergence and landslide victory of the populist and Euroskeptic Finns Party (previously the True Finns Party) in the 2011 Finnish parliamentary elections sent shockwaves throughout the pro-European ruling political parties. As a result, the well-cemented national consensus on Finnish EU policy broke down, and many have observed a hardening and more assertive tone in Finland's EU policy. The current government, which excludes the Finns Party, has for instance demanded collateral for the second Greek loan package and blocked Bulgarian and Romanian entry into Schengen. The overall outlook of the country, however, has remained pro-European. Both the EU and euro membership enjoy wide support among Finns, and the government has highlighted continuity in engaging constructively with the EU.

Because the Finns Party is the only major political party in Finland embracing Cameron's EU policy, the ties between the Finns Party and the British Conservatives have strengthened. The leader of the Finns Party has over the past few years highlighted his links with the UK's Conservative Party, at whose party conferences he has been a frequent visitor. He has argued that he also wants to see a better EU deal for Finland, one that would exclude established joint liabilities. Furthermore, he wants a referendum on Finland's relationship with the EU. Yet he has noted that he cannot push through this decision without the support of the other major political parties. Moreover, he has distanced his party from more radical arguments suggesting that Finland should leave the euro zone or even the EU altogether.

It is noteworthy that Prime Minister Cameron's 2013 speech explicitly mentions the Finnish parliament in Helsinki as one of the many in Europe in which the future of Europe is increasingly debated. Importantly, the links between the Conservative and Finns parties were further consolidated after the European Parliament elections in May 2014, as the Finns Party became a member of the UK-led European Conservatives and Reformist group in

the European Parliament. These developments have not yet provoked sharp reactions from the ranks of the center-right National Coalition Party, the customary Finnish partner of the UK Conservative Party. The National Coalition has firmly aligned itself with the European People's Party (EPP), the largest EP group, whose gatherings have attracted broader public attention in Finland, in part because German Chancellor Angela Merkel's CDU is also an EPP member, and her policies have been seen as central to the management of the euro zone crisis.

### Joint Economic Concerns and Shared EU Goals

The continuing economic challenges facing the EU and Finland, however, have highlighted some important shared objectives between the UK and Finnish governments. As one of the remaining euro members with an AAA credit rating, Finland has had to carry the full economic burden associated with the euro zone crisis. Finland has provided loans and accepted significant liabilities related to the various rescue-loan packages and established stability mechanisms for the euro zone. Moreover, the global financial crisis hit the Finnish export-oriented economy hard. In 2009 the country saw the most drastic reduction of its GDP in peace time. Even though the economy again displayed modest growth in 2010, the sluggish economic growth of the euro zone and the EU has been seen as a contributor to current hardships in the Finnish economy. This coincides with significant structural challenges in the Finnish economy, such as the diminution of the country's extensive information technology sector.

Against this background, the UK's aspirations to improve the EU's competitiveness, further develop the Single Market, and exercise restraint in EU spending have been seen as crucial objectives, shared by the UK and Finland. Thus, the UK's continuing participation in the EU has been highlighted by the government and the parliament's grand committee as the most favorable prospect. Moreover, the possibility of the UK drifting away from the EU or losing its influence and power at the decision-making table has been seen as a possible negative development for Helsinki.

Current Finnish assessments on the state of the European Union, however, suggest that recent years of crisis have led to an increasingly differentiated EU. While some of the key political dividing lines cut across the euro zone, the relationship of the euro area with the rest of the EU has gained importance in Finnish EU policy. The government has been instructed by the parliament to pay special attention to the fact that other Nordic members Denmark and Sweden are outside the euro area. Moreover, the possibility of a UK exit is seen as an increasingly serious danger which would have direct and indirect consequences for Finland. The country would lose an important northern ally in setting up the EU's economic policy guidelines. This would happen even if the UK did somehow manage to remain a member of the Single Market by some yet unspecified special arrangement. The Ukrainian crisis has also highlighted the importance of the EU and its foreign policy for Finland, within which the UK contribution is regarded as important despite its "hang-ups." The UK's withdrawal could also damage the credibility of the EU in the field of security and defense, which is a pivotal field of EU cooperation for Finland, as the country is not a NATO member.

Against this background, there is somewhat more understanding in Helsinki for the UK's EU concerns. In addition to economic imperatives, Finland shares worries, voiced also in some other non-euro member states, about the heightened political dividing line based on euro membership.

Finland would like to see the UK make a strong and constructive contribution to the EU as opposed to disruptive policies. Given shared opinions, Finland could potentially turn out to be a useful friend for the UK in the EU. Helsinki might, however, be disappearing from the UK's radar. Prime Minister Cameron's trip to neighboring Sweden to meet political leaders from Sweden, Germany, and the Netherlands to discuss the thorny question of the EU's key priorities and the next president of the European Commission did not go unnoticed on the other side of the Baltic's Gulf of Bothnia.<sup>141</sup>



## Greece

George Tzogopoulos

A country struggling to find its way out of an unprecedented economic, political, and social crisis naturally seeks to avoid additional trouble at the European level. Britain potentially withdrawing from the European Union not only might put a Grexit back on the political agenda, but also would constitute a setback for Greek–British political and economic cooperation.

There is a cynical element that has linked Greece to Britain since the outbreak of the debt crisis in Europe. This link is the potential exit of both countries from either the euro zone or the European Union. Analysts and journalists have extensively used the terms Grexit and Brexit in discussing the scenarios. The Grexit dominated the media agenda from 2010 to 2012, while a Brexit has been on the agenda from the beginning of 2013 onward. The causes that might lead Greece and Britain to abandon either the euro zone or the European Union are substantially different. The former might be pushed by some EU members to leave, while the latter is able to decide its fate alone. Moreover, Athens is obliged to meet the required fiscal targets and implement the necessary reforms in order to remain part of the common currency family,<sup>142</sup> whereas London is attempting to negotiate a new, UK-only deal with Europe.<sup>143</sup>

A Grexit is currently considered an affair of the past in Europe. The Greek Ministry of Finance, for instance, issued a statement in June 2014 underlining that “the question of Greece’s participation in the euro zone has been definitely and irreversibly answered.”<sup>144</sup> Nevertheless, the relevant trauma and phobias of the 2010–2012 period are still apparent in the country. Greece’s approach vis-à-vis the potential exit of Britain from the European Union has been shaped accordingly. In particular, Greece is highly concerned about Britain leaving the EU, because such a development could revive the Grexit nightmare, opening the bag of Aeolus with the resulting political winds blowing the EU toward the removal of additional states from the euro zone or the European Union.

Although Athens’ view is clear, it has taken no official position on Prime Minister Cameron’s January 2013 speech. The Greek government’s main priority has been to put its own economic house in order without commenting on the initiatives of

other leaders or interfering in the internal political debates of other countries. In parallel with this, general interest on the subject in Greece is low. With the exception of a few scholars such as Loukas Tsoukalis, the future of the European Union and the questionable position of Britain in it have not sparked domestic debate.

### Greece’s Inward-Looking Attitude

Greek political elites tend to frame discussions on Europe from a narrow ethnocentric perspective. Their attention is largely – if not exclusively – turned toward the efficiency of the current bailout policy and the possible reorientation of Brussels’ economic approach of austerity toward Southern Europe. Within this framework, they neglect other issues and dimensions. The pre-election campaign of the 2014 European Parliament elections in Greece, for instance, did not include specific references to the future of the European Union, its transformation, or the potential creation of a two-speed system, with or without Britain. Instead, the main debates were whether the EP election result might be interpreted as a signal of stability or an alarm for the survival of the coalition government.

Nonetheless, Greek politicians tend to say they want “more Europe.” They see, in other words, further European integration as a panacea not only in dealing with the ongoing economic crisis but also in shielding the country’s national and geopolitical interests. In this regard, Britain’s exit might theoretically accelerate developments toward the enhancement of European governance, as London has been traditionally hesitant in granting national sovereignty to Brussels and accepting supranationalism. However, a British withdrawal would have tangible negative consequences for the EU and Greece, such as the need to replace Britain’s EU budget contributions.

## Historical Ties

In spite of studies suggesting that the British economy might benefit and also escape from bureaucratic burdens, a withdrawal of the country from the EU could not but cause uncertainty as to the new role and position of Britain in cooperation with European bodies.<sup>145</sup> There is no precedent for such an evolution, and therefore estimations and predictions are highly debatable. Greece enjoys good political and economic relations with Britain and seeks to preserve this smooth cooperation. The issue of the return of the Parthenon marbles plays a negative role in relations, but is not sufficient to heavily influence the overall spirit of mutual trust, which has been evident between the two countries since World War I.<sup>146</sup> Even historically, the opposition of the British government to the unification of Greece and Cyprus in the Cold War period was the only significant thorn in the bilateral relations. British Prime Minister Harold Wilson, for instance, did actively support Greek accession to the then European Economic Community in 1975. After Greece became a member in 1981, European affairs have been of high interest in bilateral meetings, as had been the case with NATO issues.

In recent years, Greek–British cooperation yielded positive results in the fight against terrorism. In response to the assassination of British military attaché Stephen Saunders in the year 2000 by the terrorist organization 17 November (17N) in Athens, both countries successfully worked together to combat 17N.

## Economic Ties

Furthermore, the importance of Britain for the Greek economy cannot be ignored. Britain is the seventh most-important trading partner for Greece.<sup>147</sup> Additionally, Greek exports to Britain exceeded £650 million in 2011 and 2012. Copper, milk, pharmaceuticals, aluminum, fruit, and fresh fish are among the largest groups of export products. Moreover, a UK exit from the EU might create obstacles to British citizens visiting Greece. In 2012 and 2013, tourists from Britain were the second-largest national group of European visitors to Greece, with only Germany sending more visitors. To be precise, 1,920,794 British tourists visited the country in 2012, and 1,846,333 in 2013.<sup>148</sup>

Furthermore, approximately 40,000 Greeks reside permanently in Britain while many Greek students opt for the UK for their university education. These students pay lower tuition fees because of their EU status. According to the latest available data, Greece was the country of origin of 11,630 students in the academic year 2010/11 and of 11,790 students in 2011/12. Spain and Italy – countries with much larger populations compared to Greece – sent a much lower number of students to Britain in both academic years. It is no coincidence that various chairs of Greek and Byzantine studies have been established in prestigious British institutions. Last but not least, the Greek shipping presence remains significant in the economic life of Britain.<sup>149</sup> Despite the recent trend toward moving shipping offices to Piraeus, there are currently some 75 to 80 Greek shipping offices in London. All in all, Greece would only have to lose if Britain decided to leave the European Union.



## Japan

Michito Tsuruoka

In Japan, there is a growing perception that Britain is losing its traditionally pragmatic attitude toward the European Union – and that this development is hardly helpful for Britain itself, not only for public diplomacy, but also for doing business, regardless of the country's ultimate decision on its EU membership.

While the debates in Britain about its possible withdrawal from the European Union are heating up, many Japanese have yet to make sense of why an increasing number of Britons are giving serious thought to leaving the EU. Meanwhile, Japanese companies investing in the UK are beginning to voice concerns about the possibility of Britain's leaving, fearing such a decision would have adverse consequences for their UK investments. Given that in economic, political, and security terms, Japan has long seen the UK as its primary partner in Europe and a gateway to the EU, the possibility of Britain's exit from the European Union poses a serious challenge to Japan's relationship with the EU as a whole.

### Britain as Japan's Primary Partner in Europe

It is hardly a new phenomenon that Japan regards the UK as its primary partner in Europe. Tokyo saw London as its top partner in Europe before Britain's accession to the European Economic Community in 1973, with the modern relationship stretching back to the Anglo-Japanese alliance of 1902. This history might indicate that Britain's EU membership is not necessarily a precondition for the Anglo-Japanese relationship. Nevertheless, in the postwar period, Japan's motivations in reaching out to the UK have always been inextricably linked to Japan's relations with Europe as a whole. Since the 1960s, Tokyo has consistently expected London to act as a force to encourage the outward-looking nature of the Common Market. Britain's free-trade and business-friendly credentials have always been something that Japan relies upon in its relations with Europe's Single Market.

It is well known in Japan that the UK has always been a reluctant partner in European integration, and that the country chose not to join the European single currency (indeed, there are many books and articles on Britain's relations with the

EU in Japanese).<sup>150</sup> Some Japanese even express sympathy toward Britain's uneasy relations with the European continent in light of Japan's own position. Both the UK and Japan are island nations and maritime powers. Although some expectations that Britain would join the euro and fears of negative consequences from Britain's opt-out from the single currency were often expressed in the 1990s and early 2000s, London today remains one of the most important international financial markets, and exports from Britain to the euro zone do not seem to be hindered by currency fluctuation or transaction costs. In short, Japanese stakeholders have come to terms with Britain's unique position within the EU over the past decades.

### Britain as a Gateway to the EU Market

However, the increasing seriousness of Britain's domestic EU debate presents a fundamentally different challenge for Japan. Concerns revolve first and foremost around the implications for trade and investment that Britain's exit from the EU would have. More than 1,300 Japanese companies have invested in the UK, creating an estimated 130,000 jobs. The UK has the largest concentration of Japanese investments in Europe. It is difficult to tell to what extent this investment is directly dependent on Britain's membership in the EU, but what is undeniable is that many Japanese companies use Britain as a gateway to the EU market. The most notable examples include Toyota and Nissan, which export cars to various EU countries without needing to pay tariffs or adjusting to local standards and regulations.

It is therefore hardly surprising that those companies have already voiced concerns and indicated that they would need to reconsider their investment plans in the future, should the UK leave the EU and its Single Market. Compared to investment in the financial sector, car manufacturing is believed



to be the most vulnerable sector in view of an exit.<sup>151</sup> Short of actually leaving the EU, mere uncertainty about the future of Britain's relationship with the EU, exemplified by the promise of holding an in/out referendum, seems enough to make Japanese investors nervous.

A paper submitted in July 2013 by the Japanese government to the UK government's review of the balance of competences between the UK and the EU voices some important concerns about the possible adverse impacts of Britain's leaving the EU.<sup>152</sup> While Tokyo makes clear that it has no intention to intervene in Britain's domestic political debate about the EU, the paper does not hide its wish to see the UK remain within the European Union, stating that it "expects that the UK will maintain a strong voice and continue to play a major role in the EU." Also, although the paper is not intended as a warning, it argues that Japanese companies have invested in the UK "as part of the Single Market of the EU" and to use the country "as a gateway to the European market," and goes on to argue that it "expects the UK to maintain this favorable role." That this Japanese government paper attracted media attention in Britain demonstrates that the possible investment implications are serious and sensitive.

At the same time, the UK's role as a champion of free trade in the EU, where some countries are inclined to more protectionist ideas, is still seen to be a significant strength for UK–Japanese relations. David Cameron is reported to have played a major role in building an EU consensus on starting FTA negotiations with Japan in 2011. Tokyo has often relied on London to channel its positions to the EU as a whole. The value of the UK in this regard will be missed should the country leave the EU. Japan's trade and economic relations with the EU and the UK after its exit would depend on the sort of relationship that the EU and Britain end up concluding – a European Economic Area (EEA) membership, customs union, FTA and so forth. An FTA and Strategic Partnership Agreement currently being negotiated between Japan and the EU will only apply to EU member states. Japan would therefore need to conclude a separate agreement (assuming WTO rules are not deemed

enough) with the UK after it has left the EU. While concluding such a new arrangement should not be difficult in substance, it could take a long time simply due to administrative and procedural burdens, which might have negative economic consequences for both countries.

### Britain as a Reliable Voice in European Foreign Policy

For Japan, the implications of a possible British departure from the EU go beyond trade and investment. The aforementioned government paper states that it "appreciates the role that the UK has played in the activities of the EU in various fields such as politics, the economy and security." Indeed, the UK is a strong advocate for the EU's engagement in the world, and has more than once played a critical role in the development of European foreign policy and EU defense.

As a country that has a history of engagement, regional expertise, and commercial and other national interests in Asia, Britain has often been the leading voice in the development of the EU's Asia policy. London – including Britons working in various EU institutions – is believed to have played a crucial role, for example, in the start of the EU–Japan strategic dialogue on the East Asian security environment in 2005 and the drafting of policy guidelines for the Common Foreign and Security Policy in East Asia in 2006–2007<sup>153</sup> and 2012.<sup>154</sup>

If it were to leave the EU, Britain would not lose its interests in Asia. On the contrary, it is often argued that Britain needs to leave the EU to better engage with emerging powers like China and India. However, leaving the EU would mean that Britain's role in shaping the direction of European foreign policy would be lost; the prospect of dealing with an "EU without Britain" is not something that Japan is eager to see.

Meanwhile, recent years have seen Britain and Japan strengthen their bilateral security and defense partnership.<sup>155</sup> This includes strategic dialogues at various levels and intelligence and defense equipment cooperation. The idea of conducting joint military exercises and negotiating an Acquisition

and Cross-Servicing Agreement was endorsed on the occasion of Prime Minister Shinzo Abe's visit to London in May 2014.<sup>156</sup> Security and defense cooperation of this sort – the areas where the EU has little or no role – is not directly dependent on Britain's status as an EU member. For example, the value of Britain as a partner in intelligence cooperation is highly unlikely to be affected, as London's intelligence activities operate almost entirely independent of the EU.

Nevertheless, Japan's efforts to ensure synergies between its cooperation with the EU as a whole and its cooperation with individual European countries, like the UK, France, and Germany, would be complicated. As long as Britain remains in the EU, its bilateral cooperation with Japan can contribute to the EU–Japan relationship and vice versa. However, if the UK were to leave the EU – not least if afterward the UK–EU relationship would turn out to be rocky – UK–Japan cooperation might need a new set of justifications vis-à-vis Brussels. Tokyo would face a difficult challenge in preventing Anglo-Japanese cooperation from undermining the EU–Japan relationship. Tokyo would not want to find itself in a situation where it is required to choose between London and Brussels.

### Britain: No Longer a Rational and Pragmatic Player?

Another important aspect is how Britain is perceived in its debate on the EU. Many Japanese observers are aware that Prime Minister David Cameron's promise of an in/out referendum can be understood only as a domestic political move. They believe, or want to believe, that the current phase of tense debates on this issue will pass as the political climate changes, therefore dismissing the seriousness of the current debates. After all, Cameron did not make his promise of an in/out

referendum acting as prime minister, but rather as the Conservative Party leader; it will happen only if the Conservatives win the next election in 2015. However, the mere fact that Britain's membership in the EU is being questioned causes uncertainty about the direction of the country.

At the same time, some Japanese observers are beginning to question the rationality and pragmatism of the British and wondering where Britain is headed given the current state of the debate about Europe in the UK, where fundamentalist and inflammatory rhetoric against Brussels has been on the rise. For example, the argument that the UK could better compete with emerging economies like China and India and secure better trade deals with those countries by acting alone rather than as part of the EU is hard to believe for Japanese observers. Some people cannot help but sense an element of British arrogance in such an argument.

Of course, not all elements of the debate are unconstructive. For sure, there are some legitimate grounds why British business sees EU regulations as increasingly burdensome and it is one of the major reasons why the British business community is becoming more Eurosceptic. London's calls for a thorough reform of the way the EU works seems legitimate and Tokyo shares some of London's concerns. However, a growing perception in Japan that Britain is becoming more fundamentalist and losing its traditionally pragmatic attitude towards the EU are hardly helpful for Britain itself, not only for public diplomacy, but also for doing business with Britain – regardless of the nation's ultimate decision on its EU membership.

*The views expressed are the author's alone and do not represent those of the National Institute for Defense Studies, the Ministry of Defense, or the Government of Japan.*



## Singapore

Reuben Wong

Britain is one of Singapore's closest partners in Europe. This closeness is evident on many fronts: historical, political, economic, and cultural, as well as educational and familial. But Singapore's relations with the United Kingdom are also pragmatic and not unduly affected by the role that Britain plays or does not play in the European Union.

A colony of Britain for almost a century and a half (1819–1959), Singapore grew to become the “Gibraltar of the East” and one of one of the foremost entrepôt hubs in the British Empire by the eve of World War II. After Singapore gained internal self-government in 1959 (it subsequently joined the Federation of Malaysia in 1963–1965 before becoming a separate, independent state), Singapore grew to become one of the shining success stories of rising Asia, and one of the richest states in the world, with a per capita GDP higher than many of the older EU member states.

Thousands of Singaporean students pursue educational degrees in the UK, making Singaporeans (despite the country's small population of five million) one of the largest contingents of foreign students in the country. Singapore is the EU's fifth-largest external investor, and the second-largest Asian investor (after Japan but ahead of China). Over three-quarters of Singapore investments in the European Union go to the UK alone. The bulk of this is in the real estate, transport, and tourism sectors. Singapore's Temasek Holdings, one of the most important sovereign wealth funds in the world, opened its European office in London in March 2014. The Queen has made three state visits to independent Singapore (in 1972, 1989, and 2006).

### Defense

The only formal defense agreement that Singapore has signed with a European country is the Five Power Defence Arrangements (FPDA, 1972), which commits the UK, Australia, and New Zealand to consult in the event of a military threat or attack on Singapore and Malaysia. In practice, the FPDA promotes defense exchanges and joint exercises, but is not an actual defense treaty containing an automatic mutual defense clause like NATO's Article 5. The Singaporean defense attaché and

Defence Technology Office in Europe (which used to be based in London) is now in Paris. This is because Singapore has expanded its defense cooperation activities with continental European partners. There has been an Advanced Jet Training detachment in Cazaux (in the southwest of France) since 1998. Important military procurements and joint defense technology development have been pursued with the defense establishments of France and Sweden, among other EU states.

### Trade

One of the most trade-dependent and pro-free-trade countries in the world, Singapore has pursued a dual track of negotiating multilateral trade agreements and bilateral preferential trade arrangements for its economic survival and prosperity. Its first free-trade agreement was concluded under ASEAN (the ASEAN Free Trade Agreement, or AFTA) in 1993. Singapore now has eighteen free-trade agreements in force, and is actively seeking new ones, including with the European Union.

As a potential economic hub for European access into Southeast Asia's emerging markets, Singapore has been targeted by the European Commission as a key trade partner. However, a UK exit could alter the political character and overall economic policies of the European Union. A British exit is viewed in Singapore as a prospect that may undermine the liberal free-trade character of the EU, and which would negatively affect not only the UK's standing, but also the aggregate power of the EU in international economics, politics, and security. Within the framework of the Treaty of Lisbon's principle of qualified-majority voting, the exit of one of the EU's “big three” member states would represent a recalibration of the power dynamics, where the remaining larger member states have increasing decision-making power. The UK is viewed as the leader in advo-

cating free trade. Hence, a British exit or reduced British influence in the EU might present challenges to the EU's commitment to free trade.

In 2012, EU–Singapore FTA (EUSFTA) negotiations were concluded. However, because of delays the EUSFTA has yet to be ratified by the European Parliament, which will now be done under the new Parliament elected in the May 2014 elections. Singapore's Prime Minister Lee Hsien Loong called for the support of the European Parliament and all 28 EU member countries for the EUSFTA at the opening of Temasek Holdings' Europe Office in London in March 2014. He also underlined the significance of the EUSFTA in allowing Asian companies to “use London as a base to venture into Europe.” There is uncertainty over whether a UK exit might necessitate a renegotiation of trade agreements between Singapore and the UK, and whether new agreements to protect investments would need to be made. Currently, the EU is Singapore's biggest export destination, ahead of China and the United States, and Singapore is the EU's largest trading partner in Southeast Asia. Analysis by Europa estimates that EUSFTA will benefit the EU's real GDP with a growth of around 550 million euros over a ten-year period, while the Singaporean economy will experience a 2.7 billion euros growth over the same period.

Moreover, Europe sees Singapore as the gateway to ASEAN, a dynamic and growing market of 650 million people. While a significant portion of EUSFTA is hinged on the role of the UK (including its negotiated provision for increased access for European financial services to Singapore – and this constitutes Britain's primary industry), trade and eco-

nomical liberalization remain imperative for Europe 2020's vision of “a more competitive economy with higher employment.” To complement and reinforce the EUSFTA, negotiations for the EU–Singapore Partnership and Cooperation Agreement (ESPCA) were concluded in May 2013 to develop broad-based cooperation in security, energy, maritime transport, air services, science and technology, and to facilitate mobility of students and scholars within the Erasmus Mundus program. Singapore's negotiations with the EU on an investment agreement, which would be added to the EUSFTA as an “investment chapter,” is expected to be completed by this summer. A failure to ratify the EUSFTA might damage the credibility of the EU as a serious international actor with stable interests. As the EU's first free-trade agreement in Southeast Asia (and only its second in Asia), the EUSFTA is seen as a model for the EU's ongoing and future FTAs with Southeast Asian countries such as Malaysia, Thailand, and Vietnam.

Singapore's interests in the EU remain primarily economic. Whereas ties are predominantly bilateral vis-à-vis European member states, reflected for example in the Singapore–France Joint Declaration on Strategic Partnership, and “The Way Ahead” between Singapore and Germany, the EUSFTA would become the first multilateral economic framework for Singapore and Europe (aside from ASEM which has been criticized as a mere “talk shop”). A British withdrawal from the EU has the potential to impact on the EU's political character; Singapore and other Asian countries would therefore watch closely to see if the EU remains open to free trade should the UK cease to be a player in EU decision-making.

## The Netherlands

Rem Korteweg

The Netherlands wants the United Kingdom in the European Union, and the government of Mark Rutte will work with London to push a reform agenda – but not at any price. If David Cameron hopes to attract the support of the allies he needs, then he must be a team player and show greater awareness of the EU debates in like-minded countries. Regrettably, a British sense of “narcissistic victimization” toward the EU risks alienating even its natural ally in The Hague.

David Cameron considers Dutch Prime Minister Mark Rutte one of his main allies in Europe. This is not surprising since the two leaders share a similar approach to European Union issues. The two center-right politicians support free trade, promote austerity to remedy the economic crisis, and seek a “leaner and meaner” EU. Their domestic political environments are comparable too. Both lead a coalition government with a pro-EU junior partner but have to align this aspect with a growing challenge to their leadership from Euroskeptics, within as well as outside their parties. These commonalities are a sound basis for cooperation, and, regardless of the current leadership, the Netherlands traditionally has been politically close to the United Kingdom.

The Hague championed British EU membership in the 1970s and still considers it central to the effective promotion of Dutch interests inside the European Union – whether it is an open, liberal European economy and a deeper Single Market, or a more ambitious European foreign policy with an Atlanticist touch. Economically, relations between the two countries are very close. The UK is the most popular destination for Dutch investment, and the Netherlands is the second-largest investor in Britain (after the United States). The Netherlands is the UK’s third-largest trading partner (after the United States and Germany). In 2013, Dutch imports from Britain totaled £34 billion, and exports to the UK were worth £36 billion. Moreover, the UK values the Netherlands as a like-minded country that sits at the heart of the euro zone. Downing Street uses its relations with the Dutch to pursue common objectives, among others, to help shape favorable outcomes in euro zone decision-making. (For example, the Netherlands helped the UK oppose a European financial transactions tax.)

A “Brexit” would be troubling for the Netherlands: the Dutch are wary that it would rearrange the political balance inside the EU in favor of southern countries that support greater state intervention in the Single Market. Moreover, the Netherlands has traditionally sought a triangular balance of power in which France, the UK, and Germany keep each other in check. Were the UK to leave, the Netherlands would need to recalibrate its diplomacy toward Paris and Berlin – something it is less comfortable with. In security policy, in the past two decades the Netherlands has avoided the need to choose between NATO and the development of the EU’s Common Security and Defence Policy. Britain leaving the European Union, however, would force the issue on the Dutch. For this reason, political elites and policymakers are hostile to the idea of the UK leaving the EU, making the Netherlands a natural ally for Cameron’s pursuit of EU reform.

The Hague winced, however, when Cameron announced his intention – should he win the next UK general election – to renegotiate the terms of British EU membership, pursue treaty change, and hold an in/out referendum by 2017. Not only does the Netherlands have experience with the unpredictability of referendums (we need only recall the Dutch “no” vote for the European constitutional treaty in 2004), but politicians are concerned about the impact of Cameron’s agenda on Dutch politics; it has already spurred calls for a Dutch referendum, and talk of a Brexit has energized a domestic debate about a “Nexit.”

Over the past decade, Euroskeptic opinion has increased in the Netherlands. Its most obvious, current exponent is the Freedom Party (PVV) led by Geert Wilders. Much like Nigel Farage and his United Kingdom Independence Party (UKIP), Wilders has become an important political force,



changing the terms of the Dutch EU debate. He has tapped into popular discontent about the EU, raising concerns about immigration, euro zone bailouts, welfare fraud, and the EU budget. Many Dutch voters feel that their political elites did not take the “no” vote in the constitutional referendum seriously and have instead promoted further EU integration. The majority of Dutch citizens say that the EU is neither on the right track nor that Dutch national interests are being adequately protected within the EU. Cameron’s Bloomberg speech in January 2013 gave voice to this sentiment. Following the speech, in an effort to preempt Wilders, even mainstream opposition parties such as the Christian Democrats suggested EU competences should flow back to member states. On February 10, 2013, a public opinion poll found that nearly three-quarters of Dutch respondents believed that too many national competences had been transferred to Brussels.<sup>157</sup> In January 2014, another survey found that two-thirds of Dutch respondents would want a referendum if new competences are assigned to the EU.<sup>158</sup> It even sparked a grassroots initiative that lobbied, unsuccessfully, for a referendum on Dutch EU membership.

### Reform, Not Referendum

A change to the EU treaties would trigger such a referendum in the Netherlands – for instance, if EU leaders decided to codify new euro zone governance structures or certain British opt-outs following a renegotiation process. Even though public opinion polls suggest that in a referendum the Netherlands would in fact narrowly vote for staying in the European Union, the government does not want to find out. Instead, The Hague favors reforms that do not require treaty change.

Rutte agrees with many of Cameron’s principles. He too wants a more competitive Europe and a more modest European Commission. He too wants a stronger role for national parliaments and that issues be tackled at the “national level where possible, European where necessary.” Like Cameron, Rutte wants to reduce EU red tape and to confront welfare fraud.

But although the substance is similar, the style is different. Cameron has tried to manage British Euroskeptic sentiment by announcing a referendum; Rutte has taken a softer line. In an effort to stem the rising tide of domestic Euroskeptics, his government has focused on subsidiarity – a concept enshrined in the EU treaties that says the EU should only legislate if it leads to better results than legislating at the national level – and stricter policy priorities for the new Commission. A subsidiarity agenda was launched in 2013, identifying 54 points where the Netherlands does not want the EU to be involved. The Hague also said that “the time of an ‘ever closer union’ in every possible policy area is behind us.” The rhetoric chimes with Downing Street’s, but the Dutch agenda does not imply a repatriation of powers, and it promises less far-reaching change than many Tory backbenchers would like. Moreover, the Netherlands seeks a political “gentlemen’s agreement” involving the European Parliament, the European Commission, and the member states to focus the Commission’s agenda in the coming years.

In Brussels, Cameron uses the threat of leaving as a negotiating instrument, while Rutte seeks reforms through political deals and a better application of the existing treaties. This divergent style threatens to cause a rift between the two governments. For instance, in June 2014, Cameron was disappointed that the Netherlands did not publicly back the UK’s campaign to stop Jean-Claude Juncker from becoming Commission president. The Juncker debate laid bare the limits of The Hague’s support for London. Rutte might have agreed that the Luxembourger is not the best person for the job, but Cameron’s uncompromising attitude made it difficult for Rutte to support him. In EU politics, the Netherlands understands the need to reach compromises behind closed doors and disapproves of public brinkmanship. Besides, Cameron’s very public dismissal of Juncker – and his implicit threat that Juncker’s appointment would bring a UK exit closer – hit another nerve. As a general principle, the Netherlands favors a strong EU and a balance of power among the larger states precisely so that one large member state cannot force its position onto others. The UK’s tactics over Juncker’s appointment questioned this principle. As a smaller



country with an economic stake in the EU's political success, the Netherlands has an interest in being a team player.

This leads to the root of Dutch concern about the "British question." In spite of close bilateral relations, in private, senior Dutch policymakers share their exasperation about what they perceive as British "narcissistic victimization" regarding the EU. By this they mean the self-absorbed quality of the EU debate within Britain, which fails to appreciate that many of Britain's concerns are shared by numerous member states – as if "Brussels" is

uniquely unpopular in the UK, and Britain uniquely suffers from EU policies. It has created greater British antagonism toward the EU, a transactional mind-set, and it reduces Britain's willingness to compromise. Dutch policymakers are concerned that this will produce British alienation rather than British allies. The Netherlands wants the UK in the EU, and it will work with the UK to push a reform agenda, but not at any price. If Cameron hopes to attract the support of the allies he needs, then he must show greater awareness about the EU debates in like-minded countries and adjust his tactics accordingly.



## Brazil

Elena Lazarou

Brazil has received greater attention from Britain of late, with the two countries increasing trade and concluding bilateral partnerships and initiatives. Yet Brazil's strategy toward the European Union and its individual member states remains uncoordinated. A Britain apart would be subject to more criticism on a political level – currently tempered by its EU membership – but would be free to cement free trade relations with Brazil on its own terms, providing these complementary economies with immediate benefits.

Unsurprisingly, the debate in Brazil about the possibility of Britain leaving the European Union has played a minor role in the political and media landscape. European integration as a whole still poses numerous questions for Brazilian political circles and for the foreign ministry itself, which to this day maintains separate divisions for eastern and western Europe and has yet to create a unified division for EU member states as a whole. This in itself reflects the perplexity – for the Brazilian foreign policy bureaucracy and for the government itself – of dealing with the EU as a whole, while simultaneously maintaining various levels of bilateral engagement with its 28 member states on issues ranging from development to trade, innovation, collective security and beyond. With this in mind, Brazilian views on a UK exit from the EU should be viewed in light of the general perception of the EU in Brazil as well as the country's complex relations with individual EU member states. This brings to the fore ideas about power, sovereignty, and autonomy that constitute the pillars of Brazil's own approach to regionalism and guide – to a greater or lesser extent – its foreign relations.

These concepts have been the basis of Brazil's own relations with the UK, which under the three consecutive governments of the Workers Party (PT) – two led by Luiz Inácio Lula da Silva and one by Dilma Rousseff – have been strengthened both in terms of volume and investment. From 2003 to 2013, Brazilian exports to the UK grew by almost 120 percent, making the UK Brazil's eleventh-largest trading partner. Significantly, among the other EU member states, only Germany is higher on the list of Brazil's major trading partners. Relations with the UK have also been strengthened on the level of political discourse. This has included the signature of a Strategic Partnership and a number of initiatives in such areas as education, science and technology, and development.

Britain is viewed as a traditional power as well as a normative power; it holds material resources (economic, technological, in terms of innovation) as well as a particular worldview and active global role that give it a wide reach, not least due to its permanent seat on the UN Security Council.

### A Fresh Focus

The current British government's decision to focus on Brazil as an important emerging power and potential partner therefore brought a warm reception in Brazil. This strategy – promoted by former Foreign Secretary William Hague – was viewed as a manifestation of the British government's pragmatic foreign policy vision, which aims to increase the country's ability to penetrate new and emerging markets. In some media and political circles this emphasis on commercial, pragmatic and economic diplomacy, which led the Foreign and Commonwealth Office to engage more with Brazil, is linked to British skepticism about the EU and European integration. The argument put forth is that the more consideration the UK gives to the possibility of leaving, the more effort it will invest in building stronger commercial and other ties with markets outside the EU. This needs to be taken into account when we consider the significant percentage of UK trade and investment flows with the rest of the EU. From a Brazilian perspective, this would need to be partially substituted by other regions were Britain to exit the EU.

In the same spirit, the fact that the UK has redirected its attention to Latin America after over fifty years of relative indifference can be linked to the need for diversification of UK foreign policy. It is part of an attempt to move a bit further from the narrow and heavy emphasis on the EU and, in a similar way, to reorganize relations with the United States following the debacle in Iraq.

The recognition of emerging powers, including Brazil, as the “rising stars” of a new global order is sometimes treated in Brazil with a degree of triumphalism. The coincidence of this phenomenon with the onset of a prolonged economic and socio-political crisis in the EU, the cradle of regional integration, has led to a subtle but definitely present discussion in Brazilian academic and political circles regarding the benefits and desired nature of regionalism. Deep integration, supranationalism, and the delegation of sovereignty – once rhetorically hailed as the model for any type of proposed regional cooperation in Latin and South America – have increasingly been questioned, as the advantages of European integration become less visible, and as Euroskepticism rises across Europe. In this respect, the proposal for a referendum on the UK’s EU membership, which might result in a public rejection of the advantages of European integration, has been used by skeptics of “too much regionalism” in Brazil as a reason for caution and justification for the support of strictly intergovernmental regional cooperation, where national leaders and legislatures maintain their sovereignty. This has added to the problems faced by Mercosur (the regional customs union made up of Brazil, Argentina, Paraguay, Uruguay, Venezuela, and Bolivia), which some hoped might develop like the EU.

### “The West and the Rest”

In spite of these views, Brazil maintains a view of the world dominated by the division between “the Global North and the Global South” and “the West and the Rest” – between established powers and the developing world. In this mental map, Britain undoubtedly belongs to Europe and is naturally part of the European space. It is also undoubtedly the European country with the closest relations with the United States – whose relations with Brazil have recently been scarred by the trauma of espionage, with the UK seen as an accomplice of the United States. The UK is also perceived

– correctly – as a country with a strong colonial past, the memory of which survives through the Commonwealth. As part of the EU, however, Britain sheds some of these negative characteristics, instead becoming a more like-minded and trustworthy partner for Brazil. If the UK were to withdraw from the EU, Britain and Brazil would undoubtedly diverge on issues of collective security and intervention, and possibly in the area of global financial governance. While the UK regularly supports sanctions and other forms of intervention in the UN Security Council, Brazil – when present in a nonpermanent member capacity – tends to abstain. UNSC Resolution 1973 of March 2011, relating to the intervention in Libya, is a case in point. With regard to multilateral trade arrangements, such divergence became obvious when the UK supported the Mexican rather than the Brazilian candidate for WTO director, claiming that they shared closer views of trade liberalization. Should Britain decide to go it alone, London would be likely to raise a louder voice in international affairs on such issues, promoting views and policies that might be inconsistent with Brazilian objectives.

A slight exception to this relates to interregional commercial negotiations. Despite a decade of negotiations, there is no sign that a free-trade agreement between Mercosur and the EU will be reached anytime soon, not least due to the inability to forge consensus within both blocs. Were the UK to exit the EU, and therefore free itself from the constraints of the EU’s common commercial policy, it would be able to conclude a free-trade agreement with Brazil more rapidly, and this gives Brazil something to feel hopeful about. The complementarity of the Brazilian and British economies would guarantee that such an agreement would be mutually profitable, helping boost Brazilian exports of raw and semi-manufactured products to the UK as well as its industry by importing capital goods and factors of production.

## Conclusion

Almut Möller and Tim Oliver

Discussions of the future of Britain's relations with the EU too often focus on debates and speculation about what a "Brexit" might mean for Britain. But the future of UK–EU relations is not only of concern to the UK. British positions on the euro zone, reform of the EU, and, should it ever happen, a Brexit could have significant implications for the rest of the EU and countries beyond it.

This volume gathers twenty-six views from sixteen member states, nine non-EU countries, and a view from the EU's institutions in Brussels. By doing so, it brings together a range of national viewpoints on the direction of the UK's relations with the EU, what this direction means for the countries concerned, and what it could mean for the future of the EU. The contributions also give an insight into how the current EU debate in Britain is perceived in other countries, where it has already left its mark. Regardless of whether Britain will ever leave the EU, this project shows that the way in which Britain's current EU debate is being perceived also shapes how the country's place in the EU will be seen in the years to come.

Five overall themes emerge from the contributions.

First, developments in the UK have not passed unnoticed. But there are varying levels of understanding as to what is driving UK behavior and a great deal of uncertainty about what its impact could be for the EU and the other countries covered. The possibility of Britain leaving the EU is one that has been raised in many countries, but is often made in passing, largely with reference to what it would mean for trade, economics, and security. There is next to no sign that any country is actively planning for it, but many states are aware that this may become necessary because of developments in the UK's domestic debate. This matters more for some states than others. For Ireland, a UK exit from the EU would be a "doomsday scenario." For some countries, such as Slovenia, it would matter largely in terms of its political ramifications for the rest of the EU. And for some states that have traditionally been close to the UK, such as Sweden, Poland, and the Netherlands, the UK's behavior may

be pushing them slowly into positions where, despite not planning for a European Union without Britain, this prospect might become easier to adapt to owing to their fraying links with the UK.

As editors we noticed that several of the first drafts submitted referred to David Cameron's January 2013 Europe speech as if he had been speaking for the British government (rather than as the leader of the Conservative Party, making a commitment to seeking a renegotiation and referendum, should his party win the general election in May 2015). At the same time, as Roderick Parkes notes in the chapter on Poland, there is an awareness that while Cameron might have been speaking first and foremost as the leader of the Conservatives, his position nevertheless reflects that Britain has a fundamental problem with the EU that it has been unwilling to deal with for a long time. This assessment is also found among other member states and reflects longer-running feelings about the UK, namely, that this turn is something that has been waiting to happen for many years, and that has helped to reinforce a perception, found in several contributions, that the UK is headed for a referendum and exit no matter what happens.

Second, awareness of the UK's position and the possibility of its exit is largely framed by wider concerns facing the EU, especially the euro zone.

For many states, the UK and relations with it are important, and the EU would be a lesser place without the UK. Ultimately, however, the UK is secondary to these countries' relations with the EU. This applies not only to states within the EU but also to some outside it, i.e. Australia and New Zealand, Singapore, Japan, and China. For many states, the UK's relationship with the EU, whether as a renegotiated relationship or after leaving it, will matter in terms of what it means for the EU and the wider geopolitical situation in Europe. As Emmanuel Sigalas makes clear in writing on the perspective from Austria, the implications would not simply be economic but also political. The UK's leaving would take the EU into uncharted

territory, with potentially formidable challenges for the future of supranational institutions and European integration in general. Fabian Zuleeg's view from Brussels underlines this point. How the EU would change is therefore just as important a question as how the UK might change if it were to leave, and how individual bilateral relations with the UK might change. Countries such as the Netherlands, Sweden, and Italy favor the counterbalance to Germany and France that the UK has provided; the UK's exit could fundamentally change the EU's internal balance of power. The UK should not take this as a sign that it can put itself in a position where others have to choose between the UK and the EU. All states wish to retain strong links to the UK, and to work with it to secure both their national interests and, for those within the EU, the common interests of the EU. But this will be done while remaining committed first and foremost to the EU. Even for a state such as Norway, located outside the European Union, the lodestar of European politics is the EU, and this would determine relations with the UK.

This does not mean the reform agenda pushed by the UK does not appeal to some states. The problem for the UK is that the real pressure for reform has been, and will remain, within the euro zone. This has turned the UK into a bystander – or even an additional hurdle, as Juha Jokela notes in the chapter on Finland – to what is considered the more vital issue. For a country such as Greece, which has been fully absorbed by its own malaise over the past years, there are fears that a Brexit might put the prospect of a “Grexit” back on the agenda. For many states, the focus has been on making the core of the euro zone work again, and this will shape how they view relations with the outer-tiers. States outside the euro zone, such as Poland, Denmark (the other opt-out country apart from the UK), Romania, and Bulgaria, might fear being trapped in an outer-tier of a Union that becomes more complex and fragmented. A country like Romania might fear getting caught in the slipstream of British decisions. This is why countries within the euro zone, among the pre-ins, and even Denmark with its opt-out, have focused on Germany and France for leadership and have tried to secure a place close to euro zone decision-making.

Reform agendas might well happen to overlap with London's, but with the euro zone continuing to move ahead, these agendas might increasingly diverge.

Third, as noted above, there is some support for the UK's positions on EU reform. For example, there is a good amount of sympathy for the British desire to see steps taken to encourage economic dynamism, better regulation, and a sound division of labor between the EU level and member states' level. However, conceptual clarity and language are crucial. States such as the Netherlands and Germany seek a better enforcement of the principle of subsidiarity, not repatriation. Subsidiarity, then, can go both ways: more and less Europe. A multispeed EU is considered a possibility, but not – as the UK might hope – in a pick-and-choose fashion. As Alexander Stubb points out in his foreword, this is not what flexible integration is or should be about. Germany, for example, recognizes that even if the UK were to leave, it would need to work with it, but would be hesitant about doing so in any way that would weaken the EU's institutions. This is what frames Berlin's concerns about where Britain might be headed. France finds it unacceptable that some countries want to reap the benefits of EU integration while discarding the constraints. For other states, the UK's ideas might seem tempting, but only in the short term and for economic gains. There is an underlying view that the proposals are not sustainable in the longer run and may lead to a fragmentation of the European Union, a prospect that for a number of countries, such as Slovenia or Hungary, comes with powerful imagery and negative connotations. As Christian Nünlist emphasizes in his chapter, Switzerland might have secured some form of cherry-picking and à la carte access to the Single Market, but with limits; also, there is ever less appetite in Brussels for “third ways” like Switzerland's.

Some in the EU are also hostile to the UK's demands, in particular the way in which Britain is going about seeking change. Only the chapters on Slovenia and Spain mention the idea that the UK, or Cameron, may be trying to blackmail the EU. However, underlying many of the contributions is a feeling that the UK is trying to use the threat



of withdrawal as leverage to achieve a renegotiated relationship. The unwillingness by many in the EU to discuss the idea of Britain's leaving and its consequences for the EU, stems in part from a fear that this would play to Cameron's tactics.

Fourth, there are clear concerns, both in EU member states and third countries, about the economic and, to a lesser degree, security consequences of a British exit from the EU. Economic calculations are the most easily discerned thinking in all countries surveyed. It is Britain's economic approach – especially its free-market, liberal outlook – that would be the most noticeable loss for the EU. Economic dynamism is considered a vital issue, as EU members are still feeling the effects of the recent financial crisis. Countries within the EU, Italy for instance, fear a British withdrawal could have a negative impact on their trade balance and unemployment rates. For states such as Canada, China, Japan, Australia, New Zealand, and Singapore, a British withdrawal could disrupt both trade deals and their ongoing relations with the EU. Brazil's perspective is, for the time being, more about expectations, for instance regarding a boost to bilateral economic relations, but it might get disappointed if Britain and the EU got stuck in long and complicated withdrawal negotiations. At the same time, there are limits to how far Britain's economic contribution can take it. Some countries, such as Romania, note a growing "mercantilist" attitude in British thinking. The UK leaving could therefore make it very difficult for them to maintain their current economic relations with the UK. Spain does not simply look to the UK for economic growth, but is instead placing its hopes on further economic and monetary union. As Henrik Larsen notes in the chapter on Denmark, Britain's economic connection to some states such as Denmark, traditionally close to the UK, has been in decline for some time. The Irish Republic worries about British efforts to undercut it and the rest of the EU. Ireland is perhaps the best example of the limits to the economic relationship. Despite its large economic relationship with the UK, in addition to common social, cultural and familial ties, Ireland is clear about the EU remaining its priority, rather than the UK. Some states, including Ireland, will seek to exploit economically Britain's marginaliza-

tion, using it to strengthen their appeal to investors from around the world. As all of the views from outside the EU make clear, this is likely to be reciprocated by such states who will look for new economic links and partners within the EU.

The UK's role in the EU's foreign, security, and defense policies is not so easily replaced. Whether it is the United States or France, there is a clear realization that the EU and Europe's place in the world would lose from a British withdrawal. Without Britain, France would face Germany's "culture of restraint" on external affairs, which could find support from other member states. For the United States, an EU without Britain would further complicate transatlantic relations by stunting its long-sought for improvements to the European arm of NATO, as well as a reduction in Europe's dependence on the United States and efforts to make Europe take on a more global role. For other EU states, losing the UK would be detrimental to the EU's geopolitical thinking. Without the UK, European defense would be unlikely ever to achieve its full potential. Outside powers may also seek to play on divisions, with China already choosing between bilateral and multilateral relations when necessary, something the United States has also been accused of in the past. Finally, as James Kilcourse reminds us in the chapter on Ireland, the UK's leaving the EU may have negative security implications for the situation in Northern Ireland, affecting European security closer to home.

Fifth, while these economic and security concerns serve to remind countries of the UK's role in the EU, they do not necessarily generate sympathy for the UK. Instead, the outcome is exasperation at the UK's inability to offer leadership, especially in those states that have often looked to the UK. This band of British "orphans," as Roderick Parkes puts it, have had to look to other parts of the EU, Germany in particular, for leadership and influence on decisions. The UK's change from a pragmatic partner to one that seems more ideologically driven is noted even by states outside the EU such as Japan and Singapore, and also by Germany, a country usually seen as having an ideological attachment to European integration but which has recently adopted a more pragmatic approach to integration.



The result is a Britain increasingly associated with “negative leadership,” one that is even starting to undermine the EU’s fundamental values. The UK’s debate on limiting immigration is seen as a direct attack on the fundamental right of free movement of people and labor in the Single Market. This has been noted throughout the EU, but most painfully within states in central and eastern Europe that were once close supporters of the UK, such as Poland and Romania. Meanwhile, countries such as Austria, the Netherlands, Finland, and Italy fear the influence of British Euroskeptics on their own domestic debate and are frustrated with London for not successfully confronting the issue at home. As the chapters on Germany and Poland note, the UK is increasingly seen as a spoiler in the EU. One outcome of this, as touched on earlier, is that the UK’s behavior may have led to a situation where some states are adapting to the prospect of its leaving the EU without wishing for it. The UK is seen as a state to be worked around as much as one to work with.

In facing such a situation, the UK’s options in the EU appear quite limited at this point in time. While the European Parliament elections in May 2014 registered dissatisfaction with the EU in countries other than Britain, according to the views gathered in this volume, other EU governments are not likely to align with the UK; many of them perceive the UK’s long-term EU agenda as opaque or unpredictable. While some of the UK’s criticisms of the EU and proposals for its reform are seen as legitimate, what is not seen as legitimate is advancing this as a purely national interest and using the threat of leaving as leverage; whether the

UK likes it or not, this is how many in the rest of the EU interpret UK maneuvering. London will have to work harder and engage in more effective coalition-building if it wants to succeed in shaping to its own preferences the ongoing debates about EU reform.

It is not just the UK that has limited options. Britain’s position and the idea of it leaving the European Union is also of concern to the rest of the EU. As many of the contributions point out, a Brexit would be an unprecedented event, with unclear and potentially transformative implications for the whole of Europe. For both the EU and the UK, it will be difficult to avoid a further deterioration of relations. The upcoming national election campaign in Britain will not make things easier for the rest of the EU. Overall, compared to previous episodes of UK-EU difficulties, the European Union today is much larger and in parts much deeper. It therefore lacks the intimacy of a smaller organization. Some member states have little if any attachment to the UK. Furthermore, unlike in the past, it is no longer so easy for the rest of the EU to wait for either a change of government in the UK or for discussions to find a compromise. The British government’s own behavior of getting close to Germany while neglecting, and in some areas abusing, relations with former close partners in central and eastern Europe and Scandinavia means Britain has found itself on the sidelines of EU politics. Both the UK and rest of the EU need to appreciate that this sideline could easily turn into the outside, either by Britain leaving, or by the EU leaving the UK behind by integrating in ways that exclude it.

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## Notes

All translations are by the authors.

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