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Europe after Bremain

A strong team?

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- ★ A British vote to remain in the EU would not solve any of the other problems facing Europe. It would be tempting for EU leaders, including British Prime Minister David Cameron, to go back to crisis management as though nothing had changed.
- ★ That would be a mistake. Backed by a renewed mandate from the British people, Cameron has a chance to set out a more ambitious agenda for the EU. He should show not only that Britain will be “stronger, safer and better off” in the EU, but also that a united EU will be stronger, safer and better off. The EU would benefit from an inspiring and positive vision; the deal with the UK should be the start of a process of change, not the end.
- ★ The UK has traditionally been one of the most proactive member-states in using the EU’s foreign policy machinery to pursue its own and broader European goals. There are many places in the world where the UK and the EU have a stake in peace and prosperity. London should push for the EU to do more, whether in relations with Russia, or in the South China Sea.
- ★ The EU’s neighbourhood to the south and east is a mess. The traditional stabilising instrument, enlargement, is no longer on offer, even to Eastern European countries. Britain should therefore work with other leading member-states to devise comprehensive plans combining security operations, political engagement and free trade to stabilise the neighbourhood.
- ★ Migration and the refugee crisis in the Mediterranean have become a serious threat to the cohesion of the EU. The UK has long argued that the best way to disrupt people smuggling is to resettle refugees direct from regions in conflict; it should set a good example by taking in more refugees from these regions itself. It could also do more to help Schengen countries under pressure, particularly Greece and Italy, to strengthen their border controls.
- ★ Against a background of terrorist attacks in Belgium and France in the last year, the need for EU member-states to work together more effectively on law enforcement and counter-terrorism is clear. Despite its opt-out from much Justice and Home Affairs (JHA) co-operation, the UK has been influential in this area because of its policing and intelligence expertise. Britain could do a lot to help the EU strike the right balance between privacy and security in its treatment of electronic data.
- ★ The EU does not need an army, but Europe needs to strengthen defence co-operation. The UK should encourage this rather than obstruct it. The British government could work with France and other major military powers to develop a bolder EU approach to stabilising countries like Libya that contribute to the refugee crisis. It should work with the European Commission and the European Defence Agency to improve the working of the European defence market and to promote technological innovation.
- ★ The UK needs to stop looking at the proposed energy union through the ideological prism of whether it increases Commission power, and start looking at how Europe’s gas and electricity grids can be integrated better – to increase efficiency and energy security and decrease carbon emissions. It should work with countries in Central and Eastern Europe to encourage diversification of gas supplies, including through completion of the Southern Gas Corridor.

- ★ With elections coming in France and Germany in 2017, the Transatlantic Trade and Investment Partnership (TTIP) is going nowhere in the next year. The UK could still co-ordinate with other free trade advocates in the EU to press for more urgency in trade negotiations with countries including Japan, India and Australia, and in talks on an investment treaty with China.
- ★ The UK should reinvigorate EU efforts to extend the single market into services. It could focus on the most tradable sectors, such as business services or e-commerce. Britain should encourage an 'opt-in' EU regulatory system, allowing firms that do business in several member-states to be regulated voluntarily at the EU level; there would be no need then for the Commission to impose one-size-fits-all rules across the EU. The capital markets union, on which the European Commission is working, could benefit from this voluntary approach.
- ★ The UK is not in the eurozone and probably never will be, but as Europe's largest financial centre it can still have a significant impact, if it re-engages, on the way that the eurozone deals with monetary and fiscal policy, and financial regulation.
- ★ Cameron needs to take the European Parliament more seriously, and advocate closer co-operation between national parliaments and the European Parliament to increase the democratic legitimacy and political accountability of the EU. The UK also needs to get more of its nationals into jobs in the EU institutions, as a way of ensuring indirect influence over the direction of EU policy.
- ★ The internal politics of the Conservative Party will make this a challenging agenda, but Cameron should resist the temptation to go back to business as usual. He needs to show the British people that the UK gains more from working with the EU than against it; and he needs to show EU partners that he has learned the value of teamwork.

Suppose that Britain votes decisively on June 23rd to stay in the EU. What happens next? None of the EU's other problems – the war in Syria, the refugee crisis, Russian sabre-rattling or the eurozone's travails – will have been solved. The British problem itself may not have been solved, if defeated eurosceptic Tories try to unseat Prime Minister David Cameron or claim that the 'Remain' side only won by cheating. But even if the Brexiters accept the verdict of the British people with a good grace, the EU will still have to find a way forward through its sea of troubles.

European leaders, including Cameron, may be tempted to breathe a sigh of relief that there will still be 28 members of the crew, and try to set course exactly as they were before Cameron started on his ill-judged detour via the referendum. But a British vote of confidence in the future of the EU could also be an opportunity for the prime minister to take a bolder approach, and to set out a new agenda around which the Union could rally. No organisation does well if it is in a permanent state of crisis management. A more inspiring and positive vision might help Britain and its EU partners to remember why they joined the Union in the first place: it is a vehicle to enable European countries to use their collective weight to defend their values, protect their security and ensure their prosperity.

The British pride themselves on their pragmatism, but the referendum campaign has often been more neurotic than pragmatic. Brexiters have constantly distorted the truth about the costs of EU membership. They have lied about the lack of British influence in EU decision-making. They have ignored the evidence about the contribution migrants make to the economy, and have instead scared

voters with stories about terrorists posing as refugees, and tens of millions of Turks invading Britain. Remain campaigners have been better, but have also spent more time warning that the sky will fall if the UK leaves the EU than setting out what the UK could do if it were fully committed to membership.

Home Secretary Theresa May, traditionally seen as moderately eurosceptic though now making the case for staying, said in a speech in April: "We have become so used to being in this permanently defensive crouch that when it comes to the EU, Britain has forgotten how to stand up and lead". That is an exaggeration: in some areas, including law enforcement co-operation, the UK has continued to give impetus to the EU. But it is also true that since the prime minister proposed an in-out referendum in 2013, ministers have been less active in areas like foreign policy in which the UK has traditionally led. There is a great contrast between British activism in the Balkan conflicts of the 1990s, and Britain's disengagement from the efforts to find a political solution to the conflict between Russia and Ukraine.

If the UK votes to stay in the EU, British politicians will have to return to the reality of the Union. Whether as enthusiastic or half-hearted participants, British ministers will have to sit through Council meetings in Brussels. The most eurosceptic may still see their job as limiting the damage that the EU does to British interests; but others may think that if the UK is now in for the foreseeable future, they might as well use the EU to pursue British objectives. Cameron's challenge is to build on his own pro-EU campaign rhetoric, and to show that the EU really does make Britain "stronger, safer and better off". The UK's Presidency of the Council of the European Union (July to December 2017) will give Britain an opportunity to shape the EU's priorities. As part of the so-called 'trio' with the next two presidencies, Estonia and Bulgaria, which (particularly in the case of Estonia) share many of the UK's liberalising instincts, the UK will help to set out a common agenda covering an 18 month period.

The CER has already examined the impact of a potential Brexit on the UK and on the EU.¹ While it cannot cover every issue on the EU's agenda, this policy brief looks at the areas where the British government could have the greatest positive influence on the EU after a vote

Foreign policy

A natural place for the UK to signal a new spirit of co-operation would be in foreign policy. Since the inception of the EU's Common Foreign and Security Policy (CFSP) in 1993, the UK has been among the most active member-states in using it to further its own foreign policy objectives. But Conservative Party splits over the EU, and the prospect of an in-out referendum, have in recent years led to a degree of British disengagement. It is hard to imagine that an earlier British government would have shunned the diplomacy surrounding the Ukraine conflict since 2014, as the Cameron government has.

It may be too late to persuade France, Germany, Russia and Ukraine to include the UK in the 'Normandy format'; but there are plenty of other foreign policy issues in which the UK has a stake, and where a collective EU effort might have more effect than anything that the UK alone could achieve. The EU's high representative for CFSP, Federica Mogherini, is due to present a new 'EU Global Strategy' – an update of the 2003 EU security strategy – at the European Council on June 28th-29th, days after the referendum. That would be the perfect moment for Cameron to signal that the UK is once again fully engaged with EU foreign and security policy, and ready to make

for 'Brexit'. It assumes that Cameron wins a fairly comfortable victory, giving him a mandate to reboot the UK's relationship with the EU on the basis that the membership question is now definitively settled, and that the UK wants a place among the leading states in Europe.

“Cameron's challenge is to show that the EU really does make Britain stronger, safer and better off.”

It also assumes that the Commission and other member-states are willing to interpret the UK vote as providing a mandate for change in areas such as better regulation and increased democratic legitimacy, as intended in the February 2016 deal between the UK and its partners. This policy brief does not consider federalist fantasies: under any foreseeable British government the UK will remain outside the eurozone and the Schengen area. Nor does the paper look in detail at what might happen if Cameron chooses or is forced by domestic politics to be an even more reluctant European than before, dragging his feet on every EU initiative.

use of Britain's global diplomatic network to pursue shared European goals.

Britain should push for the EU to do more, wherever international tensions threaten European interests. One priority is to work out what to do about Russia. The conflict in Ukraine is a symptom rather than the cause of an increasingly confrontational relationship between the West, including the EU, and Moscow. President Vladimir Putin is mobilising Russians and distracting their attention from domestic problems by portraying the West as Russia's enemy, and it seems unlikely that relations will improve significantly as long as he remains in power. In those circumstances, the UK should argue for a new long-term EU strategy for relations with Russia, focused on limiting Russia's political and economic ability to harm EU member-states and the EU's Eastern partners.

While it is sensible for the EU to focus on problems relatively close to home, countries like the UK and France which have global foreign policies should also ensure that CFSP looks further afield, including to East Asia. The French defence minister, Jean-Yves Le Drian, suggested at the annual Shangri-La Asian security dialogue meeting in Singapore on June 5th that EU member-states should

1: John Springford, Simon Tilford, Christian Odendahl and Philip McCann, 'The economic consequences of leaving the EU: The final report of the CER commission on Brexit 2016', CER report, April 21st 2016; Ian Bond, Sophia Besch, Agata Gostyńska-Jakubowska, Rem Korteweg, Camino Mortera-Martinez and Simon Tilford, 'Europe after Brexit: Unleashed or undone?', CER policy brief, April 15th 2016.

mount co-ordinated naval patrols to assert freedom of navigation in the South China Sea. Such action would underline the fact that it is not only America that is concerned about China's territorial claims in the area; for Europe, too, stability in the South China Sea, as one of the world's busiest trade arteries, is of crucial importance.

The UK should support France's initiative, but also look at how the EU might discreetly help to foster dialogue

between China and the South-East Asian countries that also have territorial claims in the region. One possibility might be to put more effort into helping ASEAN countries improve their ability to know and control what is happening in the seas around them, and to deal with problems such as piracy, smuggling and illegal fishing. Such capability building would not challenge China directly, but it would enable the littoral states to monitor and respond to Chinese moves.²

Neighbourhood policy

Closer to home, the EU has tried over many years to create a ring of stability around the EU, by giving economic and other incentives to the countries of Eastern Europe and the Mediterranean to introduce political, economic and human rights reforms. Initiatives for the East (the Eastern Partnership), the Mediterranean (the Euro-Mediterranean Partnership) and the Black Sea (the Black Sea Synergy) are all grouped together under the heading of European Neighbourhood Policy.

Despite significant EU political and financial investment in the region, the EU's neighbourhood, to the east and south, is a mess. The EU's review of its neighbourhood policy in 2015 acknowledged many of the region's problems, and the shortcomings in the EU's previous approach; but its prescriptions were bland and unlikely to bring about major changes. While the review accepted that there must be more differentiation between partners in the region, it was vague about what this differentiation might amount to, and about the specific interests that the EU might have in particular countries or regions.

The instability in its neighbourhood creates significant problems for the EU, for which it has so far struggled to find an answer. Enlargement, which stabilised Central Europe after 1989, is increasingly unpopular in the EU (including in Britain, its traditional champion). Even before 2014, most if not all member-states were unwilling to say openly that Eastern European countries were eligible to apply for membership. They are even less open to the idea now, for fear of provoking further Russian retaliation after Moscow's annexation of Crimea and invasion of Eastern Ukraine. Turkey's accession process is on the slow road to nowhere, obstructed both by political opposition inside the EU and President Recep Tayyip Erdoğan's increasingly authoritarian rule. And membership has never been and will never be on offer to countries in the Middle East and Maghreb.

The referendum has forced even pro-EU politicians in the UK to sound as though they oppose further EU enlargement. After the vote, UK policy could revert to the status quo ante, but that would not solve the problem that neither EU member-states nor most of the

potential applicants believe that the EU will welcome them in for decades, if ever; a few Balkan states may be the only exceptions. Yet it has never been so important for the EU to surround itself with a belt of secure, well-governed and prosperous states, able to resist external threats and internal unrest, and (in the case of states on the Mediterranean) to deal with migrant flows from further afield.

“It has never been so important for the EU to surround itself with secure, well-governed and prosperous states.”

Britain should therefore work with other leading member-states to devise comprehensive plans combining security operations, political engagement and free trade to stabilise the Eastern and Southern neighbourhoods; the UK should also ensure that the EU involves other like-minded states in its plans, above all the US. The mix of policies will need to be tailored to the needs of the countries concerned.

In the east, the EU's ideal has always been that states should be able to enjoy good relations with both the EU and Russia. Russian behaviour since the invasion of Georgia in 2008 has made that objective increasingly challenging, and the invasion of Ukraine in 2014 has underlined Moscow's view that the countries on its border have a limited choice: to accept their place in its sphere of influence voluntarily, or to be coerced.

The UK played a leading role in ensuring that the EU imposed meaningful sanctions on Russia in 2014 to punish it for its actions in Ukraine and to deter further adventurism. It should now take the lead in devising policies to increase the resilience of Georgia, Moldova and Ukraine as they try (with varying degrees of success) to deal with their post-Soviet legacies and to emulate the 1990s transition of Central European countries. While NATO may be best placed to offer military assistance and help with defence reform, the EU could step up existing

²: Rem Korteweg, 'Don't mention Beijing: The EU and Asia's maritime security', CER bulletin article, May 27th 2015.

levels of help in combating corruption, reforming the judiciary, establishing new, de-Sovietised police services and creating better conditions for investment. The EU has consistently under-estimated the risks to Europe's stability and security if these states become permanently trapped as weak and poorly governed Russian fiefdoms on the borders of the EU, exporting organised crime and disorganised migration.

In the south, the EU has largely been content to contract out management of the two most important crises, in Libya and Syria, to the UN. In Libya, UN efforts have at last produced a government of national accord (GNA). The EU Foreign Affairs Council agreed in May 2016 that the EU's naval operation in the Mediterranean, SOPHIA, should also be tasked with training and capacity-building for the Libyan navy and coast-guard. But if the EU wants to see stability in the country and a drop in the number of migrants leaving its ports, it will need to be much more ambitious.

It was the UK and France who enthusiastically (and rightly) led the international intervention to prevent Libya's then ruler, Muammar Qadhafi, massacring his own population in 2011; but their failure to follow through with stabilisation efforts after his overthrow contributed to the current state of chaos in the country. It would therefore be appropriate for the UK, in tandem with France and ideally others, including Germany, to work out how the EU can do more to help the Libyan authorities regain control of their country.

Among other things, the EU wants to apprehend people smugglers before their ships leave Libyan ports. That phase has not yet started, but can only be successful if the EU has eyes and ears on the ground in Libya. Cameron should propose that with the consent of the GNA, the EU should deploy a civil-military mission, with sufficient air mobility and intelligence assets, to track and disrupt smuggling networks in Libya. This mission would undoubtedly be demanding; but without it migrants will continue to cross Libya and put to sea. And once they are beyond Libyan waters, if they get into trouble the EU naval force has no alternative but to pick them up and deliver them to Italy.³

Syria poses an even greater problem. The EU is a member of the International Syria Support Group, but it is unclear what influence it has over any of the parties to the conflict. In 2013 it appeared that at least some EU member-states, including the UK, were ready to arm the rebels in Syria, but nothing came of this. The House of Commons voted against taking military action against President Bashar al-Assad in August 2013 after he had used chemical weapons against a rebel-held area. Since then the international initiative in Syria has belonged mostly to Russia, particularly since it became directly involved in the conflict with airstrikes in 2015; and to a lesser extent to the patrons of the various forces on the ground, including the Gulf states, Iran, Turkey and the US.

Migration

The refugee crisis in the Mediterranean has been the most significant result of the instability in the neighbourhood. As long as the conflict in Syria continues (and it shows little sign of ending, despite a 'cessation of hostilities' agreed in February 2016), the flow of refugees from that country is likely to continue. Realistically, neither the EU nor any other external player is willing to get involved in the fighting to the extent that would be required to end it. Despite the fact that the UK is not part of the borderless Schengen area, it could still make an important contribution to EU efforts to manage irregular migration. This is a central concern not only for the UK but for the whole of the EU. In the last year the mass movement of refugees and irregular migrants has put the Union under immense political strain.

Britain participates in the EU's so-called Dublin asylum system, under which the country through which an asylum seeker first enters the EU is responsible for examining their application, and for offering refugee status to successful applicants. The system was not designed to deal with immense numbers of refugees arriving by land or sea in just one or two member-states, however. The European Commission has made

proposals on reforming Dublin, in an effort to alleviate the impact of the refugee crisis on the countries which have borne the brunt of it, and to create a fairer and more sustainable system for dealing with refugee flows. But the Commission's ideas, which involve quotas for relocating asylum seekers and fines for countries that do not take their fair share, are unlikely to get very far in the face of strong opposition, particularly in Central Europe.

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The Commission is also proposing to give financial and other incentives for controlling irregular migration to countries through which many migrants travel in the EU's neighbourhood and beyond. Those who fail to improve could lose trade benefits or visa privileges.⁴

So far, Britain has remained silent on both the Dublin proposals and the controversial March 2016 EU-Turkey

3: Ian Bond, Rem Korteweg, Camino Mortera-Martinez, 'The refugee crisis: Fixing Schengen is not enough', CER insight, February 17th 2016.

4: Alex Barker and Duncan Robinson, 'EU relations with neighbouring states to focus on migration control', *Financial Times*, June 5th 2016.

refugee deal. Turkey agreed with the EU to take back asylum seekers and irregular migrants from Greece in exchange for the EU resettling Syrians from camps in Turkey to Europe, and for visa-free travel for Turkish citizens to the Schengen area. After the referendum, the British government will finally be able to take a stance on the Dublin reform. The easiest option, in domestic political terms, will be to align itself with countries backing the status quo, leaving the country through which asylum seekers first enter the EU responsible for them. But simply reaffirming the existing arrangements will do nothing to improve the situation on the ground.

The UK has long been a supporter of giving asylum seekers legal channels to come to Europe, by resettling them from camps in third countries. If Britain stays in the EU, London could lead the way in convincing other countries that resettlement is the best way to shut down the smugglers' business. It would need to set a good example itself, by increasing considerably the number of refugees it is willing to resettle in Britain; and it should work with its Central European allies to persuade them to take a fair share of refugees, sharing its experience (good and bad) of integrating refugees in the UK. The UK is already a major donor to programmes for refugees in the region; it should encourage the EU and other member-

states to do more to improve conditions for refugees in the countries around Syria. This would reduce some of the push factors driving refugees to leave for the EU.

Another important tool in combating irregular migration is more effective control of the EU's external borders. The referendum campaign has suffered from Brexit campaigners shouting about 'open borders' and Remain campaigners retorting that the UK is not in Schengen. The reality is that the EU's external borders are not open, but they could be managed better, especially in countries like Greece and Italy that have been unable to cope with the enormous numbers of arrivals.

The UK gets some protection from being outside the Schengen area; but recent attempts by people smugglers to bring migrants across the English Channel in small boats show that neither being outside Schengen nor indeed being entirely outside the EU will enable the UK to escape the impact of refugee and migrant flows elsewhere in Europe. The best way to ensure that irregular migrants do not enter the UK is to help EU partners prevent them getting to Europe in the first place. Britain has vast experience in border control and security screening, so it can help Schengen countries to do a better job of securing their external borders.

Security and counter-terrorism

Europe and European targets elsewhere face a considerable terrorist threat. Though European co-operation in counter-terrorism is improving, there is still much more to be done to ensure that information is entered into databases and that those databases are interconnected so that law enforcement agencies in member-states can check more easily who people are and what they might have done in other member-states. Unfortunately, not every police or border guard force is assiduous in collecting and sharing data, and the European Parliament has been too zealous in protecting citizens' privacy even at the expense of their security.⁵ Britain should weigh in to make EU security co-operation more effective.

The UK has never been a full partner in the EU area of Justice and Home Affairs (JHA). At best, other countries have seen it as a slightly annoying but necessary partner, tolerated because of its vast expertise. At worst, it has seriously irritated others by cherry-picking among JHA policies: in July 2013, the British government announced that it would 'opt out' of 130 JHA measures, only to say in 2014 that, for reasons of national security, it would 'opt back' into 35 of the most important ones, including the European Arrest Warrant (EAW).

Given the splits in the Conservative Party on the use of the EAW and other forms of European police and judicial co-operation, the UK could easily take a minimalist approach to future JHA policy, keeping co-operation under the radar, opting out of as many new measures as possible, and opting in only when the case to do so is absolutely overwhelming.

“Though European co-operation in counter-terrorism is improving, there is still much more to be done.”

Its national interests would be better served, however, if the UK used its law enforcement and intelligence expertise to make itself a leading force in security and counter-terrorism measures. Against the background of recent terrorist attacks in France and Belgium, EU member-states must overcome their different approaches to counter-terrorism and enhance their ability to collect and share intelligence, and to co-operate with the US. The UK could help.

⁵: Camino Mortera-Martinez, Rem Korteweg, 'Terrorism in Paris: Aux armes, citoyens?', CER insight, November 17th 2015.

In the last two years, the European Court of Justice (ECJ) has struck down two important measures with direct or indirect relevance to counter-terrorism. As a result, the EU needs to build a new data sharing and privacy regime which will be more likely to withstand legal challenges. The UK could invest effort in reviving and reforming the defunct data retention directive – a law requiring EU telecoms companies to retain customer data for counter-terrorism and crime fighting purposes, which the ECJ ruled against in 2014. And the UK can also act as a bridge between the EU and the US (as often in the past) on data

protection and privacy agreements, including the new transatlantic 'Privacy Shield' (this will replace the EU-US 'Safe Harbour' agreement, which the ECJ invalidated in 2015). British MEPs (and not only Conservatives) could play a particularly useful role in getting the European Parliament to strike the right balance between privacy and security. Labour MEP Claude Moraes (chair of the Civil Liberties, Justice and Home Affairs Committee) has already shown this through his work with a committee that has traditionally been very suspicious of state intrusion into citizens' affairs.

Defence

2016 could be an important year for EU defence. Within days of the British referendum, the European Council on June 28th-29th will be presented with the EU 'Global Strategy'. This is the first time since 2003 that the Union has tried to define the principles of its foreign and security policy; and it has already sparked accusations from the Brexit camp that the EU will take advantage of a UK vote to remain to launch a new 'European army' against the UK's will.

That is not going to happen, for the reasons set out in a recent CER insight.⁶ But officials in Brussels and EU capitals have started work to prepare a follow-up 'sub strategy' for defence, to translate the Global Strategy's broad priorities into policies in the defence field that can be implemented.

The many crises at the EU's borders certainly justify renewed commitment to the EU's defence role. The scope and scale of the defence sub-strategy, however, will in the end depend exclusively on the political ambition of national governments. If the British people give their government a mandate to re-engage with Europe, the UK could use that momentum to reshape the EU's Common Security and Defence Policy (CSDP), influence its future priorities, and secure British interests.

In 1998, when the Franco-British 'Saint-Malo Declaration' established the basis for the creation of an EU defence policy, London made sure that CSDP would not interfere with NATO's mandate as the security provider in Europe. In 2016, the UK could again play a crucial role in reforming European defence, as a pragmatic bridge builder between the EU and NATO. A fully-engaged Britain could support EU and NATO staff in finding ways to work around the obstacles to co-operation caused by the conflict between Turkey and Cyprus. As one of the guarantors of Cyprus's sovereignty and territorial integrity (along with Greece and Turkey), the UK should also continue to support efforts to find a permanent solution to the conflict. EU membership for Turkey is not politically feasible for the foreseeable future. But Britain, as a long-time champion

of Ankara's accession to the EU, could promote Turkish participation in the European Defence Agency, which would make it easier for the EU to access Turkey's significant military-industrial capabilities.

Britain should continue to promote a clear division of labour between CSDP and NATO. The EU has developed a 'comprehensive approach' to crisis management that complements NATO's territorial defence role. CSDP combines military instruments with civilian measures like training police forces, judiciary reform and border management, and can work in co-ordination with the EU's diplomatic and development aid efforts to bring stability to unstable areas. But despite loose talk from Commission president Jean-Claude Juncker and others, there is no serious interest in giving the EU high-end war-fighting capabilities to rival or replace NATO's.

“The many crises at the EU's borders certainly justify renewed commitment to the EU's defence role.”

In the face of aggressive Russian behaviour, NATO allies and even neutral EU member-states like Sweden and Finland look to the Alliance to protect them. But the situation in the south and south-east is much less clear cut, and demands the application of a wide variety of tools – exactly the sort of situation for which the EU's comprehensive approach is designed. London could use its diplomatic clout, aid expertise and military and intelligence assets to shape and strengthen EU engagement in the Middle East and North Africa.

In June 2015, the EU launched Operation SOPHIA in the Mediterranean Sea, to disrupt migrant smuggling networks. In a recent report, Britain's House of Lords criticised significant gaps in the operation's understanding of the smugglers' networks in Libya.⁷ Not least because of the UK's inadvertent role in creating Libya's current chaos,

6: Sophia Besch, 'An EU army? Four reasons it will not happen', CER insight, May 12th 2016.

7: House of Lords European Union Committee, 'Operation SOPHIA, the EU's naval mission in the Mediterranean: An impossible challenge', 14th Report of Session 2015-16, HL Paper 144, May 13th 2016.

British diplomats and military leaders should help the EU establish a joined up and intelligence-led approach there. In the long-term, Britain could also take a leading role, together with France and perhaps Germany, in developing a broader EU approach to stabilising countries like Libya and channelling practical assistance and expert advice to them through CSDP. Stability is a particularly important goal for countries that are the sources of or transit routes for mass migration.

The more actively the EU becomes involved in operations, the more the UK's hostility to the creation of an EU operational headquarters in Brussels seems perverse. Continental Europeans like France, Germany, Italy, Spain and Poland have long called for a permanent military planning capability to facilitate deployment of CSDP missions. Existing arrangements, relying on national headquarters stepping up when needed, are inefficient. A UK government with a strong European mandate might be able to weather opposition from domestic eurosceptic forces. Rather than simply vetoing the proposal, London could agree to a (small) permanent headquarters as part of a package including significant investment in defence capabilities by other member-states.

It is in Britain's interest that Europeans develop independent military logistics and core capabilities such as long-range air transport, precision-guided munitions, and strategic intelligence and reconnaissance capabilities. The 2011 Libya operation showed that Europe also had a critical shortage of strategic enablers, like air-to-air refuelling and air and sea lift capabilities. The European Defence Agency (EDA) has a mandate to co-ordinate collective capability planning between national ministries of defence. This is particularly useful for capability programmes that are too expensive or complex for one European state to carry out. The agency is crucial for the implementation of a planned EU-funded defence Research and Technology (R&T) programme, which could for example fund research into cyber-defence or autonomous systems. After a vote to Remain, London should drop its long-standing hostility to the EDA and

withdraw its veto on increasing the agency's budget – currently, the agency struggles to develop long-term programmes because of budget constraints.

Among EU member-states, the UK has been the main proponent of applying free market logic to EU defence procurement. It could take a leading role in extending the EU's single market to the defence sector. In an effort to liberalise the EU defence market, the Commission passed two directives in 2011, regulating defence procurement and intra-EU transfers of defence goods and services. After a Remain vote, the British government should set an example, by making better use of the directives' procedures. If it systematically published all non-sensitive tenders for defence contracts throughout the EU, the UK could help foster free and open competition in the EU defence market, to ensure that governments get better value for money and armed forces get the best equipment available, rather than just what local producers can supply.

“It is in Britain's interest that Europeans develop independent logistic capabilities such as long-range air transport.”

Finally, because Britain takes defence seriously, its renewed support for EU defence could increase the momentum for further European defence co-operation. The UK could promote defence 'clusters' of co-operation among small numbers of member-states. If Britain showed that it was willing to consider military partnerships with other Europeans, perhaps based on the Franco-British Lancaster House treaty on defence and security co-operation, other member-states might invest in their defence capabilities in order to join an exclusive club of high-capability powers. In this way, Britain could leverage its appeal as a respected and capable military power to promote military transformation in other EU member-states.

Energy and environment

The UK has pushed a market-based approach to reforming the EU energy sector. Over the past decade, the UK has also been a champion of European energy security. It believes that a more integrated, more diversified energy market is good for European competitiveness and energy security. It should accept, however, that the market alone will not protect Central European countries reliant on Russian gas; and should work with the Commission to ensure that countries have both an obligation and the infrastructure to supply their neighbours in a crisis. The government should also redouble its efforts to reduce the UK's reliance on fossil fuels.

Britain already supports some of the ideas of the EU energy union, but it has doubts about the centralised nature of some of the Commission's plans and believes that the Commission should not determine the energy mixes in member-states. Once the referendum is past, however, it should be able to worry less about increased Commission influence in national energy markets, and more about the ineffectiveness and inefficiency of having the EU energy market divided into national or at best regional segments. Professor Dieter Helm proposed in a paper for the CER that the EU should gradually move to a European system operator for an integrated

electricity generation and transmission system.⁸ The British government should set about building alliances with other member-states to achieve this aim, appealing to those for whom the main issue is economic efficiency, those who care most about reducing greenhouse gas emissions and those who want to ensure that no country can be blackmailed or threatened with an electricity blackout.

The EU's 'gas security of supply strategy' would increase diversification and deepen interconnection across Europe. This would serve the UK's commercial interests as well as its political concerns about European over-reliance on Russian gas. Commercially, the UK has ample opportunity to re-export LNG and conventional natural gas to the continent. There are two gas interconnectors between the UK and the continent, and more for electricity. So far, the UK has been reluctant to support the new strategy because of the referendum (its reservations focus on the exaggerated eurosceptic concern that the Commission could force the UK to send gas to Ireland if the latter had a supply crisis). But after Brexain, the UK could help push this agenda forward.

The UK has so far been quiet about the planned Nordstream 2 pipeline, which would run from Russia across the Baltic Sea directly to Germany. Perhaps the reason is that the UK did not want to upset Berlin at a time when it needed Germany as an ally in the EU. But Nordstream 2 threatens to undermine the EU's political objective of increased energy security by diversifying its sources of gas imports: Nordstream 2 diversifies the delivery routes, but it is still Russian gas in the pipe. The project is also poisoning relations between Germany and the Central European states (particularly with the UK's new ally, Poland). And it undermines any scope for the UK to sell or resell gas to the European market – Nordstream

would probably saturate the North West European market with Russian gas.

The UK should work with the countries that are most concerned by the impact of Nordstream 2 on their energy security to ensure that Gazprom and its Western partners comply fully with EU rules, particularly the Third Energy Package. Full compliance with EU requirements, for example on third party access to the pipeline, would remove the worst features of Nordstream 2. The UK could also help partners in Central and Eastern Europe to apply for EU financing for gas infrastructure projects, to increase European gas interconnection. The UK should continue to work with countries in south-eastern Europe for the completion of the Southern Gas Corridor, which is a genuinely diversified source of supply for the region.

“The UK should work with countries in south-eastern Europe for the completion of the Southern Gas Corridor.”

How the EU uses energy is closely tied to how likely it is to meet its target of cutting greenhouse gas emissions by 80 per cent by 2050. The UK used to pat itself on the back for its climate change credentials. David Cameron pledged in 2010 that the coalition government he led would be the greenest government ever. Subsequent policy changes, however, have led the European Commission to question whether the UK will meet its targets for renewable energy by 2020.⁹ Once the referendum is out of the way, Cameron should revitalise the UK's national effort to reduce emissions, and work within the EU for a coherent, technology-neutral approach to minimising them.

Trade

Brexiters are not entirely wrong, though they exaggerate, when they argue that protectionism in Europe stops the EU getting trade deals with important partners. The UK should co-ordinate with northern and central European free-traders to push for faster progress in a number of current or prospective negotiations on free trade agreements. Increased trade with the rest of the world would not be a panacea for Europe's economic problems, but it would certainly help to stimulate growth and improve productivity.¹⁰

The UK has been one of the major proponents of the Transatlantic Trade and Investment Partnership (TTIP) between the EU and the US. TTIP has become a pawn in the UK referendum debate, with Out campaigners

claiming that if the UK remains in the EU, then TTIP will result in the privatisation of the National Health Service, while Labour leader Jeremy Corbyn has said that if the UK remains a member of the EU then it should veto TTIP.¹¹

While Cameron might like to make a new push for agreement on TTIP, a 'relaunch' is probably not feasible, at least this side of French and German elections in 2017: TTIP's success or failure will depend more on popular sentiment in countries like France or Germany than on anything that the UK does or does not do.

While TTIP currently absorbs most of the political attention that the EU devotes to trade, the UK could instead focus minds on the important trade deals to be

8: Dieter Helm, 'The EU Energy Union: More than the sum of its parts?', CER policy brief, November 9th 2015.

9: European Commission, 'Renewable energy progress report', June 15th 2015.

10: John Springford, 'Why the EU's market matters to Britain', CER bulletin article, March 23rd 2016.

11: Rem Korteweg, 'TTIP is no reason to leave the EU', CER insight, May 17th 2016.

done in Asia. If TTIP negotiations fail, or if ratification is blocked, the EU will want to conclude free trade negotiations with Asian partners quickly. If it does not, the risk is that the US-led Trans Pacific Partnership (TPP), the text of which has already been finalised (though not yet ratified), could damage EU exports to TPP countries.

The EU and Japan are moving ahead with talks on an economic partnership agreement, which includes a free trade agreement. Negotiations started in 2013; the 16th round of talks was held in April 2016. There is concern in Brussels that Japan is not fully committed to the process, however. The UK enjoys very good bilateral ties with Japan; Cameron might be well placed to convince Prime Minister Shinzo Abe to throw his weight behind an early agreement.

The EU has previously attempted to negotiate a regional FTA with the Association of South-East Asian Nations (ASEAN), but suspended the effort in 2009. Since then it has focused on negotiating bilateral FTAs with South-East Asian countries. It has recently reached agreements with Singapore and Vietnam; talks with Thailand, the Philippines and Malaysia continue. The EU has also stated its desire to negotiate an FTA with Indonesia, and 'talks about talks' have been underway since 2011 to prepare the ground for negotiations.

Cameron could also hold out an olive branch to Brexiters who want the UK to have a closer relationship with the Commonwealth, while helping those Commonwealth countries that have argued for the UK to remain in the EU. He could give strong political impetus to negotiations on EU free trade agreements with Australia and New Zealand, countries which have already agreed the TPP. The Commission has agreed with both Australia and New Zealand to start work on preparing for negotiations on free trade agreements, but the talks themselves may not commence until 2017.

Talks on an EU-India FTA have made very slow progress: they started in 2007 and are still nowhere near completion. On the Indian side, the government is reluctant to lower tariff and other barriers to EU manufactured goods, agricultural products and

legal services; on the EU side, the UK seems to be an important obstacle (though not the only one) to the EU allowing skilled employees of Indian companies to work temporarily in the EU.¹²

Britain's concern is that such liberalisation would give an unlimited number of Indian IT workers temporary access to the UK. In the current climate of hostility to immigration, it would be difficult for the UK to concede this point. But post-referendum, it would be another way for the UK to show leadership on trade and support for the Commonwealth; at the very least it would call New Delhi's bluff, putting pressure on it to take similarly difficult steps to lower barriers to EU goods and services even if this offends vested interests in India.

The big prize in trade with Asia, however, would be an agreement with China. The EU's priority is a bilateral investment treaty (BIT), which would give European investors in China more legal certainty, improved investor protection and better market access. For China, while it is also looking for better protection for Chinese investors in the EU, it would also like a uniform EU BIT to replace the bilateral agreements it already has with every member-state but Ireland. It also wants a free trade agreement with the EU; and the EU has made the start of negotiations conditional on agreeing a BIT (among other things).¹³

“Cameron could give political impetus to negotiations on EU free trade agreements with Australia and New Zealand.”

The UK has portrayed itself as China's best friend in Europe; post-referendum, it could use its position in the EU and its relationship with Beijing to push for progress on the BIT. Despite enthusiasm when President Xi Jinping visited Brussels in 2014 neither side seems to be moving ahead quickly. The EU is hamstrung by internal disputes over its competence in the field of foreign direct investment; China has been slow to lower barriers to investment. Both sides stand to benefit from solving these problems.

The single market

One truism is that the EU's single market in goods is comprehensive and the market in services is not. Another is that the UK has a strong comparative advantage in tradable services – now above 40 per cent of its total trade. After a vote to remain, it will be in Britain's interest to work towards 'completing' the single market, with largely national services markets becoming more integrated. It is no coincidence that Europe's productivity

growth lags behind that of the US in services, while EU manufacturing productivity has kept pace.

The UK will need to consider, however, what 'completing' the single market might mean in practice. Services markets are very different from goods markets. Integrating goods markets is mostly about aligning or harmonising product standards – creating EU rules to

12: Ritesh Kumar & Prachi Priya, 'What's holding back the India-EU FTA?', *The Diplomat*, June 17th 2014.

13: Insa Ewert, 'The EU-China Bilateral Investment Agreement: Between high hopes and real challenges', *Egmont Royal Institute for International Relations*, February 2016.

ensure goods are not dangerous, for example. National authorities then enforce those rules, but EU enforcement stops those national authorities from keeping goods manufactured elsewhere in the EU out of their markets.

Services markets, on the other hand, are more complex. It is hard for a customer to know whether someone touting for business as an accountant knows what they are talking about, so most member-states insist on professional qualifications or membership of a guild that intervenes to keep standards high. For the market in accountancy services to be 'completed', the EU would need: harmonised accounting standards, which would be impossible without much more harmonised business tax systems and business law; an EU set of professional qualifications; and an EU system of enforcement and oversight of the accounting profession. It is impossible to imagine member-states agreeing to that.

So is this a counsel of despair? No. Here are two principles that the UK could push to integrate EU services markets more closely. First, focus on those services sectors which are most tradable. There will never be a single market for haircuts, (though local markets may be improved by the free movement of hairdressers). But more European trade could drive up productivity and reduce costs in at least four sectors:

- ★ construction, engineering and architecture;
- ★ legal and accounting services for international commercial transactions;
- ★ 'e-commerce' – the opportunities created by the internet for business-to-consumer and business-to-business retail sales;
- ★ services provided on capital markets (the buying and selling of securities for investors).

Sweeping attempts to integrate many services sectors at once, like the 2004 services directive, are always strongly resisted by national governments, who do not want to cede the authority to regulate their markets and are under strong pressure from vested interests. It is better for the EU and national leaders to expend political capital on sectors where gains from trade are potentially large.

Second, push for more use of '29th regimes'. Rather than mandating that all EU services companies be regulated and supervised by EU laws and institutions, the EU could use an 'opt in' model. Companies in highly tradable sectors could choose to be regulated by a 29th regime of EU laws and supervisory bodies, or not, as they wish. Member-states would not be allowed to stop companies using the 29th regime from doing business in their

territory. Those that do business across the EU would be highly likely to opt in, as it would make their lives easier.

The mooted capital markets union (CMU) – an EU initiative which benefits from unusually warm UK support – is a helpful example. The UK could be a big winner from the proposal, as it is the EU's services hub for actors on capital markets. The CMU aims to shift EU finance towards capital markets and away from banks. The hope is that this would make the provision of capital more efficient by taking advantage of economies of scale. It would also make the European economy more robust in the face of shocks, because if a region ran into economic trouble, the losses would be borne across the EU, as capital ownership would have been spread across the Union.

“The EU and national leaders should expend political capital on sectors where gains from trade are potentially large.”

But the CMU will provide these benefits only if it is comprehensive, harmonising insolvency law and accounting enforcement regimes, and creating single rules and supervision for market infrastructures like exchanges and clearing houses. And member-states do not want to abolish their own financial authorities altogether (Nicolas Véron of Bruegel and the Peterson Institute counts 51 of these authorities in the EU).¹⁴

The commissioner in charge of the CMU, Jonathan Hill, is proposing a 29th regime for personal pensions. A more comprehensive regime for capital markets, creating pan-EU insolvency procedures, accounting enforcement, supervision and other regulations would allow national capital markets to co-exist with EU markets. As EU capital markets expanded, the 29th regime, if well designed, would slowly supplant national ones – but on a voluntary rather than compulsory basis.

By following these two principles – focusing on tradable sectors, and creating optional 29th regimes for them – the EU would confront the most common complaints about it in Britain: that the Commission is inflexible, insisting that all sectors and companies must be regulated at the EU level, irrespective of whether they take part in EU markets, and that it fails to respect national prerogatives. While these principles would not 'complete' the single market, they would certainly move it forward; and they have more chance of being the basis of a more unified services market if a post-referendum British government puts its weight behind them.

14: Nicolas Véron, 'Europe's Capital Markets Union and the new single market challenge', Bruegel, September 2015.

The eurozone

The UK is not a member of the eurozone and probably never will be. As such, British influence over the governance of the currency union will be limited. But British prosperity will be affected by what happens in the eurozone. If the UK votes to remain in the EU, there are some crucial areas where the UK could re-engage in the eurozone debate, potentially improving its own economic fortunes and those of the EU as a whole.

The eurozone economy is suffering from weak domestic demand, as evidenced by extremely low inflation and a large and rising trade surplus. As the eurozone is easily the UK's biggest trade partner (accounting for around 40 per cent of its exports) this has depressed demand for UK goods and services and hence its economy. To compensate for the weak Eurozone economy, the British authorities have had to stimulate British demand by running very expansionary monetary policies, and have had to run a bigger fiscal deficit than would otherwise have been the case.

In fiscal policy, Britain has repeatedly preached the mantra of austerity while being flexible about the actual implementation – at least since the disastrous experiment in austerity from 2010-12, which stalled the UK recovery. Britain could openly support those eurozone policy-makers who argue for a similarly pragmatic approach to fiscal policy-making in the currency union – such as the Commission, which is currently bending the fiscal rules to their legal limits to ensure that fiscal policy is not a drag on the eurozone economy.

The Bank of England (BoE) has been much more aggressive in cutting interest rates and pursuing unorthodox monetary policies such as quantitative easing than the European Central Bank (ECB), which was too passive for too long and is now struggling to revive the eurozone economy. The British authorities understand that monetary policy needs to be highly expansionary to offset the negative economic effects of fiscal consolidation. Greater UK participation in the eurozone debate over monetary policy would strengthen

the ECB's position vis-à-vis countries such as Germany, who have persistently argued for fiscal consolidation and higher interest rates.

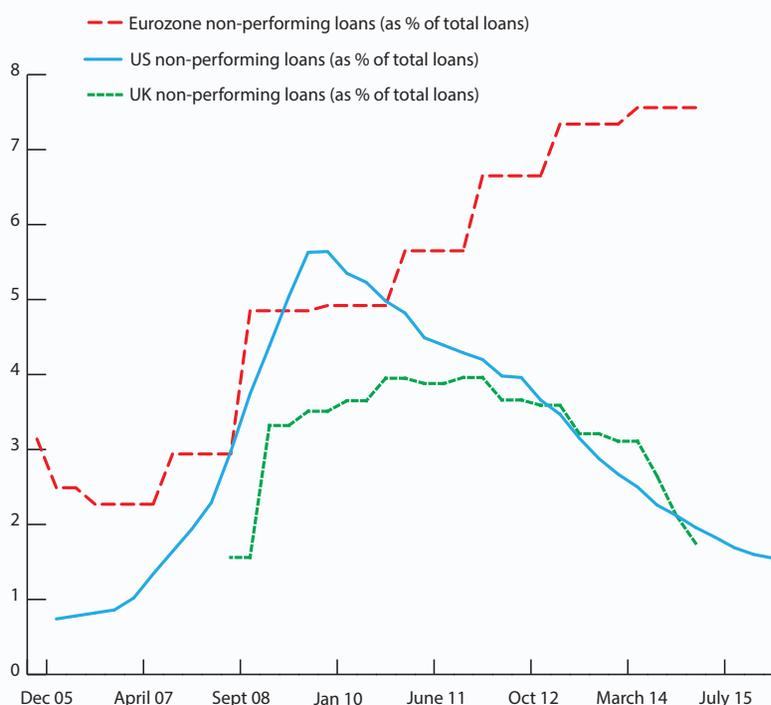
The UK could also provide an independent yet authoritative outside voice on future reforms of the eurozone. For example, increasing Europe's 'competitiveness' means raising productivity through joint European initiatives such as a common market in services. It does not mean slashing wages, as it is often (wrongly) understood in parts of Europe. The British government could be a champion of such productivity-enhancing reforms.

“The UK could provide an independent yet authoritative outside voice on future reforms of the eurozone.”

The eurozone also affects UK interests in a more direct sense. London is Europe's financial centre and will be disproportionately affected by changes in financial regulation in the EU. The eurozone still needs to solve its financial conundrum: how to regulate for stability after the crisis and clean up the banks' balance sheets of bad loans, while at the same time encouraging them to increase their lending to businesses. If the UK engaged constructively with the rest of the EU, it could have a significant impact on how the eurozone approaches this problem. The UK has made good progress in reducing the volume of non-performing loans held by its banks (see chart 1) and has lots of experience with financial regulation. The deal struck in February 2016 gives the UK a relatively safe position from which to re-engage: the agreement explicitly allows for some differentiation in financial regulation between the eurozone and the non-euro countries of the EU, and forbids discrimination against a member-state on the basis of the currency it uses. The UK should be a leader on financial regulation in the EU.

Chart 1: The non-performing loan gap

Source: Federal Reserve Economic Data, International Monetary Fund



EU institutions

If the UK is going to exert more influence in the EU, it needs to rebuild its position in the EU's central institutions. It cannot just rely on intergovernmental bodies like the European Council. The government will have to swallow its pride and work with the European Parliament to get things done, even after David Cameron told a television audience on June 7th: "Do I like the European Parliament? Frankly, I don't like it very much".

When he was campaigning to become Conservative Party leader in 2005, David Cameron promised to pull Conservative MEPs out of the European People's Party (EPP) group in the European Parliament. The EPP is the main centre-right grouping in the Parliament; whether or not its members still believe in a 'United States of Europe', Conservative eurosceptics see it as a bastion of EU federalism. British Conservatives now make up the largest national component of the European Conservatives and Reformists (ECR) group. Cameron saw withdrawal from the EPP as a cost-free gesture to get the support of eurosceptics in his party.

But it was not cost-free. The ECR has been the third largest grouping in the Parliament since the 2014 election. But real influence in the Parliament still lies with an informal 'Grand Coalition' of the EPP, the Progressive Alliance of Socialists and Democrats (S&D – to which Labour MEPs belong) and the Alliance of Liberals and Democrats for Europe (ALDE). On most occasions when the Parliament votes, these parties combine to form a majority. The EPP is the largest grouping in the Parliament and also provides more commissioners than any other group, including the Commission president, Jean-Claude Juncker.

By pulling out of the EPP, Cameron deprived himself of the opportunity to co-ordinate views with Angela Merkel (whose CDU is the biggest party in the group) at the group's regular meetings before the European Council. In doing so, he also lost the ability to influence important decisions, such as the choice of Jean-Claude Juncker as the EPP's candidate for Commission president – a choice which Cameron opposed in the European Council but was by then powerless to block.

If the UK votes to remain, Cameron will have two options for rebuilding the UK's influence in the European Parliament. The first, which would also contribute to strengthening his partnership with Angela Merkel, would be to face down Conservative MEPs (a number of whom have been prominent campaigners in favour of Brexit) and take the Conservative Party back into the EPP. The likelihood is, however, that a number of Conservative MEPs would split from the party rather than enter a quasi-federalist group; and Cameron would put at risk his relationship with Poland's governing party, Law and Justice (PiS), which is the second largest national component in the ECR group. Since the Polish opposition Civic Platform party is already a member of the EPP, PiS would have to choose between staying in the ECR, but with even less influence in the Parliament than when the Conservatives were part of the group, or trying to find another, probably more populist, group to join.

Alternatively, Cameron could seek to build up the ECR as a centre-right but anti-federalist group in the Parliament, responding to growing European popular scepticism of further EU integration. The alliance with PiS, however,

could complicate this. The Polish government led by Beata Szydło supported most of Cameron's reform proposals, and showed greater than expected flexibility over reducing in-work benefits for EU citizens. But it has alienated many of its EU partners with illiberal policies, and has been warned by the Commission that its reform of the Polish Constitutional Court poses "a systemic risk to the rule of law".¹⁵ Cameron might be able to attract economically liberal but non-federalist parties to join the ECR, but such parties could find it hard to run in the 2019 European elections on a common platform with the socially conservative and economically populist PiS.

Whatever Cameron does with his MEPs, he needs to take the European Parliament more seriously, and to improve the links between British MEPs and British MPs. He could make a start when the UK holds the presidency of the Council of the EU in the second half of 2017: he should go to the European Parliament to present UK Presidency priorities. That would be a good opportunity to advocate closer co-operation between national parliaments and the European Parliament, as a way of increasing the democratic legitimacy and the political accountability of the EU. The UK has often treated the powers of the European Parliament as an infringement on the powers of Westminster; Cameron has a chance to set out a new vision, in which national MPs and MEPs work together to improve the quality of EU policy-making.¹⁶

It is not just in the European Parliament that Britain has lost influence. Just as important is the UK's under-representation in the European Commission and the European External Action Service (EEAS). Despite being the third largest member-state by population, the UK has fewer EU officials in the AD grades of the Commission (those above support staff level) than Germany, France, Italy, Spain, Belgium or Poland.¹⁷ Though EU officials must act "solely with the interests of the Union in mind", according to the EU's staff regulations, in practice officials are an important informal channel of influence for member-states; and they inevitably bring with them some of the political and administrative culture of their home country.

Though the UK still has a number of its nationals in senior positions in the Commission, many are close to retirement age; at the more junior levels the gap between the UK's share of the EU population (12.4 per cent) and its share of Commission jobs (little more than 2 per cent in the lowest three AD grades) is enormous. The problem is likely to persist: fewer than 3 per cent of those who passed the EU entry competition (the 'concours') in 2012 were British,

for example.¹⁸ So without targeted measures to increase the number of UK nationals, the Commission may well become steadily less British in its culture and its approach to policy issues.

There are educational reasons for Britain's poor performance in getting jobs in the Commission: successful applicants must have a good command of two EU languages (including their mother tongue), and need a third to get promoted; very few British schools

"Not many people actively seek a job in which they are likely to be vilified as traitors."

offer students the chance to learn so many languages. But the attitude of British politicians and the British media to those who work in the EU institutions is also a disincentive. Not many people actively seek a job in which they are likely to be vilified as useless eurocrats, unelected dictators conspiring against British interests in return for excessive salaries, servants of a corrupt empire or simply traitors. The possibility of Brexit has added another reason not to become an EU official: why would anyone interested in a long career take a job which they would probably lose if Britain left the EU?¹⁹

Turning round the education system in the UK will take a long time, but the British government should do much more to change the public narrative on UK nationals in EU jobs. The European Fast Stream scheme, which aimed to get able young civil servants into EU jobs, was cancelled by the Labour government in 2008 but revived by the coalition government in 2010. The government could do much more to encourage both existing civil servants and university students to apply for the scheme, and could support them with intensive language training. In 2009 the Labour government also stopped 24 UK scholarships to the College of Europe (with campuses in Bruges and Warsaw), which often serves as a 'feeder' for jobs in the EU institutions. Later governments have only restored a few of these; the government should reinstate at least the original allocation.²⁰ The UK could engage more intensively with universities to promote careers in the EU institutions (as the German foreign ministry already does). And it could encourage young graduates to get more exposure to work in the EU through the Commission's five-month traineeship programme. In the latest round of applications (for trainees starting in October 2016) only 1.3 per cent of applications were from British citizens.²¹

15: European Commission, 'Commission adopts Rule of Law Opinion on the situation in Poland', June 1st 2016.

16: Agata Gostyńska-Jakubowska, 'The role of national parliaments in the EU: Building or stumbling blocks?', CER policy brief, June 6th 2016.

17: European Commission, 'Statistical bulletin on 01/02/2016: Officials, temporary staff and contract staff by nationality and grade'.

18: House of Commons Foreign Affairs Committee, 'The UK presence in the EU institutions', June 25th 2013.

19: Ian Bond and others, 'Europe after Brexit: Unleashed or undone?', CER policy brief, April 15th 2016.

20: House of Lords Hansard, 'European Commission: Staffing', November 4th 2013.

21: Figures from European Commission Traineeships Office website.

As a short-term measure, Britain could also send more national experts to the Commission, and try to increase the number of British diplomats seconded to the EEAS in Brussels and in EU delegations. If nothing else, when they

return to civil service jobs in the UK they could help to demystify work in the institutions for others considering careers in Brussels.

Conclusion

The Conservative Party's internal politics will make it difficult for David Cameron to pursue a new, more positive approach to the EU, whatever the outcome of the referendum. About half of his parliamentary colleagues will have campaigned for Brexit, and much of the Conservative voting base will have backed it. The narrower the margin of victory for Remain, the more tempting it will be for the prime minister to revert to the old British way of doing things in Brussels: grudging in public, even when supportive in private; snide about the odd ways of other Europeans, and arrogant about Britain's 'innate superiority'; obsessed with fighting procedural battles to ensure that the Commission cannot claim an atom of additional competence, and less concerned about whether the UK's wider national interest would be served by co-ordinated EU action.

Some member-states may not welcome a re-invigorated Britain that tries to lead the EU with the zeal of the convert. But most would accept that the UK can be a force for good in the EU when it commits itself to a project – as was the case with the single market in the 1980s. They should accept that the renegotiation and the referendum have changed something in the EU. While Britain may be newly committed to the Union, it is not committed to the Union as it was before the renegotiation, or convinced that the deal done in February is the last word in reform. And they should recognise that while the UK is unique (so far) in allowing its population a vote on EU membership, the concerns that ordinary Britons have expressed about the EU's direction of travel are widely shared in other member-states; the EU cannot simply ignore that political fact.

Britain should continue to fly the flag for reform: if the EU seems complacent and reluctant to change, the Union will be unable to fight off the challenge of populist parties arguing that it is unreformable. Other member-

states need to accept that more differentiation and less uniformity may be the best way to keep the EU together: the EU's willingness to accommodate the UK's particular needs may be a model for the future, not an aberration.

But Cameron should not resume the role of Europe's irascible country relative, always out to find fault with the soft continental townfolk and to assume that they are plotting to cheat him. He has nothing to lose by being more ambitious: he has already announced that he will not fight the next election in 2020. If he does not face down the irreconcilable eurosceptics now, the European question will bedevil his successor and the Conservative Party for another generation, constantly damaging the UK's standing in Europe and beyond. This is his chance to show the British public that Britain gains more by working with the EU than against it, and to show the rest of Europe that he has learned the value of teamwork.

The other member-states may doubt that Britain can ever be a fully committed member of the Union. Cameron needs to prove them wrong: no more ultimatums: "Give us what we want or we leave", but an acknowledgement that the UK can achieve much more as a fully engaged member of the EU team than kicking a ball against a wall on its own.

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