

April 2016

# Europe after Brexit Unleashed or undone?

By Ian Bond, Sophia Besch, Agata Gostyńska-Jakubowska,  
Rem Korteweg, Camino Mortera-Martinez and Simon Tilford

# Europe after Brexit: Unleashed or undone?

**By Ian Bond, Sophia Besch, Agata Gostyńska-Jakubowska, Rem Korteweg, Camino Mortera-Martinez and Simon Tilford**

- ★ If the UK votes to leave the EU, Britain will certainly change, but so will the EU. The remaining member-states would not automatically oppose British views, but nor would they always accommodate them.
- ★ Though Britain is one of the most economically liberal countries in the EU, there has been a growing consensus across the Union in favour of liberalising internal markets in goods, services and labour. Continued access to these markets, however, would depend on UK acceptance of EU rules, including on the free movement of labour.
- ★ A key part of David Cameron's deal with the EU was a set of rules to govern the relationship between euro-ins and euro-outs. Post-Brexit, the eurozone would have more power to drive economic and financial policy in the EU regardless of the views of the remaining euro-outs. But divisions within the eurozone make rapid eurozone integration very unlikely, at least in the near term.
- ★ The UK has pushed for a bottom-up approach to creating a Capital Markets Union (CMU), while France and the Commission want a big push from the centre, and a strong common regulator. Even without the UK, progress towards a CMU would continue, but its nature would be different.
- ★ The UK has been a leader on climate policy, pushing for ambitious carbon emissions targets. Other member-states might be less committed. On the other hand, Britain has opposed Commission efforts to improve security of energy supply by intervening in national energy policy decisions. Without the UK, the EU might adopt a more centralised system of energy market regulation.
- ★ EU foreign policy would probably continue to be inter-governmental: the UK is not alone in wanting to keep it that way. But the EU might become less active on the world scene: despite eurosceptic rhetoric, British governments of both parties have seen the EU as an important tool in pursuing foreign policy goals. The Union would be less likely to use sanctions as an instrument of pressure on countries like Russia if the UK were not in the room to argue for them.
- ★ Without Britain, there might be less opposition to the establishment of a European defence policy, but there would also be much less capability available for EU operations. The relationship between the EU and NATO might also become more difficult without Britain acting as a bridge.
- ★ Despite its opt-outs in the area of Justice and Home Affairs (JHA) and the fact that it is not part of the borderless Schengen area, the UK has been a driving force in some of the most important steps to fight crime and terrorism. The ability of the other member-states to tackle cross-border organised crime and international terrorism would be reduced, with knock-on effects on the UK.
- ★ In the EU institutions and especially in the Commission, UK influence has been falling for some time, but UK nationals still head some important policy directorates-general, and British MEPs still promote an economically liberal agenda in the European Parliament. Post-Brexit, British ways of thinking would be less prominent in the institutions.

- ★ Brexit would embolden eurosceptic movements across Europe. By increasing the preponderant influence of Germany in the EU, Britain's departure could heighten tensions and insecurities in countries with suspicions of Berlin.
- ★ After Brexit, the UK could waste years negotiating with the EU to preserve the parts of the existing relationship that both sides like, but still end up with something worse.

---

After winning the British general election in May 2015, David Cameron set out to change the EU. The package of reforms agreed at the European Council on February 19<sup>th</sup> will, if the UK votes to remain in the EU, result in modest changes in the way the EU works. But were the UK to vote to leave the EU, the impact on the Union (as well as on Britain) would be much more profound.

Most of the debate in the UK is naturally focused on the effect that the choice between staying and leaving may have on Britain: whether outside the EU it could trade more freely with the world, escape EU regulations and reduce immigration. Equally important, however, is what the EU would be like afterwards; and how in turn this might affect post-Brexit relations between the UK and the EU.

To the extent that there has been any discussion, it has focused on the damaging economic effects that Brexit might entail. The German finance minister, Wolfgang Schäuble, told the BBC on March 6<sup>th</sup> that Brexit would create insecurity that “would be a poison to the economy in the UK, continental Europe and the global economy as well”. G20 finance ministers and central bank governors meeting in Shanghai in February listed “the shock of a potential UK exit from the European Union” as one of the risks threatening global economic recovery. But so far there has been little detailed examination of what an EU of 27 might look like.

Some eurosceptics think that the UK already has little influence within the EU, and that the EU without Britain would therefore simply continue on its disastrous course towards the creation of a European super-state. Others hope that Brexit would lead the EU to unravel entirely. Still others opine that Brexit could force the EU to reform and improve the way it works.

Among the supporters of remaining there is a similar lack of consensus about the effects of Brexit: would the EU rush ahead in certain areas more quickly without the UK? Or would the 27 be paralysed in years of rancorous debates with the UK over the terms of the divorce? This paper looks at a number of areas in which Britain's departure might have a significant effect; it tries to judge both how that might change the EU, and what sort of relationship a changed EU might have with the UK. It examines economic issues; justice and home affairs; foreign and defence policy; and the EU institutions themselves.

★ From Margaret Thatcher's time onwards, the UK was one of the driving forces in developing the EU's single market, and in pushing for market-based reforms. The

gap between the *laissez-faire* British and the *dirigiste* continentals is smaller than the British imagine. The Netherlands and many other northern European states would continue to back liberal economic policies. But it is not clear whether any big member-states would take over the UK's role as champion of free trade, especially in services. And without further progress towards comprehensive service market liberalisation inside the EU, could the UK hope to secure full market access for its service industries (which account for 80 per cent of Britain's economy)?

★ In foreign policy, the UK has frequently used EU machinery to pursue its own objectives. In an EU without the UK, only France, as a permanent member of the UN Security Council, would have a truly global outlook. Would an EU at 27 take a more mercantilist approach to foreign policy, showing less interest in sanctions as a tool? Would it still devote resources to UK priorities, for instance Somalia? And would the EU, having lost one of its major powers, carry the same weight with interlocutors like Iran?

★ The UK's departure would also affect transatlantic relations: the EU might become a more difficult foreign policy partner for the US (forcing the US to make more efforts to cultivate the remaining member-states bilaterally). Despite continued military and intelligence links, would the US pay less attention to UK views?

★ In defence, the UK has sometimes been an active participant in EU operations and is a staunch defender of the need for EU defence policy to be compatible with NATO. Post-Brexit, France would probably continue to promote EU operations in Africa and elsewhere; but the UK would struggle to get the EU to reflect British priorities. Would the EU at 27, even more heavily influenced by Germany, be more reluctant to conduct operations? And would it set up European structures outside NATO, risking duplication and inefficient spending?

★ In the Justice and Home Affairs area, the UK is already less than a full partner. Yet paradoxically it has worked harder than most member-states to make the European Arrest Warrant (EAW) an effective crime-fighting tool, and

to make good use of Europol. Could the 26 (since Denmark also has an opt-out) co-ordinate more closely after Brexit in areas where the UK has been a barrier to progress, such as in the attempt to create a 'European public prosecutor'? Or would the loss of the UK's practical approach damage the fight against terrorism and organised crime?

★ Finally, the UK has often acted as grit in the EU's machinery; but it has also played an unseen role in improving the mechanics of the EU, even as it has blocked federalist ambitions. Without Britain, would some of the 27 accelerate towards political union, while others tried to carve out their own special status within the EU?

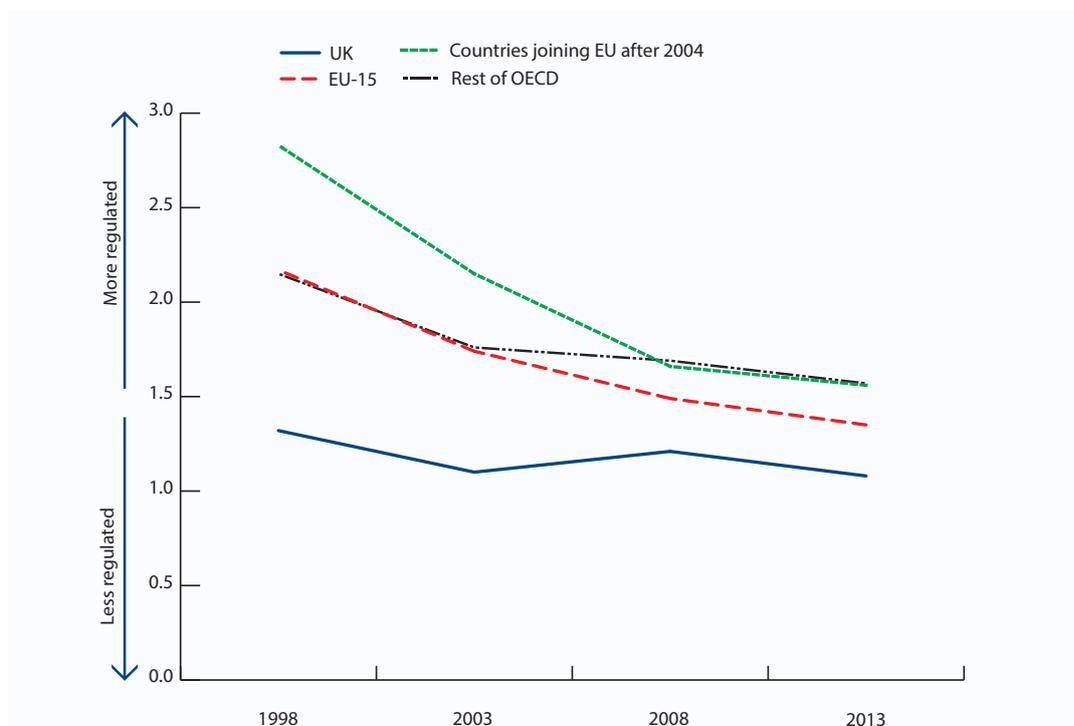
## Economic policy

Britain is one of the EU's most economically liberal member-states. It was the driving force behind the development of the single market, and the biggest champion of enlargement to bring the ex-communist Central and Eastern European countries into the Union. With occasional exceptions, such as the proposed nuclear power plant at Hinkley Point, it has generally taken a firm line against state aid to business and other forms of subsidy. It has fought with some success to reduce the amount of the EU's budget spent on the Common Agricultural Policy and to ensure that EU spending is better aligned with the EU's stated priorities such as competitiveness and innovation. And Britain favours restrictive regulation only when new drugs, genetically-modified organisms or internet applications pose a clear risk to society, while France and Germany tend to favour a more precautionary approach. The country has also been the EU's leading advocate of increased trade in services across the EU, in the vanguard of efforts to create an internal market for energy, and mostly supportive of EU free trade deals.

On the face of it, a British withdrawal from the EU would make the bloc less liberal, more suspicious of science and more protectionist. A number of economically liberal countries in northern Europe have privately expressed concern at the loss of the UK voice. However, the reality is unlikely to be quite so dramatic. The UK is not the principal reason that the EU has been moving in a liberal direction in recent years. There has been a broad consensus across the Union in favour of moves to liberalise markets for goods, services and labour (see chart 1). Much of this has been driven by eurozone countries' attempt to improve their competitiveness. Moreover, the liberalising drive has been happening without a particularly active UK engagement in the EU: British influence in Brussels has waned ever since the Tories came to power in 2010, and especially so since 2013 when Prime Minister David Cameron announced a referendum on EU membership.

Chart 1:  
15 years of  
deregulation in  
the EU

Source: OECD product  
market regulation  
indicators.



Britain is not quite the liberal, internationalist paragon UK politicians and policy-makers sometimes portray it as. First, the British government is no longer an advocate of EU enlargement (see below) and has become a reluctant participant in the free movement for workers, in both cases because of the public's hostility towards immigration. That hostility might drive the UK out of the EU. Second, it is not always the French who comprise the biggest obstacle to the completion of EU trade deals. Britain itself is a key stumbling block in the EU's attempts to broker a deal with India, because it opposes allowing more Indian IT professionals to work in the EU. That is one of the Indian government's main demands.

The EU would not become an illiberal, protectionist bloc without the UK, but it would no doubt be an uncompromising negotiating partner for a newly exited Britain. The EU would be wary of making too many concessions, for fear of establishing a precedent that other countries might want to emulate. As a result, the UK would not be offered unimpeded access to the EU's single market unless it agreed to continue to abide by the *acquis communautaire*, including freedom of movement, and to make contributions to the EU budget. The EU would also insist that the European Court of Justice continued to enforce the single market's rules in Britain. If, as seems likely, the UK were to balk at such an arrangement, it would face a lengthy negotiation to secure a free trade deal with the EU. The best on offer would likely be something equivalent to the deal done with Canada, which will eventually eliminate around 98 per cent of tariffs on manufactured goods. However, the EU-Canada deal provides much more limited access to services markets, including financial services, than does EU membership.<sup>1</sup>

This is the crux – 40 per cent of UK exports comprise services. And they have risen by two-thirds over the last 10 years compared to an increase of around 40 per cent for manufactured goods. The EU is by far the biggest market for them. This trend is likely to continue, reflecting Britain's strengthening comparative advantage in services. But outside the EU, Britain would face more limited access to EU services markets, unless of course it signed up to all those things it would have quit the EU in order to escape – free movement of labour, the *acquis communautaire* and EU budget contributions. And without British pressure, those in the EU who want to liberalise trade in services between its members-states may find it harder to overcome opposition. As the biggest exporter of commercial services in the EU and home to by far its biggest financial markets, that would be a lost opportunity for Britain.

One of the key parts of Cameron's deal with the EU was agreement on a set of ground rules to establish a level

1: Jean-Claude Piris, 'If the UK votes to leave: The seven alternatives to EU membership', CER, January 2016.

2: Charles Grant, 'Cameron's deal is more than it seems', CER bulletin, April-May 2016.

playing-field on financial regulation between euro-ins and euro-outs. The ins were reassured that the outs would do nothing that could prevent eurozone integration, while the outs won several safeguards (for example, that they would not have to pay for eurozone bail-outs or adopt identical regulations to those of the eurozone).<sup>2</sup> Although the deal becomes void in the event of Brexit, many of the out countries want the principles underpinning it to endure. France and Germany, however, may see little need to give the remaining outs a defined special status. After all, the UK's GDP is greater than that of the other eight euro-outs combined. Without the British, economic and financial policy-making in the wider EU would be much more driven by the eurozone than it is already.

*“Without Britain, those in the EU who want to liberalise trade in services may find it harder to overcome opposition.”*

Poland will be crucial for determining whether the euro-outs remain a significant group. For Poland, like the other outs, tighter eurozone integration would create tensions between the desire for autonomy in decision-making, the wish for influence in the EU and the need to be firmly anchored geopolitically to its Western partners. The last Polish government kept Poland in the 'pre-in' category, but the Law and Justice (PiS) government elected in October 2015 is hostile to euro membership.<sup>3</sup> With Britain gone, Poland would still seek to stop the creation of eurozone-only institutions, not subject to the agreement of all 27, for fear that this would engender a more permanent split in the EU between a eurozone core and a euro-out periphery. But without the UK as an ally, Poland would find it harder to resist the pressure from France and others for separate eurozone institutions.

Brexit could in the very long run give a new push to eurozone integration along the lines of the 2015 'Five Presidents' Report', but any short term progress seems unlikely.<sup>4</sup> The main obstacles to further eurozone integration have nothing to do with the UK (or other euro-outs): the eurozone countries showed with the fiscal compact in 2011 that they were prepared to circumvent UK opposition if they had to. Instead, it is the deep divisions between the eurozone countries themselves – and notably between France and Germany – which are preventing progress. Substantive moves towards eurozone integration are highly unlikely before the French and German elections in 2017.

Brexit would place the location of large euro clearing houses back on the table, however. In its 2015 ruling on

3: Agata Gostyńska-Jakubowska, 'Cameron's renegotiation plans: the view from Warsaw', CER, August 2016.

4: Jean-Claude Juncker, Donald Tusk, Jeroen Dijsselbloem, Mario Draghi and Martin Schulz, 'Completing Europe's economic and monetary union', European Commission, June 2015.

a case brought by the British government, the European Court of Justice decided that the European Central Bank (ECB) could not force such institutions to relocate inside the eurozone from London or elsewhere outside it. But there is a reasonable case to be made for the ECB to have regulatory oversight of euro clearing houses, and after Brexit the other member-states could change the ECB's statutes so that it could insist. The UK would no longer be able to challenge such a decision.

The 27 might also take a different approach to plans for a Capital Markets Union (CMU) once the UK had left. The British view is that there is no need for centralised supervision or a big push towards harmonisation of regulation and policies that affect capital markets, such as those on insolvency, tax and business law as well as accounting rules; instead, the UK wants the EU to take a bottom-up approach, identifying the biggest obstacles to further integration. The view from Paris and Brussels, by contrast, is that CMU needs a big push from the centre, and a stronger common regulator, as with the ECB in the banking union. There is some force in this argument: true harmonisation is hard to achieve without a powerful central authority. And integration of capital markets is particularly important to the eurozone, since

deeply integrated markets could make the eurozone more resilient.

Brexit could also further cement German influence over macroeconomic policies in Europe, with damaging effects for both the EU and the global economy. The UK's decision not to join the euro has limited its ability to criticise the eurozone's handling of the crisis – a strategy that has eschewed wholehearted bank recapitalisation, debt restructuring and aggressive monetary policy, and instead relied heavily on labour market reforms and fiscal austerity. And the British government has, in any case, been loath to openly criticise Germany – the architect of the eurozone's strategy – because it needed German backing for its drive to renegotiate the terms of Britain's EU membership. But, as the second biggest economy in the EU and one that is growing relatively strongly, the UK does have influence, should it opt to use it. It represents a potentially powerful voice for international macroeconomic orthodoxy – counter-cyclical fiscal policy and highly expansionary monetary policy – as well as a more internationalist way of thinking about the global economy than the German consensus. Indeed, without the UK, the EU is likely to play a less constructive role in solving the world's economic problems.

---

## Energy and climate change policy

Energy and climate change are EU policy areas in which the UK has made a significant contribution in the past. The UK was a pioneer of 'unbundling' – the separation of energy transmission from generation, production and supply, thereby increasing competition and driving down energy prices for consumers; this has become the basis of EU energy market regulation.

Would EU policies change if the UK left? The UK has been a laggard in many areas of environmental policy: it is only thanks to EU pressure that successive British governments have taken steps to clean up rivers and beaches; and the UK still has far to go to meet EU standards for air pollution.<sup>5</sup>

There is one exception, however: the UK has generally been a leader on climate issues. Since Tony Blair was prime minister, British governments have pushed for ambitious CO<sub>2</sub> emissions reduction targets. Without the UK, the EU would probably make less effort to cut its emissions.<sup>6</sup>

Post-Brexit, Germany might push again for the EU target for renewable energy to be divided up between member-states, rather than taking a technology-neutral approach and focusing on ways to minimise carbon emissions. The UK has resisted efforts to give the Commission this sort of role in determining national energy mixes as a way of ensuring that the EU meets its collective emissions

targets. Though other nations (in particular Poland) are also hostile to top-down regulation, they could live with (modest) renewables targets but a more relaxed approach to carbon emissions. The net effect on emissions and climate change would be negative.

*“Britain has been a leader on climate issues. Without it, the EU might make less effort to cut carbon emissions.”*

In other areas, there might be more change: the UK (with Poland and others) blocked a Commission attempt to introduce a directive to regulate fracking in 2014, and worked against another proposal in 2015 which would introduce binding guidelines on the use of 'Best Available Technology' to mitigate any environmental risk from fracking. France and others who oppose fracking might use Brexit as an opportunity to try again to get EU level restrictions in place.

In the short term, this would not be very important: initial fracking efforts in Europe have not yielded the sort of bonanza seen in the US. But it would feed into the larger European debate on energy security. The UK's approach, based on market mechanisms, unbundling

5: Stephen Tindale, 'The green benefits of Britain's EU membership', CER policy brief, April 2014.

6: Michael Grubb and Stephen Tindale, 'The impact of Brexit on climate and energy policy', UCL, forthcoming publication.

and diverse sources of energy supply (including shale gas, where commercially viable), seeks to ensure security of supply through flexibility. Germany, by contrast, has sought to ensure security of supply through heavily subsidised renewables and long-term contracts, including with Russia.

The UK has consistently tried to ensure that market mechanisms rather than government fiat drives EU energy policy. It has sometimes resisted EU-level intervention designed to ensure security of supply for other member-states: in February 2016 it indicated that it would oppose a Commission proposal to force member-states to divert gas to vulnerable consumers in neighbouring countries in the event of a supply crisis (even though in such an event Britain would only be obliged to send gas to Ireland). But the market will not always ensure that storage facilities or interconnectors are available in an emergency. The

result of Brexit might therefore be voluntary restrictions on exploiting coal and unconventional gas available in the EU, coupled with a more centralised system to direct energy, including gas, to countries where it is needed. The EU might try to improve the security of gas supply not by diversifying away from Russian gas but by increasing imports from Russia (including through the proposed Nordstream 2 pipeline); it would then manage the risk by having enough slack in the system to allow gas to be pumped to member-states suffering technical or political supply problems.

A more centralised system of energy market regulation in the EU could also lead to tougher regulations (for instance in the area of state aid, or fracking) for any third country selling electricity or gas to the EU; the rules would have an impact on the post-Brexit UK if it had surplus energy and wished to sell it to other member-states.

---

## Foreign policy

The EU's Common Foreign and Security Policy (CFSP) differs from most other areas of EU policy in that it does not follow the 'Community Method' – according to which the Commission alone has the power to initiate legislation, the European Parliament and the Council approve or amend it, and the European Court of Justice scrutinises it. Instead, CFSP is inter-governmental: the European Parliament's formal role in CFSP is confined to approving the budget; and the ECJ has very limited jurisdiction. Almost all decisions in the framework of CFSP are taken by unanimity.

The UK and many other member-states have consistently argued in favour of keeping CFSP inter-governmental and against extending majority voting. As a former Belgian permanent representative to the EU wrote after the Lisbon Treaty entered into force, "In general, the collective appetite for a common foreign policy has decreased everywhere. Governments, aware of rising nationalism in public opinion, are seeking to retain their full autonomy in their dealings with the outside world, even if it means undermining efforts made by the common institutions".<sup>7</sup>

The departure of the UK might increase the role of the European External Action Service (EEAS – the EU's diplomatic service) at the expense of national foreign ministries and diplomatic services in some very limited areas: for example, the UK has been the main obstacle to giving the EEAS a larger role in consular protection for EU citizens, on sovereignty grounds.

The overall effect of Brexit on the operation of the EEAS would probably be negative, however. The UK is under-represented in the EEAS, and a relatively large number of the Britons there are seconded from the Foreign and

Commonwealth Office rather than coming from the Commission or the Council Secretariat. But they bring with them a British propensity for an active foreign policy; and they give the EEAS access to reporting and analysis from the UK's global network of posts. As seconded staff, they would almost certainly have to leave the EEAS if the UK left the EU. The EEAS itself has limited capacity for independent information gathering and reporting. So even if the EEAS wanted to pursue a more ambitious EU-led foreign policy post-Brexit (and other member-states allowed it to), at least initially it would lack the tools to do so.

*“Britain (however hostile its rhetoric about the EU) has long seen EU foreign policy co-operation as a force multiplier.”*

The UK (however hostile its rhetoric about the EU) has long seen EU foreign policy co-operation as a force multiplier. Most recently, the British government's official guide to the renegotiation deal stated "The UK has significant influence on international affairs discussions at the European Council table. Working with allies, the UK has driven EU activity in key areas, leveraging the power of 28 countries and amplifying the impact that we would have had on our own".<sup>8</sup>

The UK has been amongst the most active proponents of using EU sanctions as instruments of change in countries such as Burma, Cuba and Zimbabwe. The UK has sometimes cajoled others into taking steps that they would not otherwise have taken: it is unlikely that

7: Philippe de Schoutheete, 'The European Council and the Community method', Notre Europe, July 12<sup>th</sup> 2012.

8: 'The best of both worlds: The United Kingdom's special status in a reformed European Union', HM Government, February 2016.

France, which had significant investments in Burma's hydrocarbons sector, would have accepted trade sanctions against the Burmese regime in 2007 if the UK (which was an even bigger investor in Burma's economy, but had much stronger political connections with the Burmese opposition) had not led the charge.

The likelihood, therefore, is that without the UK, EU foreign policy would become even less active. For those who complain that CFSP produces lowest common denominator policies, the absence of Britain would move the denominator still lower. And once the 27 had settled on a policy, non-members including the UK would struggle to change it.

What might this mean in areas of interest to the UK? After the annexation of Crimea, David Cameron was determined that Russia should pay a price for violating international law. His support for sanctions against Russia, even at some cost to the City of London, was instrumental in persuading other member-states and in particular Germany that they should also accept some economic pain in order to put pressure on Russia. Without the UK, countries like Hungary and Italy that openly seek a return to business as usual with Moscow would carry more weight in the EU. Though Germany's position would still be the deciding factor, keeping the pressure on Russia to withdraw from Ukraine may now be a lower priority for Chancellor Angela Merkel than getting the support of other EU members in tackling the refugee crisis.

In Asia, Europe's powers of attraction – already weakened by the crisis in the eurozone – could weaken further. The countries of the Association of South-East Asian Nations (ASEAN) would no longer see the EU as model of regional political integration. Equally, the loss of the EU's second-largest economy would reduce the EU's bargaining position in free trade negotiations with countries like Japan and India. Some Commonwealth countries might be persuaded to strengthen their bilateral relations with the UK (as many eurosceptics in the UK hope); but given the relative sizes of the EU and UK markets Commonwealth countries would be just as likely to prioritise trade agreements with the 27, or to redirect their foreign relations (as Australia already has) towards partners in the Asia-Pacific region and towards America.

While Brexit would make the EU less interesting to Asia, the EU would also be less interested in Asia. Though the UK has recently treated China more as a potential economic partner than a foreign policy challenge, Britain has traditionally encouraged other Europeans not to focus exclusively on China but to pay more attention to Japan, Korea and South East Asia, and to the Asia-Pacific security environment; to a lesser extent, it has also promoted European ties with India (Indian prime minister Narendra Modi said in November 2015 that "if there is

an entry point for [India] to the European Union that is the UK"). Post-Brexit, however, the UK would be left, like the US, trying from the outside to get the EU to focus on Asian issues.

*“The loss of the EU's second largest economy would reduce its bargaining power in trade negotiations with Asia.”*

In the Middle East Brexit would probably not make a big difference. The EU played an important role in convening the major powers as they negotiated the 2015 nuclear agreement with Iran; and it would still be committed to the Iran deal regardless of the referendum result. EU member-states including the UK have moved quickly to re-establish economic relations with Iran (unlike the US); were the nuclear agreement to break down, both the UK and the 27 would probably oppose military action against Iran, whatever position the US might take.

The UK has not pushed hard for a more active EU role in the Syrian conflict, nor in Libya. And though France and the UK led the Western intervention in Libya, only France has subsequently been active in promoting EU military missions in the Sahel and the Middle East.

Most Middle Eastern countries prefer bilateral relations with national governments to working through the EU institutions in Brussels, and UK policy has reflected this, with an emphasis on its relations with Saudi Arabia and the other Gulf States. Other EU member-states with commercial interests in the area are no more willing to give control of policy to the EU.<sup>9</sup> Post-Brexit, Sweden and others might push the EU institutions to take a stronger line on Saudi Arabia's human rights record. But Saudi Arabia's security importance and its continued ability to shift the price of oil on world markets would limit the extent to which the EU could put pressure on it; policy would be unlikely to change much, even without the UK in Saudi Arabia's corner.

The UK, which hosts by far the largest Somali diaspora in the EU, has led EU initiatives to tackle instability in the Horn of Africa. Somalia has been a failed state since its military government collapsed in 1991, but a Transitional Federal Government has recently been able to establish a degree of control in the south of the country. It is backed by an African Union peacekeeping mission, AMISOM, which the EU has funded to the tune of more than €580 million. In addition, an EU training mission has trained about 5,000 local troops and police since 2010, and a separate EU mission has trained coastguards and police in combating piracy. The EU has also mounted a successful naval counter-piracy operation (with the UK providing its

<sup>9</sup>: Ana Echagüe, 'The European Union and the Gulf Co-operation Council', FRIDE, May 2007.

headquarters and commanding officer). The Union plans to spend €286 million on development assistance to Somalia between 2014 and 2020.

Given the risk of terrorism emanating from Somalia, and with significant Somali populations in Denmark, Finland, the Netherlands and Sweden, the EU would retain some interest in the region even after Brexit, though it would probably not be as high a priority for any other large member-state as it has been for the UK. Funding for programmes in Somalia would fall (not least because EU development budgets would shrink without the UK's contributions). The naval counter-piracy operation, however, would probably continue, since without it the merchant ships of many member-states might face a renewed threat.

Another area that could be affected by a British exit is EU development aid. The UK and France are the EU's largest former colonial powers. A legacy of this colonial heritage is the preferential trade and development ties many countries in the Caribbean and Africa enjoy with the EU. The so-called Cotonou agreement, signed in 2000 between the EU and African, Caribbean and Pacific countries, expires in 2020. After Brexit, and with the Cotonou agreement under revision, it is uncertain whether former British colonies would continue to enjoy the same degree of preferential access to the single market. Though the development policies towards these countries would not change overnight, the priority attached to giving assistance to former British colonies would alter; the UK would have to consider whether to make up any resultant shortfall.

The UK has always played an important role as a bridge between the EU and the US. The EU without the UK would still be an important regional partner for the United States, but it would be less capable, more inward-looking and even more dependent on the US for assistance in looking after its security interests. Brexit would encourage those in America who dismiss Europe as a region of sclerotic economic growth with a dysfunctional political system and who argue for more US engagement with booming Asian economies compared with Europe. It would discourage Atlanticists in America who look at the EU as a group of democracies able to join the US in facing shared security threats: they worry that without Britain's contribution, Europe would become less stable and secure, and less capable militarily and diplomatically.

Many aspects of the transatlantic relationship would not change, however. In recent years Germany, as the dominant country in the eurozone, has become America's main partner in addressing the global economic crisis as well as in resolving the Ukraine conflict. Paris, meanwhile, has become a vital ally in the Middle East, North Africa and the Sahel, showing itself more willing than the UK to

undertake potentially risky military operations (notably in Mali). Negotiations on a transatlantic free-trade agreement (TTIP) would proceed post-Brexit – leaving the UK to try to negotiate a separate deal with the US to get market access similar to that granted by TTIP. The UK outside the EU would be less useful to the US, which would develop alternative channels for influencing European policy-making.

Though it was not among the initiators of the European Neighbourhood Policy, the UK has been an active supporter of it, particularly in relation to Eastern Europe. But Britain has in recent years been less vocal in promoting EU enlargement, of which it was for many years a leading proponent. Successive British governments saw EU membership as an important stabilising influence in Europe after the Cold War. Since then, the Central European states have joined the Union, as have several Balkan states (with others making slower progress). But the UK's enthusiasm for enlargement has waned, largely because of the domestic political impact of large-scale migration from other EU member-states, and concern that admitting any more large, poor states to the Union would result in more social and political tensions in Britain. Like most other member-states, the UK was against giving Eastern European states like Ukraine an EU membership perspective, however distant.

*“The EU without the UK would be more inward-looking and more dependent on America for security assistance.”*

Turkey, however, poses a trickier problem than the Eastern partner countries, because of the refugee crisis. The EU needs Turkey's help if it is to manage the crisis, and Ankara knows that it can extract a price. Brussels has offered progress on visa-free access to the Schengen area for Turkish citizens, and also promised to pay Turkey €6 billion to finance refugee camps in Turkey and resettle refugees from them, in return for Turkey's efforts to stop the flow of migrants to Greece. The EU will also re-open a chapter of its glacially slow accession negotiations with Ankara.

The UK has traditionally been the EU's loudest champion of Turkish membership. But, as its concerns about migration and the free movement of workers from new member-states have grown, its enthusiasm for Turkish accession has diminished. Even so, Ankara might conclude that a post-Brexit EU would be even less supportive of eventual Turkish membership. And the less likely it became that the EU would ever admit Turkey, the less leverage Brussels would have to secure Turkish assistance in addressing the refugee crisis or to push Ankara on democratic reforms and human rights.

With or without the UK, the EU would continue to co-ordinate in the UN, OSCE and other international organisations. For the UK, Brexit would make no difference to its membership of the UN Security Council; and it would liberate the UK to speak in its own right at the OSCE Permanent Council (rather than having the EU representative speak for it – even if in practice the UK and

EU would agree on most issues). But the EU's standing in other international organisations would be weakened by the loss of the UK. The net effect would probably be to make it somewhat harder for both the UK and the EU to work effectively through international organisations to achieve shared aims.

---

## Defence policy

The United Kingdom has always been ambivalent about giving the EU a defence role. The European Union's Common Security and Defence Policy (CSDP) was created in 1999, only after the UK and France had found a way to allow the EU to get involved in defence while protecting NATO's role. The 'Saint-Malo Declaration', signed by Britain's then prime minister, Tony Blair, and France's then president, Jacques Chirac, struck a careful balance between French enthusiasm for EU defence and British support for the primacy of NATO: it stated that 'In strengthening the solidarity between the member-states of the European Union, in order that Europe can make its voice heard in world affairs, while acting in conformity with our respective obligations in NATO, we are contributing to the vitality of a modernised Atlantic Alliance which is the foundation of the collective defence of its members.' Even after the declaration, eurosceptic instincts and staunch Atlanticism have often led UK defence ministers to obstruct further European defence integration.

Without Britain, the 27 remaining members might find it easier to start framing a Common Defence Policy. It is possible that Brexit, coming on top of crises in Europe's neighbourhood, might encourage EU member-states to invest more money in the European defence project and overcome their divisions. All continental powers have a shared interest in defending the security of their citizens and territory. But Brexit would also have made it harder for Europe to muster the necessary capabilities and deploy them where they were needed.

On a political level, the priorities of the European power-couple France and Germany would fill the void left by a British exit. Some of the CSDP enhancements that the UK has traditionally vetoed – an EU operational headquarters, the expansion of the 'Athena' common funding mechanism for EU operations, or plans for a 'European Army' – could come back onto the agenda.

But Paris and Berlin have very different visions of EU defence. France used to be mainly interested in European support for its military operations in Africa and its counter-terrorism efforts. Benoît Gomis argues that 'France is now focusing on more realistic outcomes for CSDP, seeing it as a tool which complements France's

national deployments and which focuses on tasks such as training, equipment, and advice as part of the EU's comprehensive approach.'<sup>10</sup> For Germany, by contrast, the value of CSDP lies in its potential for harmonising national defence policies and co-ordinating capability development, rather than in EU operations.

Instead of permitting CSDP to advance unhindered, Brexit might reveal the deep cleavages in approach that other member-states have been able to hide behind Britain's blanket veto. Germany is prepared to see more logistic expenses funded jointly by member-states, but opposes French proposals that 'unilateral' operations (such as France's intervention in the Central African Republic) should be commonly funded. Commission President Jean-Claude Juncker's dream of a European army would face opposition from a number of countries, including Ireland, which zealously guards its neutrality and negotiated a protocol in 2009 stating explicitly that "the Treaty of Lisbon does not provide for the creation of a European army". Even if neutral countries were allowed to opt out of such an army, deploying soldiers under EU command would be very difficult in the absence of a shared threat assessment.

*“Brexit would make it harder for Europe to muster the necessary defence capabilities and deploy them where they were needed.”*

At a practical level, post-Brexit the EU would have lost one of its most capable military powers, and one of the few EU countries spending 2 per cent of its GDP on defence. Its power projection capabilities and strategic assets would be sorely missed. According to the European Defence Agency (EDA), in 2013 EU defence budgets (excluding Denmark, as it has an opt-out from CSDP) totalled €186 billion. The UK's share was 21 per cent, or €40 billion.

Even as a non-member, the UK would still have the chance to second personnel to EU CSDP missions in areas of importance to it, as other non-member states do. To do so, it would have to sign a 'framework participation agreement' with the EU. Such agreements, however, stipulate that the EU retains decision-making autonomy:

10: Benoît Gomis, 'France steers away from the CSDP' in 'The Common Security and Defence Policy: National perspectives', European Geostrategy, May 2015.

the UK would therefore lose its ability to influence missions at the planning stage.

A British vote to leave would have significant effects on the European defence market. The EU is working towards the application of single market rules to European defence industry, in order to limit duplication of defence programmes and research, increase competition and foster innovation. With Brexit, the EU would lose the main proponent of applying free market logic to defence procurement, and more protectionist member-states, such as France, would gain influence. France is not unusual in giving most defence contracts to domestic firms (based on published contracts, 97 per cent of French contracts go to domestic firms, and 92 per cent of British contracts do). But Paris is also a vocal supporter of a 'buy European' policy; the UK is more inclined to decide between European and American options on the basis of performance and price. Despite current Anglo-French defence co-operation, UK firms might face higher barriers post-Brexit to getting contracts from the EU.

In an effort to strengthen the European defence industry, the EU passed two directives in 2011, regulating defence procurement and intra-EU transfers of defence goods and services. One of the aims was to get member-states to publish defence tenders and contracts in the same way as other public procurement documents (subject to security concerns), thus creating more competition between suppliers across the EU. Though progress has been limited, the UK has made more use than other member-states of the defence procurement directive's procedures: Britain was responsible for 38 per cent by value of the contracts posted between 2011 and 2014, followed by France at 26 per cent and Germany at 9 per cent.<sup>11</sup> Without the UK, it is unlikely that other member-states would continue the push for competition and efficiency in the defence industry.

The physical geography of Europe would not change after Brexit, and the UK would still want its neighbours to have effective defences in order to protect its own national security. Britain would still have a strong interest in European defence economies of scale, in cheaper procurement and in increased European defence capabilities. It might look for ways to continue its participation in the EU's research and technology projects – Britain could negotiate an Administrative Agreement with the EDA as countries such as Norway and Ukraine have done. But the UK would no longer be able to influence the initial choice of projects.

Above all, a British exit from CSDP structures would carry implications for the relationship between the EU and NATO. Twenty-one countries would still be members of both organisations, but Europe's largest spender on defence would not. Britain has been a strong proponent

of both a clear division of labour and greater co-operation between the two organisations, protecting the Alliance's role as security provider on the continent, but also often taking the role of a pragmatic mediator between the two. Brexit could damage the relationship. As the focus of Britain's security policy shifted unequivocally towards NATO, it could create institutional tensions. If Germany's voice in CSDP increased, and Berlin remained more interested in territorial defence than expeditionary warfare, the result could be more duplication of functions in Europe and more neglect of problems outside it.

*“Britain has been a strong proponent of a clear division of labour and greater co-operation between the EU and NATO.”*

NATO and EU staffs are managing to work around some of the obstacles in the relationship caused by the conflict between Cyprus and Turkey, which prevents formal political co-ordination. In May 2015, the EU and NATO decided to work together on cybersecurity and countering 'hybrid' conflicts (the type of combined conventional, special forces and information warfare employed by Russia in Ukraine). In the Aegean Sea, NATO is supporting the EU in its efforts to contain and manage the migration crisis by deterring migrant smugglers. These are promising signs but, as noted above, Brexit could complicate the rapprochement between Turkey and the EU, and thus lead to Ankara once again impeding EU-NATO co-operation.

Without the British voice, the implicit inter-institutional arrangement that leaves NATO in charge of Europe's military defence and deterrence, while the EU takes on 'softer' security challenges and those outside Europe, could crumble. In response to the terrorist attacks in Paris last year, France invoked the EU treaties' mutual defence clause, rather than its NATO counterpart, Article 5 of the Washington Treaty. In so doing, France may have wanted to call on the law enforcement and other non-military capabilities of its EU partners; but implicitly it suggested that the contributions of its North American allies were unnecessary. For its part, Washington has repeatedly signalled that it does not care through which institution European defence is channelled; the priority is to get Europeans to take their own defence more seriously.

There would be voices for continuity in the development of EU-NATO co-operation, even after Brexit: then defence minister Thomas de Maizière summarised Germany's approach at the Munich Security Conference in 2013 as favouring a "sensible division of labour" between NATO and the EU, rather than making a choice between the two. But there would be risks, particularly if the next

<sup>11</sup>: European Parliament, 'Study on the impact of the 'defence package' directives on European defence', 2015.

French president turned out to be more Gaullist in his or her approach to NATO than François Hollande or his predecessor, Nicolas Sarkozy, and tried once again to build a European defence identity in opposition to NATO. Tension between France on the one hand and the Central European states (which look to NATO for their defence

against Putin's Russia) on the other might weaken both the EU and NATO. Today's challenges to European security, however, whether Ukraine in the East or the irregular migration in the South, require all members of both organisations to pull together, rather than engage in institutional squabbling. Brexit would not help.

## Justice and Home Affairs

In 1997, during the negotiation of the Amsterdam Treaty, Britain obtained the right to decide, on a case by case basis, whether to opt in to EU police and judicial co-operation. The British government was also granted an opt-out from the borderless Schengen area, while retaining the right to join later. Since then, the UK has joined several JHA measures, including Europol and the European Arrest Warrant (EAW).

Despite its special status, the UK has been an essential partner in JHA. It has been the driving force behind some of the most important measures in the field of police and criminal justice. This is particularly true of counter-terrorism policies.

Then Home Secretary Jack Straw initially proposed the European Arrest Warrant. In force since 2004, the EAW makes it easier for countries to extradite criminals to another member-state. From April 2010 to March 2015, Britain sent 5,393 suspects to other member-states. Only about 4 per cent of them were British nationals.<sup>12</sup> In the same period, other countries surrendered 655 suspects to Britain; 57 per cent of them were British citizens.<sup>13</sup> The average time for extraditing a suspect is 15 days for uncontested cases, and 48 for contested ones. Under the previous system governing extradition, the 1957 European Convention on Extradition, it took on average 18 months to extradite a suspect.

Britain 'exports' almost ten times as many criminals as it 'imports'. If the UK left the EU, the British government and other member-states would need to find another way of dealing with those alleged to have committed crimes in other countries. The British government would either need to revert to the inefficient 1957 convention, conclude bilateral agreements with every member-state, or negotiate a surrender agreement with the EU of the kind which Iceland and Norway have. The surrender agreement is based on the EAW, but it differs in some important ways. In particular, the EAW overrides the legal bans which a number of EU member-states have on extraditing their own nationals, while the surrender agreement allows them to keep these bans in place.

Many British eurosceptics have concerns about the EAW (which they believe results in innocent UK nationals being kept in foreign prisons on flimsy grounds), and would want to build in additional safeguards for Britons facing extradition. So it might not be easy to reach agreement on an effective replacement for the EAW. Several EU member-states might choose not to extradite their own citizens to the UK when they had allegedly committed a serious crime on British soil, in retaliation for the UK putting more obstacles in the way of extraditing British nationals. The surrender agreement with Iceland and Norway took five years to negotiate, and ratification by member-states and the European Parliament took a further eight years. There would be a risk, at the very least before new arrangements came into force, of some countries once again becoming attractive havens for British criminals – Spain's 'Costa del Crime' was particularly popular before the arrival of the EAW.

*“If the UK left, the EU would lose access to Britain's international network of intelligence and security links.”*

Britain is also a leading force in shaping European counter-terrorism policy. The EU's counter-terrorism strategy of 2005 is modelled after that of the UK; Britain is the leader in counter-radicalisation strategies and other areas such as aviation security. If the Commission presents a counter-terrorism initiative, other countries are more likely to support it if Britain does: though it was ultimately struck down by the ECJ, the data retention directive is an example of a measure which the UK championed, leading others to back it.

Paradoxically, the UK has always advocated pan-European solutions to security threats: the British government believes that co-ordinated action in this field is necessary to close security gaps. If the UK left the EU, the Union would lose access to the UK's international network of intelligence and security links; and it might be harder for other countries in the EU facing terrorist threats to

12: National Crime Agency (NCA), 'European Arrest Warrant statistics'. Based on historical data per fiscal year.

13: National Crime Agency, 'European Arrest Warrant statistics'. The NCA does not provide information about suspects surrendered to the UK by Austria, Luxembourg and Slovenia, presumably because there are none. NCA statistics on persons wanted by the UK include those surrendered by Gibraltar, which is not a EU member-state.

persuade all the member-states to work together to combat them. The UK might find that when it looked for a counter-terrorism partnership with the EU, the remaining member-states were less willing or able to offer one, leaving it with a patchwork of bilateral relationships.

If the UK left the EU, it would need to withdraw from Europol, the EU's police office, which, incidentally, is currently headed by a Briton. The UK would be able to negotiate an operational agreement with Europol, similar to those offered to non-EU countries. But this would mean that the UK was no longer able to influence the development of a body that it has done much to shape over the past decade. Under British leadership, Europol has become an agency in which member-states share information, making a significant contribution to the fight against cross-border crime and international terrorism.

Even if Europol is not, at least for now, some sort of European FBI, it plays a very important role in co-ordinating and supporting cross-border police operations that would otherwise be very difficult to organise. If the UK left the EU, other member-states would lose a vital partner in police co-operation: for example, in 2014, the UK participated in a transatlantic action against 'dark markets' (dangerous or illegal goods, such as weapons or drugs, sold online), which saw 17 people arrested and €180,000 seized; the UK, in co-operation with the Netherlands, Germany and Australia, and supported by Europol, also participated in a long-term project to dismantle an international money-laundering syndicate used by criminal organisations involved in trafficking weapons, drugs and people.<sup>14</sup>

The same holds true for judicial co-operation. If Britain left the EU, it would also need to leave Eurojust, the EU's prosecution unit. Eurojust helps member-states to investigate and prosecute criminals all across Europe. The UK is a very active member of Eurojust: in 2014, other member-states filed 208 requests with Eurojust asking for the assistance of the UK in ongoing investigations and criminal cases.<sup>15</sup> Also in 2014, the UK participated in a world-wide investigation, opened by the US and co-ordinated in Europe by Eurojust, which broke up a criminal organisation carrying out cyber-attacks. Ninety-seven people were arrested and more than 1,100 suspicious devices seized.<sup>16</sup>

Post-Brexit, the UK would either need to conclude bilateral mutual legal assistance treaties with EU member-states or negotiate associate status in Eurojust, which would leave the UK unable to influence decisions on important matters such as the funding priorities for Joint Investigation Teams (mixed teams of judges, prosecutors

and law enforcement authorities, set up for limited periods of time to carry out criminal investigations in one or more member-states). Such teams have been instrumental in dismantling transnational criminal networks and organising the prosecution of those involved. The UK's exit from the EU would certainly not impede the evolution of Eurojust into a more 'supranational' judicial agency: the creation of a European Public Prosecutor's Office (EPPO – a body to investigate misappropriation of EU funds), strongly opposed by the UK, would remain on the agenda. The EPPO would in any case be set up on the basis of 'enhanced co-operation', that is, between a limited number of member-states but open to the gradual accession of others.

*“The balance between privacy and security would tip towards the former, hindering transatlantic security co-operation.”*

Finally, if the UK left the EU, the balance between privacy and security would tip towards the former, possibly hindering transatlantic co-operation on security, as well as trade between the UK and the rest of the EU. The UK has been instrumental in finding common ground between Europe and the US, enabling the two sides to conclude crucial agreements such as the Terrorist Finance Tracking Programme (an EU-US agreement to trace banking transactions used to finance terrorist activities), or Passenger Name Record sharing (a system for exchanging information about airline passengers travelling between the EU and the US). An EU without the UK would most likely be even more influenced by Germany and other countries which attach more importance to privacy. The ECJ has already annulled the 'Safe Harbour' agreement on data transfers between the EU and the US, leaving many companies in a legal limbo; without the UK in the Union, EU institutions could again go down regulatory blind-alleys which would damage the development of the digital economy in Europe.

If the UK left the EU, businesses in Britain would need to seek EU approval to use and transfer the data of European citizens. They would be doing this in a context shaped by concern in Germany and elsewhere about the UK's close intelligence co-operation with America, and about the access this might give the US to EU citizens' data. If the European Commission consequently considered that the level of protection of personal data in Britain was unsatisfactory, it might prohibit data transfers between Europe and the UK.<sup>17</sup>

14: Europol review, 2014.

15: Europol review, 2014.

16: Eurojust review, 2014.

17: Camino Mortera-Martinez, 'Big data, big brother: how to secure European's safety and privacy', CER policy brief, December 2015.

## The EU institutions

Specific policy differences with other EU member-states aside, the UK's attitude to the European project – looking for threats in the initiatives of others, and sometimes opposing on doctrinal grounds EU action that might benefit the UK – leads some in the EU to ask whether it would work better without Britain on board.

In the Council of Ministers, Britain opposes EU draft legislation more often than other member-states: an LSE study showed that between 2009 and 2015 the UK was among the defeated minority of states, voting against drafts or abstaining, 12.3 per cent of the time.<sup>18</sup> It is not always clear, however, whether the goal of a negative British vote is to influence the result or to show to the domestic audience (including eurosceptic MPs) that the British government has gone down fighting. Many other member-states, by contrast, will oppose Commission proposals only when they calculate that they have a blocking minority.

Voting statistics may give a misleading picture in another way. Between 1996 and 2008 Britain's initial bargaining position was closer to the eventual policy outcome than that of most other member-states.<sup>19</sup> And despite the UK's reputation as a blocker, it is also among the countries that other member-states talk to first when they are trying to assemble coalitions in the Council (perhaps because if it can be brought on side then others are less likely to be obstructive).<sup>20</sup>

Brexit would not necessarily lead to a more cohesive Council. A number of member-states that have allowed the UK to resist Commission ideas while themselves keeping quiet might be forced to express (for example) overt support for cutting the EU budget.<sup>21</sup> And other member-states, including Austria and Germany, already oppose Commission proposals from time to time; Brexit would probably not change their voting behaviour. Finally, the Council is already united on most occasions: according to the LSE study, 86.7 per cent of decisions between 2009 and 2015 were taken by consensus.

With Brexit, portfolios in the European Commission would change. The British Commissioner, Lord Jonathan Hill, has been in charge of the most important portfolio for UK interests, covering financial stability, financial services and capital markets; post-Brexit these subjects might go

to someone less sympathetic to 'Anglo-Saxon capitalism'. Lord Hill has led the effort to build a CMU. He has had the strong support of the ECB, so even after his departure there would still be momentum behind the creation of a CMU, though (as noted above) it would probably be more tightly controlled by Brussels. Post-Brexit, the eurozone will still need more non-bank sources of finance than it currently has to make the economy more resilient in the face of shocks and to help fund long-term investment and younger firms.<sup>22</sup>

*“The Commission might keep UK nationals out of jobs with a particular bearing on the future UK/EU relationship.”*

But Lord Hill is only one of the 1,126 British nationals working in the Commission.<sup>23</sup> According to the EU treaties, the Commission (and by extension its staff) promotes “the general interest of the Union”, and should “neither seek nor take instructions from any government”.<sup>24</sup> Few would dispute, however, that officials in the EU institutions are an important informal channel of influence for the member-states.

It is not clear whether British nationals would be allowed to continue working in the Commission after Brexit. EU staff regulations say that officials must be nationals of member-states “unless an exception is authorised”.<sup>25</sup> Some British staff believe that they would be able to continue working, based on the Norwegian precedent. Norwegians started working for the Commission during Norway's accession process, anticipating Norwegian membership. When in 1994 Norway voted in a referendum not to accede to the EU these officials were allowed to stay.<sup>26</sup> But even if UK nationals were allowed to stay in the Commission, other member-states might be reluctant to leave them in senior positions in important policy-making departments such as DG GROW (responsible for the internal market, industry, entrepreneurship and SMEs), or DG TAXUD (responsible for taxation and the customs union), both currently headed by Britons. The Commission might keep UK nationals out of jobs with a particular bearing on the future UK/EU relationship.

18: Sara Hagemann, Simon Hix, 'Does the UK win or lose in the Council of Ministers?', LSE EUROPP blog, November 2<sup>nd</sup> 2015.

19: Robert Thomson, 'Resolving the controversy in the EU. Legislative decision-making before and after enlargement', 2011, cited by Simon Hix in 'Is the UK marginalised in the EU?', LSE EUROPP blog, October 2015.

20: Daniel Naurin, Rutger Lindahl, 'Out in the cold? Flexible integration and the political status of euro opt-outs', European Union Politics vol 11 no 4, 2010, cited by Simon Hix in 'Is the UK at the top table in EU negotiations?', LSE EUROPP blog, November 15<sup>th</sup> 2015.

21: Fabian Zuleeg, 'Britain outside Europe? Fewer EU concessions to UK post-Brexit', European Policy Centre Commentary, May 12<sup>th</sup> 2014.

22: Hugo Dixon, 'Unlocking Europe's capital markets union', CER policy brief, October 15<sup>th</sup> 2014.

23: European Commission Statistical Bulletin, 'Officials, temporary staff and contract staff by nationality and grade', February 1<sup>st</sup> 2016.

24: Treaty on European Union, article 17.

25: Article 28, 'Staff regulations of officials of the European Union', January 1<sup>st</sup> 2014.

26: Andrew Rettman, 'British EU officials in limbo if UK leaves', *EU Observer*, February 3<sup>rd</sup> 2016.

Boris Johnson argues that Brexit would make little difference to the UK's influence in the Commission, since the number of British nationals working there is in decline.<sup>27</sup> In the AD grades (those above the level of support staff), British positions have fallen from 928 in 2005 to 674 (by comparison, the latest statistics report 1378 Germans, 1331 French, 1366 Italians and 1044 Spaniards in these grades).<sup>28</sup> Moreover, the British often occupy technical rather than policy-making positions. In February 2016 there were 137 Britons in DG Translation and 102 in the joint research centre, but only 36 (though including the Director General) in DG GROW, compared with 100 French, 117 Italians, 91 Germans and 91 Poles.<sup>29</sup>

Influence, however, is not just a matter of numbers, and there are still a significant number of British nationals at middle and senior management levels, able to shape the Commission's agenda, including three out of 36 directors general, and four out of 45 deputy directors general (or equivalent). Jean-Claude Juncker has responded to long-standing British complaints about silo thinking in the Commission by creating cross-cutting 'project teams' to tackle major policy priorities; and he has taken up British priorities such as improving the quality of regulation and reducing the Commission's legislative programme. French officials sometimes grumble that the British have turned the Commission into a more Anglo-Saxon institution (though it remains modelled on the French public administration system); the likelihood is that even after Brexit some vestiges of Britain's influence on it would remain.

Brexit would result in the removal of 73 British MEPs from the European Parliament. This would affect the strength of various political groups in the Parliament. The European Conservatives and Reformists group (ECR), to which the Conservative Party belongs, would be relegated from third to fourth largest group in the Parliament. Many of the ECR's co-ordinators in parliamentary committees (the eyes and ears of the political groups) are British at present. They participate in shaping the agendas of the committees. Without the Tories, the ECR would lose an important channel of access and influence in the Parliament, and its next largest contributor, Poland's Law and Justice, would take time to fill the gap. An ECR shorn of pro-Brexit Conservative MEPs could, however, become more attractive to other parties which support EU reform but are committed to membership. The impact of Brexit on the Europe of Freedom and Direct Democracy group (EFDD), to which UKIP belongs, would be greater. It would no longer meet the criteria for a formal

parliamentary group and would lose access to funding and its representation in the Conference of Presidents, which organises the work of the Parliament.

But neither the ECR nor the EFDD has been central to the Parliament's decision-making. The two largest parliamentary groups, the European People's Party (EPP) and the Socialists and Democrats (SD – to which the Labour Party's MEPs belong), together with the fourth largest group, the Liberals (ALDE), are the most influential, and tend to vote together on issues such as the EU budget, regional development, agriculture and fisheries.<sup>30</sup>

*“Post Brexit, the European Parliament might try to impose onerous conditions on major free trade agreements.”*

Most British MEPs have worked together across party lines to promote economically liberal policies: Labour MEPs have for example joined ECR colleagues (and the EPP) to oppose their own SD group, when it proposed tax harmonisation in the EU.<sup>31</sup> British MEPs have pushed forward the single market agenda, providing the chair of the Internal Market and Consumer Protection Committee (currently Conservative Vicky Ford). And the British Labour MEP Claude Moraes, as chair of the Civil Liberties, Justice and Home Affairs Committee, has helped to ensure that the committee strikes a balance between human rights and privacy concerns on the one hand, and security needs on the other.

Post-Brexit, the Parliament, which has been suspicious of TTIP and the Comprehensive Economic and Trade Agreement (CETA) with Canada, might try to impose onerous conditions on major free trade agreements, in areas such as the use of genetically modified organisms in products exported to the EU.

The Parliament would also be a potential obstacle to reach a quick agreement on the UK's post-Brexit access to the single market (since any agreement would need its approval). The Parliament without British MEPs would be an even more pro-integration body, and would be likely to object to anything which looked like preferential treatment for the UK, for fear that it might encourage other member-states to follow Britain's example.

27: Boris Johnson, 'Boris Johnson exclusive: There is only one way to get the change we want – vote to leave the EU', *Daily Telegraph*, February 22<sup>nd</sup> 2016.

28: British Banking Association, 'British influence in the EU: Improving British staffing numbers in the European Commission', July 2014; European Commission, 'Officials, temporary staff and contract staff by nationality and grade', Statistical Bulletin on February 1<sup>st</sup> 2016.

29: European Commission, 'Officials, temporary staff and contract staff by nationality and directorate-general', Statistical Bulletin on February 1<sup>st</sup> 2016.

30: Simon Hix, 'The policy successes (and failures) of British MEPs', LSE EUROPP blog, January 2016.

31: Doru Frantescu, 'The top five likely effects of Brexit on the EU's policies', LSE EUROPP blog, December 2<sup>nd</sup> 2015.

## The impact of Brexit on European euroscepticism, and conclusions

The UK is not alone in experiencing growing popular hostility to the EU, and the UK debate is already influencing politics in other European countries. For all the fears of British eurosceptics, the EU as a whole is making little progress towards becoming a 'super-state'; on the contrary, centrifugal forces are tearing at the EU.

Right-wing populist parties in Europe are united by euroscepticism; if the campaign to take the UK out of the EU succeeds, they will be emboldened to push for their own renegotiations or referendums.<sup>32</sup> In countries where they are perpetually in opposition, that may not matter. But in some countries, they might be able to ensure that a vote on Europe takes place: in the Netherlands, a eurosceptic group could force a referendum on ratification of a future EU treaty by collecting 300,000 signatures.

Marine Le Pen, the leader of the French Front National party, has said that a vote for Brexit would be like the Berlin Wall falling in 1989, and she may be right. Eurosceptics would be energised across the continent and would start to believe that they could triumph. Le Pen has promised that she will call a referendum on French membership of the EU if she wins the French presidential election in 2017. Brexit would make the narrative of the EU about disintegration, not integration. French and German leaders would surely try to counter this by unveiling plans for an avant-garde group, led by themselves and open to other eurozone members, that would integrate further. But whether Paris and Berlin could endow such plans with much substance, given the hostility of French and German voters to the transfer of more power to EU institutions, is a moot point.

The succession of crises facing the EU (eurozone; Ukraine; refugees) has given the member-states, through the European Council, an increased role, not only in setting the EU's strategic direction but in micro-managing the Union's response to pressing challenges. The European Commission has allied itself closely with the European Parliament in opposing this trend. But it would be a mistake for the Commission and the Parliament to decide post-Brexit that they could pay less attention to the views of member-states: there is a disconnect between federalist instincts in the Commission and the Parliament, and the political reality of growing nationalism in most member-states. Brexit could even strengthen both tendencies, leaving the EU with a tightly integrated core group of states and a number of states with looser ties to the Union. Even after Brexit, some member-states might seek to benefit from the kind of exemption from further integration that David Cameron negotiated in his recent deal.

Brexit would exacerbate the German problem – which more people think about or talk about quietly than discuss openly in public. Germany's preponderance in the EU has grown in the past five years, because of the disengagement of the UK, the relative weakness of both France and the European Commission, the strength of the German economy and the enormous personal influence of Angela Merkel (based on her skills and experience). Thus Germany has dominated EU policy on the crises of the eurozone, Ukraine and, to some degree, refugees.

This situation is not in Germany's interests or those of the other member-states. It is true that Britain does not balance Germany on euro or Schengen issues, since it is not a participant. But on many EU dossiers the UK is influential, and its disappearance would make Germany even more preponderant. Senior figures in Rome and Paris, to mention just two EU capitals, are well aware of this. There is a risk that Brexit would heighten tensions and insecurities in many parts of the EU. If the EU is seen as more German, that could fuel not only criticism of Germany but also more euroscepticism in some countries.

In the event of Britain voting to leave the EU, the UK will find itself negotiating with a different EU from the one it is used to. Against the background of euroscepticism and internal suspicions among the 27, the best it can hope for is that the centre of gravity on most issues will not shift far. In some areas, however, an EU freed from British shackles might make a break with the past.

The risk for the UK is not that the EU will on principle do the opposite of what the post-Brexit British government wants, but that both sides will waste years trying to find ways to preserve the parts of the relationship that they like, and still end up with something worse than they had before. Though the UK is often caricatured as Europe's perpetual nay-sayer, the reality is more nuanced. In some areas the UK has indeed been the main obstacle to European co-operation, but in others it has actively promoted it. The EU minus Britain would not automatically become the federal state that eurosceptics fear, but it would not reflect UK preferences as closely as it now does. For both sides, that would be a change for the worse.

Ian Bond, Sophia Besch,  
Agata Gostyńska-Jakubowska,  
Rem Korteweg, Camino Mortera-  
Martinez and Simon Tilford

**All authors are researchers at the CER**

**April 2016**

32: Yehuda Ben-Hur Levy, 'The undiplomats: Right-wing populists and their foreign policies', Centre for European Reform, August 2015.