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Research Report

Europe without Britain: Assessing the impact on the European Union of a British withdrawal

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SWP Research Paper

Stiftung Wissenschaft und Politik
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and Security Affairs

Tim Oliver

Europe without Britain

Assessing the Impact on the European Union
of a British Withdrawal

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**Europe without Britain
Assessing the Impact on the European Union
of a British Withdrawal**

A series of developments in both the UK and the EU have led to a situation where a referendum on the UK's membership now looks increasingly likely. Most clearly, Prime Minister David Cameron has committed the Conservative Party, should it win the general election due in 2015, to renegotiate Britain's relationship. This would then be put to the British people in a referendum, expected to be around 2017. Wider political pressure is mounting for other party leaders to make similar commitments. Recent opinion polling points to strong and growing support for withdrawal. While we should be careful not to assume the UK is destined to withdraw, the possibility of this happening is now stronger than ever before.

A UK withdrawal would have profound implications and costs for the UK, far greater than for the EU. Nevertheless, the rest of the EU would face both the unprecedented event of a withdrawal of a member state and, in the case of the UK, the withdrawal of one of its largest members. This could bring about significant changes to the EU. For some, the loss of one of the most economically liberal members could tip the EU towards protectionism, or perhaps trigger a crisis in European integration leading to the EU's unraveling. Others see the potential for the EU to free itself of its most awkward member, making the EU easier to lead, aiding a solution to the Eurozone's crises, in turn strengthening the foundations for an ever closer union among the people of Europe. While there has been some discussion of the implications for the EU of agreeing to a renegotiated relationship for the UK within the EU, opinions about what a withdrawal would mean are quite few and far between and what exists has not been subject to any detailed analysis. Most analysis on a UK withdrawal focuses instead on the implications for the UK. As such, a potentially more dramatic and damaging event – potentially far more than a renegotiation – in the development of the EU is being under discussed. The threat of a withdrawal also underpins David Cameron's hopes to secure a renegotiation of Britain's relationship within the EU. As such, there is a need for better analysis of the possible implications of a withdrawal.

A British withdrawal would trigger three inter-related series of challenges to the EU:

First, there is the problem of how to manage the process of a British withdrawal. For a long time discussion of a member state withdrawing from the EU was something of a taboo. To a certain extent this remains so. Despite the inclusion of Article 50 in the Treaty on European Union, setting out a withdrawal process, the procedure is something of an unopened Pandora's Box. Negotiations would not only take place between the UK and EU. Negotiations would need to take place within the EU to amend the EU's institutions, voting allocations, quotas and budgets; issues rarely settled with ease.

The second problem is how to shape ongoing EU cooperation and integration around a British withdrawal. The absence from the EU's formal decision making structures of one of the largest and arguably one of its most influential member states, could change the balance of power within the EU, in turn changing its nature and direction. Numerous scenarios exist: some point towards an EU that is more inward looking; others towards an EU that is more easily led and therefore better able to deal with its internal and external problems. Here we should be careful not to overplay the part the UK plays in the EU's problems, or overlook its contributions. The Eurozone crisis shows how with the UK out of the room the EU has still struggled to find the necessary solidarity and leadership to manage the crisis. The Eurozone crisis itself is both exacerbating Britain's feeling of detachment from the EU, while also distracting attention by the rest of the EU from the possibility of a British withdrawal.

The final problem is how the EU should manage relations with the UK after a withdrawal. Article 50 requires any withdrawal agreement include a framework for future relations with the withdrawing state. Despite what British Eurosceptics and Britain's critics in the rest of the EU might wish, Britain and the EU will remain deeply interconnected. Indeed, the title of this paper itself highlights a common way of thinking that needs to be qualified: a withdrawal could never mean the end of Britain in Europe, only of the United Kingdom's membership of the European Union. A withdrawal itself may take several years to action, and there exists the possibility of formal relations continuing afterwards in some way. Several options exist for EU-UK relations post-withdrawal. For example, agreement could be reached for the UK to adopt a Swiss or Norwegian model of relations with the EU.

Each option contains pros and cons for the EU. The interconnections between the EU and UK, along with the likely desire of the UK to continue close relations with the EU as a means to an end of bolstering its own power and security, mean future relations could be positive. However, relations could easily become acrimonious and competitive.

While discussing a British withdrawal may seem to play into the hands of those who seek it, it is important to begin thinking about these issues as soon as possible so that they might be better handled if they do appear. Not only would a UK withdrawal pose problems and opportunities for solving the Eurozone crisis, it could also become something to address sooner than perhaps expected. This is not because a referendum may be triggered earlier than 2017, although this remains a slim possibility. It is because any renegotiation of Britain's relationship inside the EU would almost certainly need to include discussion of what would happen should the British people vote to reject that renegotiated relationship and opt for withdrawal.

This working paper aims to clarify some of the questions a withdrawal could present, draw attention to the contradicting outlooks on what a withdrawal could mean and highlight the need for further research and discussion. The paper does so by dividing the topic into three sections. The first section provides the context; explaining what is happening in the UK, what role it has played in European integration and what response there has been from the rest of the EU to the UK's current moves. The second section examines how a UK withdrawal would happen procedurally, what I call the divorce proceedings. The final section discusses life after the divorce. It examines the Europe-wide political, economic, ideological and geopolitical problems a UK withdrawal could pose for the EU and Europe. It also examines the options for UK-EU relations post-withdrawal.

Sleepwalking towards a British Exit

David Cameron's announcement committing a future Conservative government to renegotiating Britain's relationship with the EU, to then be put to a referendum, widely expected to be around 2017, did not come entirely as a surprise. Britain has struggled in its relationship with European integration since it began in the 1950s.¹ As a victor of the Second World War, Britain thought of itself as more than a European power. Europe wasn't seen as the choice Britain wanted to make, more a requirement of survival. This sense the EU is there to serve British ends, rather than as a means of serving the whole of Europe, lives on. As Cameron himself made clear, for Britain the EU is a "means to an end" with the "end" not being "ever closer union."²

Despite this Britain has contributed significantly to the EU, albeit in an often Janus faced way. In formal government to government relations the British have often shown themselves to be constructive players, pushing forward European integration. That this has happened without the British people fully realising rests, in no small part, on the desire of successive governments to publically play down the degree of cooperation they have pursued. A failure of the wider political class to explain Europe and challenge misconceptions has meant a growth in Euroscepticism that today is a norm of British politics.

The Euro crisis has reduced further the British public's faith in the EU. Steps towards further integration, to help solve the crisis, have caused alarm the EU no longer reflects something the British are comfortable with. A common refrain in British politics is that the UK joined, and in a 1975 referendum on membership voted for, a "Common Market" as opposed to some form of political union.³

Added to this is a sense that a declining EU holds Britain back from dealing with the opportunities and threats of the modern world. As one Conservative MP

put it, in joining Europe "we shackled ourselves to a corpse."⁴ The situation has reached a point where some Conservative Party MPs even support UK withdrawal from the Single Market, often seen as the mainstay of British membership.

As Cameron himself noted, a combination of changes to the EU that have taken it out of the UK's "comfort zone," along with a repeated failure to consult the British people over this, has led to a situation where the "democratic consent for the EU in Britain is now wafer-thin". Ignoring this, he argued, will only allow support for withdrawal to grow making the situation worse. The only solution, he argued, is not only to consult the people, but to seek a renegotiated relationship, settling Britain's place in a changed EU. Once a new relationship has been outlined, it would be put to the British people to choose whether, in their opinion, it or leaving the EU is the best future for their country.

Numerous recent opinion polls indicate a growing willingness of the British people to vote for withdrawal.⁵ While such polling results have been seen in the past (in 1980 one opinion poll found 71 per cent wanted the UK to withdraw⁶) this rise has been accompanied by the growth of the UK Independence Party, staunchly committed to securing the withdrawal of the UK from the EU.⁷ The rise of UKIP can be attributed to a number of factors such as immigration, the economy and as a protest vote exercised by an electorate that for more than thirty years has shown a decreasing willingness to support two-party politics.⁸

1 See Andrew Gamble, *Between Europe and America: The Future of British Politics* (London, 2003).

2 David Cameron, "The Future of the EU and the UK's Relationship with It," Speech, London, January 23, 2013, <https://www.gov.uk/government/speeches/eu-speech-at-bloomberg>.

3 Christopher Brooker and Richard North, *The Great Deception: The Secret History of the EU* (London: Continuum, 2003), 158-73.

4 Douglas Carswell, *Hansard*, October 26, 2012: Column 1257, <http://www.publications.parliament.uk/pa/cm201213/cmhansrd/cm121026/debtext/121026-0002.htm>.

5 Rowland Watson, "Most Voters Want Britain to Quit EU, Poll Shows," *The Times*, January 25, 2013, <http://www.thetimes.co.uk/tto/news/politics/article3667906.ece>.

6 See Ipsos MORI's "European Union Membership - Trends," <http://www.ipsos-mori.com/researchpublications/researcharchive/poll.aspx?oItemId=2435&view=wide>.

7 "How UKIP Became a British Political Force," *BCC News*, May 3, 2013, <http://www.bbc.co.uk/news/uk-politics-22396689>.

8 Simon Usherwood, *UKIP's Political Strategy: Opportunistic Idealism in a Fragmented Political Arena*, Paper presented to the University Association for Contemporary European Studies, Bruges, September 2010, <http://www.academia.edu/2312702/>

It has also taken votes from all three main UK parties.⁹ Nevertheless, the pressure it has brought to bear on Conservative Party MPs helped push Cameron into making his speech. His speech and commitment failed to stem the rise of UKIP, leading instead to further efforts by some Eurosceptics for a referendum within the current Parliament, due to end in 2015, or for legislation to be passed enabling the government, elected in 2015, to hold a referendum soon after coming into office.¹⁰

While Cameron wants Britain to remain a member of the EU, he did not rule out the possibility of his backing a withdrawal should a renegotiated relationship not be possible. Developments within the Conservative Party should not lead to the assumption that arguments about Europe are confined solely to it. Europe was one of the driving issues behind a split in the Labour Party in the early 1980s. So far, current Labour Leader Ed Miliband has avoided committing to a referendum, preferring not to distract media attention from the Conservative infighting on the issue, which also serves to hide Labour's own divisions on the issue. Pressure on him is slowly growing, but Miliband has ruled out a commitment to a referendum for the time being. He fears committing to a referendum which a Labour government – with a slim majority or in coalition – would have to fight mid-term, when the popularity of most governments is at their lowest.¹¹ Deputy Prime Minister and Liberal Democrat Party leader Nick Clegg has voiced his opposition to Cameron's approach. But while his party is often portrayed as the most pro-European party, it has also committed itself to an in-out referendum to manage internal party tensions over the issue.¹²

UKIPs_Political_Strategy_Opportunistic_Idealism_in_a_Fragmented_Political_Arena.

⁹ Philip Webster, "Not an Earthquake, But UKIP's Tremors Will Spread through All Parties," *The Times*, May 3, 2013, <http://www.thetimes.co.uk/tto/news/politics/article3755664.ece>.

¹⁰ "EU Referendum: Tory MP Will Take forward Bill," *BBC News*, May 16, 2013, <http://www.bbc.co.uk/news/uk-politics-22542207>.

¹¹ John Rentoul, "Ed Miliband on Europe," *The Independent*, May 12, 2013, http://blogs.independent.co.uk/2013/05/12/ed-miliband-on-europe/?utm_source=British+Influence+supporters&utm_campaign=dbcd62b950-EuropeWatch+2013-05-13&utm_medium=email&utm_term=0_c24f34caff-dbcd62b950-315150137.

¹² George Eaton, "When Clegg Supported an EU Referendum," *New Statesman*, October 22, 2011, <http://www.newstatesman.com/blogs/the-staggers/2011/10/referendum-membership-lib>.

Cameron's call for a referendum drew support from people on both left and right, Eurosceptic and Europhile. Pro-European Timothy Garton-Ash, writing in the lead up to the speech was impatient: "Bring it on, I say, and may the best arguments win".¹³ Professor Vernon Bogdanor, Cameron's former Oxford tutor, urged the Labour party to back the referendum: "The EU is an elite project without popular support. Labour can bring it back to the people."¹⁴ In a speech backing Cameron's plan, former Conservative Prime Minister Sir John Major best captured the hopes for a referendum: "The relationship with Europe has poisoned British politics for too long, distracted parliament from other issues and come close to destroying the Conservative party. It is time to resolve the matter."¹⁵

A fight back by pro-Europeans has begun. There is still a good chance that when presented with a choice, and a campaign countering a Eurosceptic message which has so far dominated British politics, the British will vote to stay in the EU, even if on modified terms that puts them in some outer-circle of the EU. Nevertheless, the outlook is not encouraging. Compared with the last time the UK held a referendum in 1975 support from the business community, the media and the political parties is not as united. Pro-European campaign groups are weak in comparison to the large number of Eurosceptic groups who are well organised and funded.¹⁶ As David Rennie notes: "As an idea, the possibility of British withdrawal is becoming normalized."¹⁷

This combination of a largely unchecked Eurosceptic agenda, moves by the EU towards closer political union, growing public dissatisfaction, EU partners resigning themselves to Britain's departure and David

¹³ Timothy Garton Ash, "A Referendum on Europe? Bring It On, For All Our Sakes," *The Guardian*, December 20, 2012, <http://www.theguardian.com/commentisfree/2012/dec/20/referendum-europe-bring-it-on>.

¹⁴ Vernon Bogdanor, "Why the Left Should Support a Referendum on Europe," *The Guardian*, January 27, 2012, <http://www.guardian.co.uk/commentisfree/2013/jan/27/left-should-support-referendum-europe>.

¹⁵ John Major, *The Referendum on Europe: Opportunity or Threat?* (London: Chatham House, February 14, 2013), <http://www.chathamhouse.org/sites/default/files/public/Meetings/Meeting%20Transcripts/140213Major.pdf>.

¹⁶ Simon Usherwood and Nick Startin, "Euroscepticism as a Persistent Phenomenon," *Journal of Common Market Studies* 51, no. 1 (2013): 1–16.

¹⁷ David Rennie, *The Continent of the Open Sea? Does Britain Have a European Future?* (London: Centre for European Reform, May 2012), 75, <http://www.cer.org.uk/publications/archive/report/2012/continent-or-open-sea-does-britain-have-european-future>.

Cameron's strategy, which only seems to have further whetted the appetite of Eurosceptics, led Labour Leader Ed Miliband to warn Britain may be sleepwalking towards the exit door from the EU.¹⁸

The EU's Response

Responses from across the rest of the EU to Cameron's commitment, and to the wider British debate about its membership of the EU, divide into four groups. First, while there were wide differences of opinion on what Cameron set out to achieve, there was a general recognition that parts of the speech were constructive. Finnish EU Affairs Minister, Alex Stubb, described the speech as one which has, "opened the door for an honest debate, and I hope those people who really care for Europe, and for the UK, for that matter, come out and have an honest debate."¹⁹ Second, the majority of responses critiqued the type of relationship Cameron hoped the UK can achieve within the EU. The focus here was on what such a relationship would mean for the EU, with most focus being on how such a change could unleash destructive centrifugal forces that would weaken wider European unity. For Carl Bildt, the Swedish foreign minister, "Flexibility sounds fine, but if you open up to a 28-speed Europe, at the end of the day there is no Europe at all. Just a mess."²⁰ As German Foreign Minister Guido Westerwelle said, "Germany wants the United Kingdom to remain an active and constructive part of the European Union ... But cherry picking is not an option. Europe isn't the sum of national interests but a community with a common fate in difficult times."²¹ The third group of responses pointed out what a withdrawal could do to

the UK. Joschka Fischer, former German foreign minister, best summarised most such opinion when he said: "For the EU, Britain's exit would be a heavy blow, but for the British it would be a real disaster ..."²² Finally, only a few responses focused on the potential impact on the EU of a UK withdrawal, rather than a renegotiated relationship. For Franco Frattini, former Italian Foreign Minister, the "United Kingdom is an indissoluble part of the European Integration Process. I wish London will decide to remain in Europe." Sweden's Aftonbladet newspaper made clear a British exit would be: "to Britain, Europe and Sweden's disadvantage. For Swedish part, we would lose an important partner in the EU, we are close to the UK on many issues, and it would be unfortunate for the Swedish political interests. The EU as a whole is losing a strong and important State. As the UK is one of the three heavy-weight countries in the EU, the whole Union hit hard by an exit. With Britain outside the EU would be a weaker Europe. It brings economic strength, military reach and credibility in international politics."²³

Some have concluded Britain is headed for the exit whatever the rest of the EU does.²⁴ Yet even those resigned to the idea that Britain is on its way out, have not outlined what this could mean for the EU. As noted above, most discussion has focused on the implications for the EU of a renegotiated relationship for the UK inside the EU. The implications of a withdrawal tend to be caught up in such discussions, often being mentioned as an after-thought. This is hardly a surprise. The exact process for a member state to withdraw is vague. The political implications are even vaguer. Discussing withdrawal of any member state has long been a taboo. In Britain's case this might also be fuelled by fears such talk could become self-fulfilling, or play into the hands of those in Britain who argue Britain could not be let go and so the rest of the EU must meet its demands.

It would be wrong for the EU to shy away from discussing openly and in detail the implications of the

¹⁸ Nicholas Watt, "David Cameron Risks 'Sleepwalking' UK out of EU, Warns Miliband," *The Guardian*, January 13, 2013, <http://www.guardian.co.uk/politics/2013/jan/13/david-cameron-sleepwalking-eu-ed-miliband>.

¹⁹ Cassell Bryan-Low, "UK's Cameron Draws Fire over Europe Plan," *The Wall Street Journal*, January 23, 2013, <http://online.wsj.com/article/SB10001424127887323539804578259203099915538.html>.

²⁰ Carsten Volkery, "Referendum Reactions: Cameron Faces Heat over Continent," *Spiegel Online*, January 24, 2013, <http://www.spiegel.de/international/europe/cameron-finds-little-support-on-continent-for-referendum-on-eu-a-879441.html>.

²¹ Carsten Volkery, "Cameron's Collision Course: London Takes Major Gamble with EU Referendum," *Spiegel Online*, January 23, 2013, <http://www.spiegel.de/international/europe/analysis-and-reaction-on-david-cameron-s-plan-for-a-referendum-on-eu-a-879241.html>.

²² "Cameron Referendum Speech: EU Reaction," *BBC News*, January 23, 2013, <http://www.bbc.co.uk/news/world-europe-21159365>.

²³ Jessica Elgot, "David Cameron's EU Speech: Europe's Politicians and Media Condemn In/Out Referendum," *Huffington Post*, January 23, 2013, http://www.huffingtonpost.co.uk/2013/01/23/david-cameron-eu-speech-politicians-europe-referendum_n_2531996.html.

²⁴ "UK's Slide to EU Exit Door Will Be Difficult to Reverse," *The Irish Times*, November 27, 2012, <http://www.irishtimes.com/debate/uk-s-slide-to-eu-exit-door-will-be-difficult-to-reverse-1.557470>.

withdrawal of one of its largest members, given the potential knock-on effects of such an event could be similar to those of agreeing to a renegotiated relationship. Indeed, whether the rest of the EU likes it or not, any British renegotiation will inevitably touch on the sensitive issue of a withdrawal. While neither the British nor EU representatives will likely relish such discussions they will need to be had. First, the British people, media, business and civil society will need to know what voting to leave will mean, leading the British government to at least have some form of outline to put to them. Second, the British and EU representatives will need to agree an arrangement to provide at least some limited political and economic stability for both the UK and the EU, should the British vote to withdraw. Failure to do this would lead to a myriad of political, economic and legal questions exploding onto the agenda the moment it became clear the British had voted to withdraw.

That the prospect of a British withdrawal is overshadowed by the problems of the Euro crisis should not detract from what would be an historic event in European integration. The rest of the EU cannot repeat the concern the UK is sleepwalking towards an EU exit, when the EU itself may be asleep to what this could mean for it.

What Does the UK Contribute to the EU?

With the debate about Britain's withdrawal dominated mainly by British arguments about the utility of the EU to the UK, it is easy for both the UK and the EU to overlook what the UK means for the EU: what it directly contributes, what it has helped build, what part it has played in the history and idea of European integration. Arguably some of the UK's contributions have also been negative ones, something we turn to later in the paper.

The clearest implications of a UK withdrawal would be the loss of nearly 12.5 per cent of the EU's population and almost 14.8 per cent of its economy.²⁵ While it has plenty of problems, Britain's €1.9 trillion economy is the world's sixth largest and amongst its

most dynamic. It represents 19.4 per cent of EU exports (excluding intra-EU trade).²⁶ Within the EU it runs an overall deficit in goods and service with other member states, in 2011 estimated at £28 billion.²⁷ The City of London, the world's pre-eminent financial services centre, is a significant asset to both Britain and the EU. The UK has been a favourite destination for inward investment in the EU.²⁸ It has also been one of the most attractive destinations for other EU citizens, being home to around 2 million EU citizens.²⁹

The UK is one of the largest overall contributors to the EU budget. In 2011 its gross contribution was €14,869.3 million. After a UK rebate of €3,595.9 million the contribution paid was €11,273.4 million. After receipts of €6,570 million, the UK is a net contributor of €4,703.4 million, placing it amongst the largest net contributors. Without the budget rebate Britain's net contribution in 2011 would have been €8,229.3 million, compared to Germany's €7,538.1 million.³⁰ While the political relationship can be acrimonious, the relationship between the EU and British officials and government institutions has not been as difficult, although the political relationship has affected it.³¹

Britain's strong support for liberal free trade has helped drive forward the Single Market, sometimes claimed by the British as entirely their invention. While a strong degree of ambivalence has emerged over the free movement of peoples to Britain, the British government continues to push for further free movement of goods, capital and especially of

²⁵ Population figures calculate from Eurostat figures for 2011: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=demo_gind&lang=en. Economic figure calculated from Eurostat figures for 2013 GDP at current prices. UK economy is €1,940,659.6 billion of the EU's €13,086,459.2 billion economy, http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nama_gdp_c&lang=en.

²⁶ *Right Speech, Right Time?* (London: Open Europe, January 22, 2012), 10, <http://www.openeurope.org.uk/Content/Documents/Pdfs/EuropeSpeech.pdf>.

²⁷ See answer from Baroness Warsi, *Hansard*, HL Deb, November 14, 2012, c1507, <http://www.publications.parliament.uk/pa/ld201213/ldhansrd/text/121114-0001.htm#12111438000002>.

²⁸ "UK Tops European Inwards and Outward FDI Tables," *FDI Intelligence*, 2013, <http://www.fdiintelligence.com/index.php/Info/What-s-New/Press-releases/UK-tops-European-inward-and-outward-FDI-tables>.

²⁹ Eurostat, *Foreign Citizens and Foreign-born Population*, July 11, 2012, http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-11072012-AP/EN/3-11072012-AP-EN.PDF.

³⁰ *EU Budget 2011, Financial Report* (Brussels: European Commission, 2012), http://ec.europa.eu/budget/library/biblio/publications/2011/fin_report/fin_report_11_en.pdf.

³¹ Ricardo Gomez et al., *European Union Policy Making in the UK: A Brief History*, Papers in Politics, Paper No. 5 (Manchester, May 14, 2003), http://www.socialsciences.manchester.ac.uk/disciplines/politics/publications/workingpapers/documents/manchester_working_papers/MPP072003.pdf.

services.³² Its interest in uniting Eastern and Western Europe led it to strongly back European enlargement, albeit with a hope such widening would weaken efforts to deepen European integration. A similar commitment can be found towards extending free trade agreements, an Atlantic free trade area re-emerging as a clear British aim.

In supporting the single market, British governments have shown a keen interest in questioning and minimising unwanted interference by the EU. The current British government's "Balance of Competences Review," looking into almost every area of EU activity, reflects a willingness, perhaps sometimes too forthright (and often viewed suspiciously as cloaking national self-interest), to openly question, analyse and seek changes to the direction of the EU and the role it plays in the economic and political life of the member states.³³

With France it stands as the other major EU military and nuclear power, with a permanent seat on the UN Security Council, all backed by an extensive diplomatic and intelligence network. Britain expects a lot of its soft power, whether through the institutions of the BBC World Service and British Council, wider cultural and sporting activities, economic and scientific innovation, or its leading role in international development. Britain has been central to efforts to create a Common Foreign and Security Policy, to make the EU think geopolitically and provide it with some form of defence capability. Links to the USA might sometimes be overplayed and to an extent warp British views of their place in the world. However, British Prime Ministers have sought to use this relationship not only for Britain's benefit, but to ensure the USA remains engaged in European security and to uphold NATO as the world's most powerful military alliance.

It would be narrow-sited to consider simply Britain's contributions to the EU without also recalling her wider part in European culture, for example her innumerable contributions in sport, art, literature, philosophy and science. With a growing population some predictions put Britain as the largest EU mem-

ber sometime between 2040 and 2050.³⁴ The British might struggle to identify themselves as European, but Britain is and always has been a core part of European and wider Western civilisation.

³² Jo Johnson, *Britain Must Defend the Single Market* (London: Centre for European Reform, June 2012), http://www.socialsciences.manchester.ac.uk/disciplines/politics/publications/workingpapers/documents/manchester_working_papers/MPP072003.pdf.

³³ Nicholas Watt, "David Cameron Snubbed as Germany and France Ignore UK Survey on Europe," *The Guardian*, April 1, 2013, <http://www.guardian.co.uk/politics/2013/apr/01/david-cameron-eu-survey-merkel>.

³⁴ Eurostat, "Ageing Characterises the Demographic Perspectives of the European Societies," *Statistics in Focus*, no. 72, (2008): 5, http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-08-072/EN/KS-SF-08-072-EN.PDF.

The UK-EU Divorce Proceedings

The impact of a British withdrawal would be felt in two stages. The first stage, the process by which the UK would trigger and negotiate its withdrawal, would expose the EU to the untested process of managing the withdrawal of a member state. As this section discusses, such a process will be dogged by uncertainties and unclear procedure. It will present awkward opportunities for change to the EU's own institutions and balance of power. Negotiations will need to cover everything from legal minutiae through to geo-political questions of European defence and security. Taking this forward will be a delicate operation, with more than enough time and opportunities for animosity to develop on all sides. Getting the process right will be essential for the second stage of living with what is agreed, something we turn to in the next section.

The Taboo of Withdrawal

The idea of a member state voluntarily withdrawing from the EU, or its predecessor organisations, passed unmentioned in the treaties until the European Constitution.³⁵ Nobody denied a member state could, under international law, withdraw should it wish. This had been part of the in-out referendum Britain held in 1975, something no other member state contested.³⁶ This remains the case today. There is nothing to legally stop the UK from unilaterally withdrawing. Doing so would involve the British Parliament repealing the 1972 European Communities Act, which provided for UK membership of the then European Community. There have been attempts by Conservative MPs to do this.³⁷ But, while this could be

legal and assert the idea of the British Parliament as sovereign, it immediately runs into real-world problems which show sovereignty is not quite so simple. The UK would still have to abide by many of the obligations it has entered into with the EU.³⁸ More importantly, the sheer economic and political costs of such a move mean the UK would have to work with the EU to negotiate and manage the implications of a withdrawal. Failure to do this would lead to a myriad of political, economic and legal problems. The EU would certainly be compelled to negotiate in order to try and limit such damage to it.

Fears have long existed that making explicit a procedure for withdrawal could encourage member states to question their commitment to the EU, or use the threat of withdrawal should they fail to get their way on an issue.³⁹ Alongside such fears were deep uncertainties as to what withdrawal would mean for European integration. During the European Convention, the Dutch Government made clear that in its opinion: "facilitating the possibility to withdraw from the Union is contrary to the idea of European integration as set out in the preamble of the TEU: 'Resolved to continue the process of creating an ever closer union among the peoples of Europe'."⁴⁰ How exactly withdrawal would take place, was another problem. The withdrawals of Greenland in 1985 and Algeria in 1962 had prompted concerns they set precedents for the withdrawal of a member state, but as overseas territories they provided little by way of a guide to how an actual member state might withdraw.⁴¹

³⁵ For a good discussion of the history behind the idea of an EU member state withdrawing from the EU and/or EMU see Phoebus Athanassiou, *Withdrawal and Expulsion from the EU and EMU: Some Reflections*, European Central Bank Legal Working Paper Series, no. 10 (Frankfurt, 2009), <http://www.ecb.int/pub/pdf/scplps/ecblwp10.pdf>.

³⁶ *Ibid.*, 21–22.

³⁷ "MPs Debate Case for UK Pulling Out of European Union," *BBC News*, October 26, 2012, <http://www.bbc.co.uk/news/uk-politics-20085437>.

³⁸ Damien Chalmers, *Democratic Self-Government in Europe*, Policy Network Paper (London, 2013), 14–15, <http://www.policy-network.net/publications/4399/Democratic-Self-Government-in-Europe>.

³⁹ See amendment from Elmar Brok et al., Convention on the Future of Europe (2002), 7, <http://european-convention.eu.int/Docs/Treaty/pdf/46/global46.pdf>.

⁴⁰ See amendment from the Dutch Government, Convention on the Future of Europe (2002), 19, <http://european-convention.eu.int/Docs/Treaty/pdf/46/global46.pdf>.

⁴¹ For a discussion of the withdrawal of Greenland see House of Commons Library, *Leaving the EU*, Research Paper RP13/42 (August 2013), 12–13, <http://www.parliament.uk/briefing-papers/RP13-42>.

It wasn't until the 2001–03 European Convention that wording was put forward for a withdrawal clause. The initial proposal, Article I-59, became in the final draft Article I-60. Following the abandonment of the European Constitution it became, without any change to the wording, Article 50 of the Treaty on European Union, the first part of new Treaty of Lisbon.⁴²

Article 50

Article I-60 had been included in the European Constitution on the grounds that should it be invoked it could provide at least a semblance of order to an unprecedented event in European integration.⁴³ As Article 50 of the Lisbon Treaty it is this article that Britain and the EU would follow in the event of a British withdrawal.⁴⁴

Under Article 50 the British Government would, in writing, inform the European Council of its intention to withdraw the UK from the EU. The European Commission would then put forward a nomination for an EU negotiator to be approved by the Council. EU and UK negotiating teams would then draw up a withdrawal agreement, setting out “the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union”. The framework for future relations refers to arrangements such as the UK securing a free trade relationship with the EU, a relationship through membership of the European Economic Area, or some other arrangement.

Once the negotiating teams had concluded a withdrawal agreement, it would be put to the European Council to agree through a qualified majority vote, after the consent of the European Parliament had been obtained. Article 50 defines a qualified majority vote in accordance with Article 238(3)(b) of the Treaty on the Functioning of the European Union which requires “at least 72% of the members of the Council representing the participating Member States, comprising at least 65% of the population of these States.”

⁴² Open Europe, *The Lisbon Treaty and the European Constitution: A Side-by-Side Comparison* (2008), 46, http://www.ecln.net/documents/lisbon/lisbon_-_constitution_side_by_side_open_europe.pdf.

⁴³ Dana Spinant, “Giscard Forum to Unveil Controversial EU ‘Exit Clause’,” *EuropeanVoice.com*, April 3, 2003, <http://www.europeanvoice.com/article/imported/giscard-forum-set-to-unveil-controversial-eu-exit-clause/47086.aspx>.

⁴⁴ The wording of the article is set out in the appendix of this paper, p. 30.

The remaining member states, or the European Parliament, could vote to reject the agreement. Possible reasons for this could include it being seen as too beneficial to the UK, unfair on the EU or because of weaknesses, problems or technicalities identified in discussions before the vote. A withdrawal agreement is not a precondition to withdrawal, so such a vote could not prevent the UK from exercising the right to withdraw, only reject the conditions the EU was willing to grant for a withdrawal and post-withdrawal relationship. Whether a new agreement would then be sought would depend largely on how keen the UK and the Council would be to continue negotiating.

The wording of Article 50 places no obligation on the UK to negotiate, only an obligation on the Council to do so. It is also the Council that is the negotiating partner, not the member states. A limit of two years is given for negotiations, extension being possible through agreement between the UK and unanimous agreement of the Council. If the council could not reach a unanimous agreement to grant an extension, then negotiations would end. The UK and EU could reach agreement for a withdrawal agreement to be enacted before the two year limit expires.

During the period of negotiations the UK could play no part in discussions or decisions in the European Council or Council of Ministers relating to its withdrawal, but could continue to exercise all other powers and rights of a member state. As the explanatory notes on the European Constitution make clear: “Withdrawal of a member state from the EU cannot be made conditional upon the conclusion of a withdrawal agreement.”⁴⁵ If no withdrawal agreement and framework for its future relations were agreed within the two years, or before any extension expired, then the UK would leave the EU taking up a relationship with the EU akin to that of any other member of the World Trade Organisation that has no specific relationship with the EU. As we discuss further below, failure to secure a withdrawal agreement would also mean a failure to agree a framework for future relations meaning the UK could not remain a member of the European Economic Area, or have moved to some form of free trade agreement with the EU.

Article 50 also makes clear that should the UK wish to become a member again it would need to apply in the same way as any new applicant. The European

⁴⁵ Vaughne Miller, *In Brief: Leaving the European Union*. House of Commons Library, Standard Note SN/IA/6089, October 28, 2011, 2, <http://www.parliament.uk/briefing-papers/SN06089>.

Convention rejected proposals suggesting that in order to prevent abuse of the procedure, a withdrawing member state should be subject to a waiting period of 5 years before reapplying.⁴⁶ Should it wish to do so, the UK could reapply for membership the day after withdrawing.

The Withdrawal Negotiations

The EU and British negotiators would face a considerable task. Without a well drafted withdrawal agreement there would be the possibility of endless legal arguments and doubts as to the legal status of British and EU persons, legal entities in both the UK and the EU, and agreements and treaties entered into by the EU and UK. There would also be great uncertainty over the future relationship between the two.

Agreement with the UK would need to be reached over the large number of shared projects and commitments. If we take the Swiss-EU relationship as a working model, then the UK and EU would need to reach agreement over: the free movement of persons, civil aviation, overland transport, agriculture, technical barriers to trade, public procurement, scientific research, Schengen, fraud, education, statistics, environment, media, taxation of savings, pensions, Europol and Eurojust.⁴⁷ For the UK such a list is likely to be far longer, reflecting the UK's forty years of membership which have led to a far more comprehensive relationship. Many treaties negotiated with third countries would need updating. Britain would need to take steps to alter its domestic laws. While in 1975 it might have been possible to return to the status-quo before UK membership started in 1973, after forty years of membership the EU's influence is now so widespread it would continue to be felt after withdrawal. The UK would need to reach agreement over how this is managed.

The status of British citizens working for EU institutions would need to be agreed. Agreement would also need to be reached about the status of the citizens of other EU member states living in Britain and the Britons living elsewhere in the EU. Accurate figures of EU nationals living in the UK, or of UK nationals

living in other EU states, are notoriously difficult to agree. Estimates of the number of citizens of other EU member states living in the UK range from 1.6 million to 2.2 million. The number of Britons living elsewhere in the EU may be as high as 1.66 million, although it may be lower.⁴⁸ What rights British and EU citizens would hold would depend on what post-withdrawal framework was agreed, for example whether this would see the UK remain a member of the EEA. It is worth noting that termination of a treaty, such as Britain's membership of the EU, can only affect its continuing obligations along with the continuing obligations of other member states to it. "Thus, any rights which a state had acquired against the other Member States and vice versa, prior to the termination or withdrawal, would continue to be effective, and any which arise or continue after that date, would not."⁴⁹

The UK may not have to trigger Article 50 to begin some form of negotiations about what a withdrawal might entail. Such negotiations could form part of any attempt at a renegotiation of Britain's membership, something David Cameron hopes to pursue before holding an "in-out" referendum. The British government will come under pressure from both Parliament and the general public to explain what would happen if the British people voted to leave instead of endorsing any renegotiated relationship for staying within the EU. Allowing a renegotiation to include an outline of what a withdrawal and future relationship might entail could seem to play to those seeking withdrawal, although those backing withdrawal are far from united in their view of what a relationship on the outside should look like. However, both the UK and the EU have a vested interest in ensuring economic stability around the time of a referendum. A vote to leave, with no clear idea of what this would entail, could lead to substantial economic costs for both sides as markets speculated as to what withdrawal agreement might now be secured.

Finally, the political mood on both sides will shape withdrawal. It may be that the British government

⁴⁶ See amendment from Mr Vastagh, Convention on the Future of Europe (2002), 55, <http://european-convention.eu.int/Docs/Treaty/pdf/46/global46.pdf>.

⁴⁷ Details of these agreements are available at the Swiss Federal Department of Foreign Affairs: <http://www.europa.admin.ch/themen/00500/index.html?lang=en>.

⁴⁸ For Eurostat figures on the number of citizens from other EU states living in another EU state, see Katya Vasileva, *Eurostat Statistics in Focus*, 31/2012, http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-12-031/EN/KS-SF-12-031-EN.PDF. For a discussion of the number of UK nationals living elsewhere in the EU see Cathy Newman, "Does Number of European Here Equal Brits Abroad?," *C4 FactCheck blog*, April 29, 2010, <http://blogs.channel4.com/factcheck/does-number-of-europeans-here-equal-brits-abroad/2322>

⁴⁹ Miller, *In Brief: Leaving the European Union* (see note 45), 3.

negotiating a withdrawal had led the defeated campaign to stay in the EU. In negotiations they may seek sympathy. The rest of the EU may be in no mood to offer concessions if the British people had rejected a renegotiated relationship seen as generous.

Institutional and Budgetary Changes

The process of making internal EU changes to handle a British withdrawal could mirror those used for adapting to an enlargement, only this time – and for the first time – going in the opposite direction. Many of the changes noted here will have wider political implications discussed later in this paper.

A European Council would need to decide on changes to the system of QMV, so as to reflect the disappearance of the UK with its 29 votes. In the ensuing negotiations, all states will be mindful of the numerous scenarios for how this could change the balance of power within the Council, for example between small versus large states, north versus south, protectionist versus liberal and so forth. This is discussed in more detail later.

Britain's 73 seats in the European Parliament would need to be redistributed. The process of allocating seats has always been an unclear one, subject as it is to numerous formulas, solutions and political horse-trading.⁵⁰ The British allocation could be redistributed with, perhaps, the current cap of 96 MEPs – as applied to Germany – being raised. Alternatively, a British withdrawal could be used to reduce by 73 members the size of the European Parliament, currently limited to 751 members. The European political party groupings would see the disappearance of the British contingents in the European Parliament and a change to associate membership for their involvement in the wider activities of groups such as the Party of European Socialists, the Alliance for Liberals and Democrats for Europe Party and the European Free Alliance.

Depending on the date of a UK withdrawal arrangements may need to be put in place for British MEPs to leave the Parliament before the elections due in 2019. Article 50 does not exclude British MEPs from participating in or voting on legislation and proposals right up to the date of a UK withdrawal. It also does not

exclude them from playing a part in granting or denying the consent the European Parliament is required to give to any withdrawal agreement. Article 50 only makes mention of the member state's representatives in the European Council and Council.

Other institutional changes include the loss of the UK's European Commissioner, the removal of British judges from the European Court of Justice and changes to any quotas specifying the employment or representation of British citizens or delegates in EU bodies, for example in the EU Military Staff. While English is likely to remain the working language of the EU, some questions will be raised about its widespread usage, given only Ireland and Malta would remain as the member states where English is an official language.

Finally, the EU budget would need to be rebalanced. Discussion in 2019–2020 for the Multi-Annual Financial Framework 2021–2027 could take place close to any date of a UK withdrawal. The UK is one of the largest overall net contributors to the EU budget. In 2011 it paid in €11,273.4 million, this figure taking into account the UK rebate. A UK withdrawal would end the issue of the rebate, in 2011 worth €3,595.9 million. It would also mean the EU would no longer have to pay the UK €6,570 million in EU funding for areas such as agriculture, research and regional development. But this would leave the EU to make up for the UK's net contribution, which in 2011 was €4,703.4 million. This is similar to the net contributions of €4,888.5 million from France and €4,750.3 million from Italy. Germany's net contribution was €7,538.1 million.⁵¹ Replacing this may require larger budgetary contributions from member states such as Germany and France. However, the scale of any financial changes might not be clear until a post-withdrawal framework was agreed with the UK. If the UK adopted a relationship similar to Switzerland or Norway then as with those states it may be required to make a financial contribution in exchange for its relationship with the EU. One estimate, using Norway as a guide, puts a UK contribution at approximately €4 billion a year.⁵² Another estimate, using the EU-Swiss relation-

⁵¹ *EU Budget 2011, Financial Report* (Brussels: European Commission, 2012), http://ec.europa.eu/budget/library/biblio/publications/2011/fin_report/fin_report_11_en.pdf.

⁵² David Buchan, *Outsiders on the Inside: Swiss and Norwegian Lessons for the UK* (London: Centre for European Reform, 2012), 11, http://www.cer.org.uk/sites/default/files/publications/attachments/pdf/2012/buchan_swiss_norway_11oct12-6427.pdf.

⁵⁰ Richard Rose and Patrick Bernhagen, *Inequalities in Representation in the European Parliament*, Paper presented to the ECPR 5th Pan-European Conference on EU Politics, Porto, (2010), <http://www.jhubc.it/ecpr-porto/virtualpaperroom/125.pdf>.

ship as an the guide, provides a figure of approximately €1.4 billion.⁵³ However, Norway and Switzerland exercise a degree of control over how their money is spent. The UK, for example, could opt to arrange bilaterally for parts of its contribution to be spent in states in Eastern and South Eastern Europe.

The Timescale

If David Cameron were to realise his commitment to a renegotiation following a general election victory in May 2015, then most predictions put an ensuing referendum at some point around 2017. If the result was for a withdrawal it could mean a withdrawal agreement coming into force sometime in 2019, if the two year framework of Article 50 were used to the full, potentially longer if an extension were agreed. Between now and 2019 both the EU and UK face a period of flux in their constitutional and political arrangements, the EU with the Eurozone and the UK with Scotland. If the UK continues to struggle economically, or face political difficulties such as party splits or the collapse of a government, especially if this is connected with a renegotiation or withdrawal, then the impact of the UK's withdrawal on the rest of the EU would be reduced. Equally, however, should the Eurozone continue to face difficulties and fail to see economic growth, then the UK's position could be boosted, exacerbating the implications for the EU.

Britain's involvement in some policy areas may last longer than some anticipate. Under Article 50 the UK would be excluded from discussions in the European Council and Council of Ministers concerning its withdrawal, but could continue its involvement in decision making on all other EU matters until the end of membership. This would inevitably prompt concerns about UK influence over policy to be implemented after its withdrawal. After withdrawal British involvement in the EU's formal decision making would end, but as discussed later, British pressure and lobbying would not disappear. The UK could also continue to be involved in European projects and policies, for example like Norway and Switzerland have opted to do with Schengen.

The timescale of negotiating a British withdrawal could present problems for the European Court of

Justice, which may be unable to hear or settle all necessary cases connected to the UK during the two years, or however long the withdrawal negotiations take.

There exists the possibility of some admittedly extreme scenarios delaying withdrawal. For example, the UK may opt to hold a second referendum to check the British people are prepared to accept the withdrawal agreement, which might not have been clear when they first voted to withdraw. The British Parliament may also vote to reject any withdrawal agreement, demanding further negotiations.

It is also unclear as to what would happen if during the withdrawal negotiations the incumbent UK government collapsed and a new one was elected committed to reversing the decision to withdraw. There may also be some legal challenges in the UK and from elsewhere in the EU as to the legality of any withdrawal. Challenges from elsewhere in the EU are likely to draw on the idea of European integration as irreversible; meaning article 50 is somehow unconstitutional.⁵⁴ If in 2014 the Scottish vote in favour of independence, then withdrawal of the remaining UK could be complicated by the process of admitting Scotland as a member of the EU. Scotland's position with regard to EU membership is already subject to some doubts and controversy.⁵⁵ While it currently seems unlikely to happen, there have been occasional calls for an independent Scotland to hold its own referendum on EU membership.

The prospect of a British withdrawal may encourage some within the EU to act as if the UK is no longer a member. Indeed, with the UK already absenting itself from several EU forums such as the Eurozone, the rest of the EU may find they grow into an arrangement where the UK is absent. Side-lining the UK may then appear a fruitful way of dealing with its withdrawal. However, the time frame could mean the rest of the EU is in for a several year wait. There will be plenty of opportunities for frustration and animosity to develop on both sides, especially if this followed a strained attempt at a renegotiated relationship.

⁵³ Ruth Lea, *Britain's Contribution to the EU* (London: TaxPayers' Alliance), 8–9, <http://www.global-vision.net/files/downloads/download1155.pdf>.

⁵⁴ See amendment from the Dutch Government, Convention on the Future of Europe (2002) 19, <http://european-convention.eu.int/Docs/Treaty/pdf/46/global46.pdf>.

⁵⁵ Severin Carrell, "Barroso Casts Doubts on Independent Scotland's EU Membership Rights," *The Guardian*, September 12, 2012, <http://www.guardian.co.uk/politics/2012/sep/12/barroso-doubt-scotland-eu-membership>.

Learning Lessons and Expulsion

By testing and clarifying Article 50, a British withdrawal would set precedents for any future withdrawals. As noted above, there exist concerns this could encourage other members to threaten withdrawal should they fail to get their way. It could also raise political questions about the direction of European integration, an issue considered later in the paper.

A British withdrawal could also make the option of expelling a member state more plausible. Compared to withdrawal, expelling a member would be an even bigger political challenge and legal nightmare, because of the possibility of endless legal challenges from governments and private individuals. Expulsion of a member of the Euro zone would be even more difficult, perhaps close to impossible.⁵⁶ Nevertheless, the experiences of a British withdrawal could provide some form of guide for expulsion. Even if the possibility of expulsion remained a deeply unattractive one, the experience of dealing with Britain may increase calls that this happen or be threatened.

The difficulties of expulsion also mean that should insufficient effort be made by the rest of the EU to try and keep Britain from withdrawing, then any withdrawal may come to be viewed, especially in Britain, as a passive expulsion.

⁵⁶ See Athanassiou, *Withdrawal and Expulsion from the EU and EMU: Some Reflections* (see note 35).

Life after the Divorce

Concluding a withdrawal agreement and framework for future relations would only be the end of the beginning of a much longer relationship with the UK outside the EU. This second stage would require the EU to make four sets of adjustments to come to terms with Britain's absence. First, the EU's leadership and coordination would be faced with a period of change. Second, the UK will not disappear completely from EU political discussions or networks. Both sides will need to reach agreement on how to manage the agreed framework for future relations. Third, the EU will have to face the wider geopolitical implications of a UK withdrawal. Finally, the EU will need to handle the potential a British withdrawal has for challenging current forms of European integration and pan-European cooperation.

The Operation of an EU without the UK

The departure of the UK would present the EU with a period of institutional upheaval with two interconnected questions overshadowing developments. First, would the EU become easier to manage and lead? Second, who and what ideas would benefit from a UK withdrawal and where would this leave the EU?

Given Britain's reputation as "an awkward partner" it is easy to assume the EU will become easier to manage and lead.⁵⁷ It is easy to think of the problems the UK is seen to bring to the EU: its late arrival and reluctance to embrace membership; a political narrative that is often particularistic; its obsession with sovereignty, often with a variety of meanings; its determination to maintain close relations with the US over Europe; its insular mentality meaning it struggles to identify itself as European; its refusal to join Schengen; its absence from the Euro and opposition to changes that touch on the City of London; its failure to push forward cooperation on foreign, security and defence matters; its willingness to say no,

including increasingly to proposals from other member states and not simply the Commission; its difficulties with the EU budget and its rebate; its preference for opt-outs on social and justice matters; its pick and mix attitude towards EU obligations; refusals to cooperate that have led the EU to work around it on issues such as the Euro or, in 1997, to put off concluding the Amsterdam Treaty until a new, and less Eurosceptic, British government was elected; the failure of successive British governments to live up to their often stated aim of cooperating with the EU, instead allowing a largely Eurosceptic agenda to dominate; its view of the EU as a means to an end for British interests, instead of a means to the end of European unity and cooperation. Rid of Britain the EU would not have to face episodes such as David Cameron's veto at the December 2011 EU summit. Without Britain to block the way the EU could move forward more swiftly in building a political, economic and social union.

Such an outlook overlooks wider weaknesses in the EU, some of which the UK has played its part in, but where blaming the UK can overplay its influence. Just as in the UK blaming the EU for Britain's problems distracts from Britain's home-grown problems, so too do any attempt to view the UK as the main obstacle overlook the EU's wider failings.

There is a long recognised habit in the EU of member states hiding their own objections to proposals behind Britain's willingness to be the member who says no.⁵⁸ Successive British governments have not refrained from pointing out how Britain has never failed to ratify an EU treaty, unlike several other states traditionally seen as more pro-European, such as France. Britain has a satisfactory record of implementing EU law; a common complaint in the UK being that, in comparison to others, the UK is too willing to fulfil its obligations to implement EU laws, whether it

⁵⁷ Stephen George, *An Awkward Partner: Britain in the European Community* (Oxford: Oxford University Press, 1998); and Charles Grant, *Why Is Britain Eurosceptic?* (London: Centre for European Reform, 2008), <http://www.cer.org.uk/publications/archive/essay/2008/why-britain-eurosceptic>.

⁵⁸ Although as Roderick Parkes notes, this is becoming increasingly difficult to sustain as more proposals emanate from the Council, and thus the member states, and not from the Commission. See Roderick Parkes, *The British Questions: What Explains the EU's New Angloscepticism?*, SWP Comments 11/2010 (Berlin: Stiftung Wissenschaft und Politik, May 2010), http://www.swp-berlin.org/fileadmin/contents/products/comments/2010C11_kre_pks_ks.pdf.

agreed with them or not.⁵⁹ British membership of the EU has never been subject to moves to isolate it as a result of the success of far-right political groups.⁶⁰ In backing the US over the Iraq War the UK was not alone in the EU, with the then governments (if not necessarily the citizens) of sixteen of the current twenty seven member states, supporting the war in some way.⁶¹ For some of Britain's critics its most destructive contribution has been the idea of "juste retour", best encapsulated in the British rebate. Whether or not Britain is to blame for this idea, we cannot doubt the EU has long faced, and will continue to face, awkward demands from its member states for *juste retour*.⁶²

A British withdrawal raises a whole host of possibilities about changes to the balance of power and leadership of the EU. A withdrawal could boost the Franco-German axis. This, however, ignores that both Paris and Berlin have often used London to balance the other, something London has often gone along with in the hope of turning the axis into a triangle. Even with other states such as Poland or Italy filling the UK's place, we cannot overlook how the Franco-German axis has struggled to provide leadership thanks to the widening of the EU. The Franco-German axis and the wider EU have also struggled to adapt to Germany's increasingly dominant position. The disappearance of a large state such as the UK, one often willing to use its weight to challenge EU thinking, could further embolden Germany's position and agenda.

That said, there are numerous other scenarios a British withdrawal could lead to, some of which could hurt Germany. The loss of the UK in an enlarged EU means that for western states such as France, the centre of European power could shift further eastwards. For Germany and Northern Europeans the shift

could head south. For both France and Germany the loss of a large state could shift power further towards the smaller member states. Germany and other northern European states worry the loss of Britain with its strongly liberal minded approach to trade and economics, could tip the EU towards protectionism.⁶³ For states which have secured opt-outs, such as Denmark and Sweden, the idea of differentiated integration or a multi-speed Europe could become more difficult to sustain. The absence of the largest supporter of such approaches would leave them exposed. A core-Europe could put them under pressure to cede power and move towards uniformity.

For those arguing Britain holds back the development of a social Europe, a British withdrawal would not end the growing pressure on Europe's social models coming from the economic growth of places such as Asia, or indeed closer to home such as from the lower labour costs in Eastern Europe. Nor should it be overlooked how the varying models of social provision across the EU make harmonisation in this area difficult with or without the UK. Britain already stands accused of trying to undercut the rest of the EU through exclusion from, or minimisation of, EU social and employment laws. For a large number of Eurosceptics such laws merely restrain Britain – and the EU – from competing.⁶⁴ Such views have been critiqued, notably by how the same and sometimes more comprehensive social and employment laws don't hold back other EU states who out-compete the UK internationally, while also achieving higher standards of living.⁶⁵ Nevertheless, outside the EU the UK could attempt to further undercut the EU.

As for the EU's institutions, it is unlikely the UK's withdrawal would do anything directly to boost the position of the European Commission. We can say the same for the European Parliament. While the UK does have one of the lowest voter turn-out rates for European Parliament elections, voter turnout across the EU is quite low and has been in steady decline. If

⁵⁹ For figures on the application of EU law see the European Commission's annual reports on national implementation of EU law: http://ec.europa.eu/eu_law/infringements/infringements_annual_report_en.htm.

⁶⁰ "Austria's Haider Affair Gave the EU an Emergency Brake," *EurActiv*, January 13, 2006, <http://www.euractiv.com/future-eu/austria-haider-affair-gave-eu-emergency-brake/article-151443>.

⁶¹ Ian Traynor and Ian Black, "Eastern Europe Dismayed at Chirac Snub," *The Guardian*, February 19, 2003, <http://www.guardian.co.uk/world/2003/feb/19/iraq.france>.

⁶² Sandor Richter, *Facing the Monster "Juste Retour". On the Net Financial Position of Member States vis-à-vis the EU Budget and a Proposal for Reform* (Vienna: The Vienna Institute for International Economic Studies, 2008), http://ec.europa.eu/budget/reform2008/library/contributions/us/20080404_US_15_summary_en.pdf.

⁶³ See Mats Persson, "Hey Berlin, This Is What an EU without Britain Would Look Like," *The Telegraph*, 7 June 2013, <http://blogs.telegraph.co.uk/finance/matspersson/100024783/hey-berlin-this-is-what-an-eu-without-britain-would-look-like/>.

⁶⁴ See Rennie, *The Continent of the Open Sea? Does Britain Have a European Future?* (see note 17), 35.

⁶⁵ Philip Whyte, *Do Britain's European Ties Damage Its Prosperity?* (London: Centre for European Reform, 2013), http://www.cer.org.uk/sites/default/files/publications/attachments/pdf/2013/final_essay_obstacle_prosperity_22march13-7144.pdf.

British voters are removed from the 2009 European Parliament elections, then voter turnout across the EU increases from 43.24 per cent to 44.39 per cent.⁶⁶ This would still have been the lowest voter turnout in the history of elections to the European Parliament.⁶⁷ Despite its significant powers and responsibilities, in many member states the Parliament is likely to remain a second-order election. Solving the EU's democratic deficit, or creating a European demos would remain a significant challenge with or without the UK.

The EU's institutions could be more affected by developments in the Euro zone. A British withdrawal could allow the EU's institutions to be more directly involved in managing the Euro zone, eliminating the need for separate treaties or institutions.⁶⁸ Britain's absence from the December 2011 summit could have allowed the EU to move forward in such a way. Efforts could then more easily be made in moving forward the development of common policies, ranging from the Europeanisation of national debts, through to common taxation policies. Attempts within the EU to move towards such common policies have played a key part in pushing the UK towards a possible renegotiation and exit. Surely then, a British exit would make such changes possible, making it easier to bring stability to the Eurozone, and in turn, the EU?

Those hoping a British withdrawal could facilitate a solution to the crises facing the Euro must be careful not to overlook several problems. First, membership of the EU and Eurozone will still not align. A British withdrawal would mean the disappearance of the largest non-Euro member state. However, while in comparison to the UK they have so far been more co-operative, the remaining non-Euro members of the EU could pose some problems for the EU's institutions being used for the Eurozone.⁶⁹ Second, given the time-

scale of a withdrawal, steps to deal with the current crises will have to be taken with the UK as a member of the EU. Were the UK to vote to withdraw, the EU would still be faced with a member state able to exercise its powers and votes in all areas excepting those relating to its withdrawal and do so possibly until around 2019. Ways to get around British objections will still need to be found. A British withdrawal means the EU will not face such objections in future crises, but will continue to face them during the current one, as was the case in December 2011. Third, depending on what post-withdrawal relationship was agreed, the EU could lose any direct influence over the operations of the City of London. Freed from the EU it could become a more loose and deregulated place than within the EU. That said, it is sometimes overlooked how the UK has not been resistant to regulating financial markets, with the British Government today being less accommodating to the City than it used to be.⁷⁰

Finally, whether in discussing steps to solve the Eurozone crisis, or when discussing the broader development of the EU, the members of the EU and Eurozone will still divide between those who favour a more federal structure and those who want to preserve sovereignty, between those favouring collective responsibility rather than solidarity.⁷¹ Hopes the EU will become easier to lead cannot overlook how the UK's exclusion from several forums such as those connected to the Euro, has meant British objections and means to delay have been limited. The Euro crisis itself has shown how with the UK out of the room, or excluded, the rest of the EU can still struggle to find leadership, solidarity and cohesion.

Post-withdrawal Relations between the EU and UK

Article 50 requires any withdrawal agreement with a member state takes into account, "the framework for its future relationship with the Union." Both the UK and EU will be compelled by geography, economics –

⁶⁶ Calculations based on figures taken from House of Commons Library, *European Parliament Elections 2009*, Research Paper 09/53 (June 2009), <http://www.parliament.uk/documents/commons/lib/research/rp2009/rp09-053.pdf>.

⁶⁷ For details of turnouts see the European Parliament's own figures: <http://www.europarl.europa.eu/aboutparliament/en/000cdcd9d4/Turnout-%281979-2009%29.html>.

⁶⁸ Christoph Schult, "EU Divisions: Questioning the Legality of a Separate Euro Treaty," *Spiegel Online*, December 9, 2011, <http://www.spiegel.de/international/europe/eu-divisions-questioning-the-legality-of-a-separate-euro-treaty-a-802678.html>.

⁶⁹ The other non-members of the Eurozone are Bulgaria, Croatia, the Czech Republic, Denmark, Hungary, Latvia, Lithuania, Poland, Romania and Sweden.

⁷⁰ Philip Whyte, *Britain Europe and the City of London: Can the Triangle Be Managed?* (London: Centre for European Reform, 2012), <http://www.cer.org.uk/publications/archive/essay/2012/britain-europe-and-city-london-can-triangle-be-managed>.

⁷¹ Robin Niblett, *The Future of the European Union: UK Government Policy – Written Submissions to the House of Commons Foreign Affairs Committee* (June 2012), <http://www.chathamhouse.org/publications/papers/view/184199>.

indeed, by sheer *realpolitik* – to develop a working relationship for managing their common problems. It is clear that four options exist. Each poses a series of problems for the EU.

The EU could negotiate a relationship with the UK akin to that which it has with Norway. The EU-Norwegian relationship has been relatively smooth, in large part thanks to Norway's political and policy compliance.⁷² As a result of its membership of the EEA, Norway has limited influence over the making of EU policy and laws, yet subjects itself to them. Norway therefore subjects itself to all EU laws relating to the single market, including areas such as the working time directive, a sensitive issue in the UK. Compliance is monitored by the Brussels based supranational EFTA Surveillance Authority and adjudicated on by the EFTA Court based in Luxembourg. Their work mirrors that undertaken by the European Commission and ECJ within the EU. It is unlikely the EU will find the UK will be as compliant and placid in its relations with the EU.

The Swiss-EU relationship, within EFTA but not in the EEA, is one increasingly eyed as desirable by British Eurosceptics.⁷³ It has been labelled as a free-trade model the UK could aim for.⁷⁴ Switzerland was due to join Norway in the EEA at the same time, but in 1992 the Swiss people narrowly rejected membership of the EEA. Switzerland is therefore under no obligation to accept new EU legislation, nor can it influence the development of that legislation. However, given its location and dependence on the European market, Switzerland often develops its laws with the EU in mind. To facilitate access to the EU's internal market, the EU and Switzerland have drawn up a number of bilateral agreements covering a range of areas, but which are not comprehensive.⁷⁵ For example, there is,

as yet, no agreement on financial services. Switzerland is also under no obligation to accept further EU legislation implemented after these agreements come into force. From the perspective of the EU, Switzerland has increasingly cherry-picked agreements that benefit its national interest. Furthermore, unlike with Norway, there is no supranational oversight of the agreements, meaning disputes can go unresolved.⁷⁶ From the EU's perspective the arrangement with Switzerland was never intended as a long-term model. As a result the EU has grown increasingly frustrated with its limitations. It is therefore unlikely to be a relationship the EU would willingly agree to with the UK, because the size of the relationship would be far more complex, presenting bigger problems.

If the UK were to follow either the Swiss or Norwegian models, then it would be excluded from participation in EU common policies such as agriculture, fisheries, foreign, security and defence, justice and immigration and the Euro. However, Norway, through the EEA, and Switzerland through a bilateral agreement, have agreed to the free movement of persons, as is the case throughout the EU. Both have gone further by joining the Schengen Area. UK membership of the EEA would allow EU nationals to continue to move, work and live freely in the UK. The UK would also have to pay into the EU, but expect to receive only a limited return from the EU, mainly funding for scientific research programmes.

Offering a Swiss or Norwegian relationship to the UK also runs the risk of continuing Britain's difficult relationship with the EU, albeit one that is more isolated from causing direct obstruction in formal decision making. Paying for membership of the EEA, allowing the free movement of people into the UK and being subjected to supranational oversight of EU legislation – over all of which it would have no direct influence – is unlikely to be popular in a UK where a vote to leave would have secured the domination of Euroscepticism in British politics. Britain's entry into EFTA and the EEA would also imbalance two organisations which have increasingly become bilateral arrangements for Norwegian-EU and Swiss-EU relations. Relations with the UK would remain difficult,

⁷² Buchan, *Outsiders on the Inside: Swiss and Norwegian Lessons for the UK* (see note 52), 2.

⁷³ Daniel Hannan, "Switzerland Is a More Attractive Model Than Norway, But Britain Could Do Better Than Either," *The Telegraph Blog*, December 15, 2012, <http://blogs.telegraph.co.uk/news/danielhannan/100194407/outside-the-eu-we-should-aim-to-copy-switzerland-not-norway/>.

⁷⁴ Stephen Booth and Christopher Howarth, *Trading Places: Is EU Membership Still the Best Option for UK Trade?* (London: Open Europe, 2012) 35–40, http://www.openeurope.org.uk/Content/Documents/2012EUTrade_new.pdf.

⁷⁵ In addition to the 1972 free trade agreement through EFTA, bilateral agreements so far agreed cover free movement of persons, civil aviation, overland transport, agriculture, technical barriers to trade, public procurement, scientific research, Schengen, fraud, education, statistics, environment,

media, taxation of savings, pensions, Europol and Eurojust. Details of these agreements are available at the Swiss Federal Department of Foreign Affairs: <http://www.europa.admin.ch/themen/00500/index.html?lang=en>.

⁷⁶ Buchan, *Outsiders on the Inside: Swiss and Norwegian Lessons for the UK* (see note 52), 2.

and could become more complicated with Switzerland and Norway.

The UK could adopt a relationship akin to that of Turkey, which enjoys a form of customs union with the EU.⁷⁷ If the UK wanted more than this, then it could lead to changes in the relationship with Turkey, creating a new type of relationship between EU and non-EU states. As such the UK could negotiate an entirely new relationship, such as membership of the single market and some political cooperation on security matters. The trade deficit in goods (it runs a trade surplus in services) the UK runs with the rest of the EU may lead some to argue the EU would be compelled to negotiate some form of special deal with the UK. This overlooks the mutual benefits for both the UK and EU of a very large trading relationship. For example, Switzerland runs a trade-deficit with the EU, but does not appear to gain any extra leverage as a result.⁷⁸ Furthermore, those making such an argument may be overlooking the strength of opposition to such a move. For example, many newer member states in eastern and central Europe may object to a member state withdrawing to a new relationship where it cherry-picks its preferred parts of the EU, when they were recently compelled to accept the entire EU acquis as the price of their membership.⁷⁹

Finally, the UK could adopt a position of a WTO member, with no special links to the EU, EFTA, EEA or through some form of new relationship or free trade agreement. This would be the relationship the UK would be forced into if it decided to withdraw unilaterally without negotiation, or fail to reach agreement with the EU regarding a withdrawal agreement and framework for future relations. Even Eurosceptic groups admit such a move would be extremely damaging for the UK economy.⁸⁰ For the EU, the economic shock would also hit it, although not in as large a way as the UK would feel it. In the long-run it would also mean 14.8 per cent of the current EU economy, along with the City of London, would be located outside any framework with the EU.⁸¹

Whatever relationship was chosen, there exists the possibility it would further complicate the maze of existing frameworks governing relations between European states. Here lies one of the bigger political problems of handling a British withdrawal: that other EU, and EU connected states such as Norway, deem the UK's arrangements unfair and seek to emulate them. That said, some might also see weaknesses and prefer their own individually tailored relationship.

The relationship would also not be one focused entirely on trade. The UK and EU could seek an inter-governmental relationship, an EU+1, an EU2+1 involving France, Germany and the UK, or a modified G6, to discuss areas of mutual concern.⁸² Norway and Switzerland find their cooperation in Schengen to be satisfactory, because they are involved in discussions from the lowest working group up to ministerial level.⁸³

Whatever relationship is adopted, it is foreseeable that the UK will expect to be treated in some special way. Cameron made clear that while he admired both Norway and Switzerland, he saw Britain as deserving more than the relationships they held with the EU. This, he hopes, will be within the EU.⁸⁴ But should the relationship be from the outside, it is likely the UK would expect more than to be grouped with Norway and Switzerland. In part this reflects a high self-opinion of Britain's place in the world, although in part it also reflects the UK's much larger demographic, economic and military size compared to Norway and Switzerland.

Any expectation of special treatment also reflects the impact forty years of membership has had on the UK. It will not be possible for Britain to return to the status-quo that existed before it joined in 1973.⁸⁵ The EU and more broadly Europe has become a more integral part of British life. Removing itself from the formal structures of the EU will reduce Britain from a decision maker to decision taker. The UK may then find it faces the problems Norway and Switzerland have faced, where despite their long-running relationships with the EU they have found it increasingly

⁷⁷ Booth and Howarth, *Trading Places: Is EU Membership Still the Best Option for UK Trade?* (see note 74), 41–44.

⁷⁸ Buchan, *Outsiders on the Inside: Swiss and Norwegian Lessons for the UK* (see note 52), 9.

⁷⁹ *Ibid.*, 7.

⁸⁰ Booth and Howarth, *Trading Places: Is EU Membership Still the Best Option for UK Trade?* (see note 74), 45.

⁸¹ Economic figure calculated from Eurostat figures for 2013 GDP at current prices. UK economy is €1,940,659.6 billion

of the EU's €13,086,459.2 billion, http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nama_gdp_c&lang=en.

⁸² The G6 are Germany, France, UK, Italy, Spain, and since 2006, Poland who meet to discuss internal security policy.

⁸³ Buchan, *Outsiders on the Inside: Swiss and Norwegian Lessons for the UK* (see note 52), 4.

⁸⁴ Cameron, "The Future of the EU and the UK's Relationship with It" (see note 2).

⁸⁵ Miller, *In Brief: Leaving the European Union* (see note 45), 1.

difficult to make their voices heard in the proliferating number of EU agencies and institutions.⁸⁶ Nevertheless, the UK will more than likely put great effort into being a decision shaper, drawing on over forty years of direct experience within the EU. UKRep, renamed the UK Mission to the EU, would remain one of Britain's most important diplomatic postings. The UK's diplomatic network throughout the EU would continue to lobby individual member states. British political parties will remain connected to European political groupings, albeit reduced to associate status and unable to follow proceedings and influence amendments in the European Parliament as effectively as they do now. Lobbying efforts whether from the British government, regional and local governments, political parties, business or from UK civil society groups now connected to European counterparts would decline, but are highly likely to be considerably more comprehensive and influential than of any other non-EU state.

Britain, whether as the government or some part of civil society, is more than likely to seek on-going relations with the EU thanks to the wide range of mutual concerns. As long as the EU remains Europe's predominant political organisation the UK will seek to influence it. There are many areas of mutual concern. In the high politics of security, issues such as Iran, Israel-Palestine and security of areas such as the Mediterranean will be regular topics of discussion. Despite the wide-ranging problems that afflict the Common Foreign and Security Policy, the UK, like the rest of the EU, has developed something of a reflex to try and work through the EU. Britain's economic links means it will need to engage with EU efforts to ensure stability and competitiveness across Europe. Efforts to tackle crime and illegal immigration have already seen the UK involve itself formally in EU decision making on these areas through the G6, despite the UK securing various opt-outs in these areas.⁸⁷ Similar cooperation, in areas ranging from the environment through to food safety, could be facilitated.

Perhaps the biggest test for the EU will be in whether it can present a united front to the UK. Britain has a long-standing approach of bilateralism

in EU politics, one it has used to push EU policy and cooperation in a number of areas.⁸⁸ Given the UK would continue to have an interest in EU decision making, this approach would continue from the outside, with the UK seeking to advance its interests through a network of allies. While the ability of the UK to divide and rule should not be overplayed, it should not be underestimated either. The EU has struggled to act in a united way in dealings with a range of other non-EU states such as Russia, the USA, Turkey and Israel. To what extent then can we expect it to manage a united front to the UK?

The EU, Britain and the World

From the perspective of Asia or the Americas a British withdrawal may merely reinforce views of Europe as riven by division, introspection and decline. It would raise questions about the viability of replicating European integration elsewhere such as through Mercosur in South America or the African Union.⁸⁹ Major powers may seek to exploit such divisions. Of course, this depends to some extent, on whether the rest of the EU is able to move forward in creating a united approach, not only towards the UK, but to the rest of the world. Questions will, however, persist about "who speaks for Europe" if the UK and other non-EU European states disagree with the EU. This would all take place against a backdrop of a Europe in relative decline. A British withdrawal would further this decline, while also doing little to help the UK's own position.

The single biggest test may lie in the response of the US. Britain has long been guilty of overlooking the close relationships between the USA and other European states such as Germany. Equally, talk elsewhere in the EU of Britain as an American Trojan horse merely reinforces Britain's perception of itself as America's only European ally. As noted earlier, Britain is part of a majority of current EU member states whose governments in 2003 showed support to the US over the Iraq War. Britain's withdrawal would soon see any number of applicants to fill its place of trying

⁸⁶ Buchan, *Outsiders on the Inside: Swiss and Norwegian Lessons for the UK* (see note 52), 4.

⁸⁷ Nicolai von Ondarza, *Strengthening the Core or Splitting Europe?*, SWP Research Paper 2/2013 (Berlin: Stiftung Wissenschaft und Politik, March 2013), 20–21, http://www.swp-berlin.org/fileadmin/contents/products/research_papers/2013_RP02_orz.pdf.

⁸⁸ For an account of the UK's approach to bilateralism see Julie Smith and Mariana Tsatsas, *The New Bilateralism: The UK's Bilateral Relations within the EU* (London, Royal Institute of International Affairs, 2002).

⁸⁹ Kate Connolly et al., "Reaction to Cameron's EU Speech: 'A Politics of Cherry-picking Will Not Work,'" *The Guardian*, January 23, 2013, <http://www.guardian.co.uk/politics/2013/jan/23/david-cameron-europe-international-reaction>.

to be America's closest ally within the EU. The bigger misunderstanding here, however, might be an over-estimation, by the EU and UK, of US willingness to take as close an interest in Europe, the EU and the UK (with or without the UK in the EU) as it did in the past.

This does not mean the US is going to give up on Europe, cease being a major European power, or stop seeking the support of allies it shares many ideals with and who, despite significant weaknesses, retain some of the best equipped militaries in the world. Attempts at a Trans-Atlantic Free Trade Area have provided a reminder of the extremely close economic and political relationship. While the US and the EU have been rivals in trade, wider cooperation between them could benefit Western power in the face of the rise of other powers.⁹⁰ But the USA's current weariness about Europe reflects over twenty years of growing frustrations – often exasperation – at the repeated inability of the Europeans to wield power effectively in the global arena, or work together effectively to boost this in defence. A British withdrawal may further complicate such long-struggling efforts, dampening further US hopes and interest.

Britain would remain a leading member of the other organisation which brings together most of Europe: NATO. Some British Eurosceptics believe a UK withdrawal from the EU would strengthen NATO by focusing European defence cooperation on it, so ending EU attempts to work together in this area.⁹¹ The UK's withdrawal, however, could easily further complicate NATO's future through posing problems for wider European defence and security cooperation. First, a British withdrawal would not end the pressures on Europe – whether through the EU, or through the European side of NATO – to improve cooperation on defence. British Eurosceptic hopes it would do so lack any strategy for what would happen after a withdrawal, the expectation being the EU and EU member states would have to defer to NATO. Nor would it end the security pressures facing Europe as a whole, whether these are traditional hard power threats or softer security risks. It is the latter, including security risks covering crime, the environ-

ment and development which the EU is, arguably, better equipped to handle than NATO. Indeed, the UK has actively engaged with the EU in these areas.⁹² Britain's absence from the EU could make cooperation between NATO and the EU more difficult than it already is. A British withdrawal would not end EU efforts – or hopes – at defence cooperation. Indeed, Britain's involvement in defence cooperation might have limited how far it could proceed.⁹³ It could therefore prompt renewed efforts by France, Germany and others to push ahead in EU defence cooperation. However, such efforts in the past have made little progress because of Britain's absence. It is also worth remembering it is not just the UK that poses problems in this area. Attempts at progress on the EU's Common Security and Defence Policy has been limited by Germany's continued unease at contemplating the use of military force and willingness to surrender national autonomy over such a politically and historically sensitive area. This is despite a stated desire by German governments to see progress in this area.⁹⁴ Such problems helped drive both the UK and France into reaching an agreement to work together bilaterally, rather than with Germany or through the EU.⁹⁵

Britain's unease at EU defence cooperation reflects a long-running desire to maintain an ability to work independently with the US. As noted earlier, it is often overlooked that one aim of this is to ensure the US remains interested in, and willing to provide, European security. Defence cuts in the UK have made this choice more difficult, but the UK has appeared determined to try and continue to seek influence over the US through a military offering. Withdrawal from the EU might undermine the UK's strategy. A divided EU, weakened European efforts at defence cooperation, a struggling EU-NATO relationship and continued pressures on the UK defence budget mean the UK

⁹⁰ Charles A. Kupchan, "Albion at the EU Exit Door," *The New York Times*, November 19, 2012, http://www.nytimes.com/2012/11/20/opinion/albion-at-the-eu-exit-door.html?_r=1&adxnnl=1&ref=global&adxnnlx=1353336894-NKrke6AgqvBZOqAibBy6OQ&.

⁹¹ Geoffrey van Orden, "The EU's CDSP Is a Misguided Irrelevance and Should Be Scrapped," *European Security and Defence Union*, June 2012.

⁹² See evidence submitted to the UK's Joint Committee on the National Security Strategy, *The National Security Strategy Third Review*, Written Evidence, April 25, 2013, <http://www.parliament.uk/documents/joint-committees/national-security-strategy/NSS%20Third%20Review/collatedevidence3rdrev.pdf>.

⁹³ Sven Biscop, "The UK and European Defence: Leading or Leaving?," *International Affairs* 88, no. 6 (2012): 1297–1313.

⁹⁴ Ronja Kempin and Jocelyn Mawdsley, "The UK, the EU and European Security: a German Perspective," *The RUSI Journal* 158, no. 4 (2013): 32–36.

⁹⁵ Ben Jones, *Franco-British Military Cooperation: A New Engine for European Defence?*, Occasional Paper 88 (Paris: European Union Institute for Security Studies, 2011), http://www.iss.europa.eu/uploads/media/op88-Franco-British_military_cooperation-a_new_engine_for_European_defence.pdf.

could find it has helped to undermine the wider European pillar on which rests a great deal of British power, including influence in Washington D.C.

Any efforts by the rest of the EU to maintain relations with a non-EU UK on defence matters are likely to receive a positive response given the UK's long-standing attempts to use the EU as a means of upholding its aspirations to play a global role especially in military matters. As a European state, Britain has long drawn on the position of its home continent in world affairs. From the outside the UK is likely to seek ways to utilise its links with the EU as a means to an end of achieving British national interests. The EU will find Britain likely to continue seeing a network of relations in Europe – whether through NATO, other organisations such as the OSCE or the Council of Europe, strong bilateral relations with other European states and a close relationship with the EU – as one of the foundations of its power. Given the poor outlook on European defence, and the likely need for further cooperation, in this area the EU will find it difficult to avoid a relationship of some sort with the UK.⁹⁶

An alternative approach to European Cooperation?

Agreeing to a new relationship with the UK in or outside the EU could create an alternative to the standard direction of European integration and cooperation. If the UK were to adopt a relationship similar to that of Norway or Switzerland then those existing alternatives could be strengthened. For critics of Britain's tactics this, along with its attempt at a renegotiated relationship, is nothing short of blackmailing the rest of the EU into accepting demands for itself and for the direction of the EU.

While this approach can be criticised, we should not overlook how it is not just British Eurosceptics who question what they see as the centralising panacea of European integration. A range of Eurosceptics and pro-Europeans, both in the UK and throughout the EU, would agree in a broad way that the EU is headed in the wrong direction. It is possible that campaigners from both sides would use a UK renegotia-

tion or a withdrawal as a means to challenge the direction of European integration.

Cameron's commitment to giving the British people a referendum has helped push calls for similar referendums elsewhere in the EU, for example calls in the Netherlands.⁹⁷ If Britain were to succeed in negotiating for itself a new relationship, which was then backed by the British people, some politicians elsewhere in the EU may argue Britain's relationship with the EU would command more democratic support than that of other member states whose populations had been denied a similar say. Any such arguments would aim to tap into growing public unease throughout the EU over the direction of European integration.⁹⁸

While other in-out referendums are unlikely, there exists the potential the UK's approach will add to the inevitable calls in other member states for referendums on any new treaty or changes to the EU and Eurozone negotiated around the same time as any British renegotiation and referendum. When previous treaties, in particular the European Constitution, have been subject to ratification through referendum there have been suggestions that any member state that fails to ratify should consider withdrawal, be expelled or placed into an associate status membership.⁹⁹ With the prospect of a British withdrawal overshadowing any such referendums such talk could become more realistic than it has in the past. Against the backdrop of any such widespread calls for referendums, any talk or opposition to states holding referendums could end up serving those who argue the EU lacks legitimacy, intent as it might appear to make decisions about the future of the EU in a centralised, top-down way.

A British withdrawal also holds the potential to change relations between the EU and non-EU European states, mainly Norway, Switzerland, Iceland and Turkey. It could also have implications for the relationships the EU is trying to broker with Ukraine and Belarus. As noted earlier, current arrangements lack

⁹⁶ Christian Moelling, *Europe without Defence*, SWP Comments 38/2011 (Berlin: Stiftung Wissenschaft und Politik, November 2011), http://www.swp-berlin.org/en/publications/swp-research-papers/swp-research-paper-detail/article/europa_ohne_verteidigung.html.

⁹⁷ Matt Steinglass, "Dutch Support for EU Referendum," *The Financial Times*, March 3, 2016, <http://www.ft.com/intl/cms/s/0/6e676a5c-867b-11e2-b907-00144feabdc0.html#axzz2UcWPYXyi>.

⁹⁸ Jose Ignacio Torreblanca and Mark Leonard, *The Continent Wide Rise of Euroscepticism* (London: European Council on Foreign Relations, 2013), http://ecfr.eu/page/-/ECFR79_EUROSCEPTICISM_BRIEF_AW.pdf.

⁹⁹ See Charles Grant, *What if Britain Says No?* (London: Centre for European Reform, 2004), <http://www.cer.org.uk/publications/archive/bulletin-article/2004/ifbritain-votes-no>.

uniformity with frustrations on all sides. For the EU individual arrangements with Norway, Iceland, Switzerland and Turkey were intended, in differing ways, as transmission belts leading to full EU membership. A British withdrawal could put any transmission belt into reverse. Alternatively, a well-managed outer-tier of the EU – perhaps something akin to a “Single Market Club” – could appeal to them.¹⁰⁰

Of course a great deal hangs on what type of relationship the UK and EU developed and whether both sides were prepared to share any new relationship with other states. This also assumes other states such as Norway would abandon their own individual tailored relationships with the EU. Such details aside, these states would now find themselves part of a larger grouping than they were in the past.

For Turkey a UK withdrawal would mean the loss of one of its strongest supporters of membership. Any remaining support in the EU would be further dampened by fears Turkish membership would unsettle an already changed balance of power in an EU post-UK withdrawal. Britain’s move to the outside of the EU may provide the opportunity for the EU to seek an alternative relationship with Turkey, bringing to an end any hopes of membership.

100 Buchan, *Outsiders on the Inside: Swiss and Norwegian Lessons for the UK* (see note 52), 10–11.

Conclusions

That the possibility of the UK leaving the EU in the near future is now more real than ever before should not make us assume it will happen. A move to withdraw is dependent on a myriad of factors, such as the outcome of any attempt at a renegotiated relationship within the EU, the composition of the British government elected in 2015, the outcome of changes to the Eurozone, economic and political moods, and last but not least, the opinion of the British people when tested in a referendum. Nevertheless, the possibility has become more real and if there is to be a renegotiation and referendum, then the issue of withdrawal would need to be discussed by both sides. Discussing withdrawal during any renegotiation may allow the EU and UK to better manage the outcome of a referendum vote supporting withdrawal. Indeed, David Cameron's hopes – like the hopes of any British government of whatever political composition – to secure a renegotiation within the EU, rests in part on the threat a British withdrawal could damage the EU. Shying away from discussing the implications of a British withdrawal only serves those who seek it, those who benefit from the unknowns surrounding such a decision and those who hope such a move will inflict damage on the rest of the EU. While there has been some discussion of the effect of the UK renegotiating its relationship within the EU, the effects of a UK withdrawal, which could have an equally large impact, have been largely overlooked. While the aim of the EU is likely to be to retain the UK as a member state – a position this author supports – only through pro-active discussion of all options can this be achieved, or the damage of a withdrawal be limited. If the UK, as Labour leader Ed Miliband warned, is sleepwalking towards the EU exit, then the EU should not itself be asleep to what this could mean for the EU.

A vote to withdraw would likely have far more significant implications for Britain than the EU. But the rest of the EU would also have to deal with the departure of one of its largest and most significant member states. Britain's political relationship with the EU has often been a fraught one, unease at the idea of such aims as “ever closer union” going back to before the UK's membership and to the very start of European integration. At the same time the UK has

contributed much to the EU, its absence from the EU would be palpable, and its awkwardness should not be overplayed to the point where it can be blamed for wider systemic problems in the EU.

A UK withdrawal could open a Pandora's Box of problems for the EU. These problems can be divided into three inter-related groups. First, how to manage a process of withdrawal, something untested and shrouded in uncertainty. Second, how to manage the implications for the operation of the remaining EU and to wider European integration and cooperation. Third, what relationship to seek with a UK which will remain a significant if somewhat reduced European power.

As this paper has explored, the process by which a member state withdraws – what we have here called the divorce process – is an uncertain one. While Article 50 TEU provides more guidance than existed in the past, it is untested and subject to a range of doubts. Questions would arise as to how to implement Article 50 and how to change the EU's institutions, budgets and *modus operandi* to reflect the departure of one of its largest member states. Negotiations would cover a wide range of both practical matters and political relations. A great deal of this would hang on what is agreed for a post-withdrawal relationship. Article 50 contains a series of possible complications, such as how the UK would be denied involvement in European Council and Council of Ministers discussions relating to its withdrawal, but meanwhile it could continue to exercise all other powers and rights within EU decision making. Putting Article 50 to the test would also set precedents, possibly aiding future withdrawals and developing further the idea of expelling a member state.

The timescale of a British withdrawal would be unclear, dependent as it would be on a large number of factors in both the EU and UK. A British referendum in 2017 backing withdrawal would then lead to a two year period of negotiations, putting a British withdrawal around 2019, possibly longer if an extension were agreed. Depending on the post-withdrawal relationship agreed between the UK and the EU, there exists the possibility the UK could continue some formal involvement. While it may seem logical to

sideline the UK in advance of a withdrawal, such efforts would need to last for several years. They could easily create animosity on both sides, weakening the prospects of a positive post-withdrawal UK-EU relationship.

While the timescale of managing a British withdrawal – or divorce – might be longer than some think, negotiations both with the UK and within the EU will grapple with much longer-term implications for the operation of the EU and European politics. The UK's absence from the decision making of the EU would add to ongoing changes to deal with the Euro crisis. It would therefore add to the change in the balance of power within the EU, adding to changes in the direction of European integration. Two questions overhang these changes. First, could the EU become easier to lead? And who and what ideas could benefit from a UK withdrawal and where would this take the EU?

Numerous scenarios exist to answer both these questions. Some point towards a more inward looking EU, others to an EU where the balance of power has shifted further eastwards and towards smaller member states. Alternatively, the Franco-German axis could be strengthened, but it could also be further weakened or further imbalanced to the benefit of Germany. Differentiated integration could become more difficult, with uniformity and centralization made easier by the absence of the strongest opposition to such moves. The creation of a social Europe would still struggle with international pressures. The challenge of a democratic deficit and the need to develop a European demos would remain very much live issues within an EU with or without the UK.

Whether the UK's withdrawal would make the EU easier to lead is open to debate. While Britain has certainly been an awkward partner, any awkwardness should not lead us to ignore wider problems in the EU. As an example of this we can look to the problems with the Eurozone. A British withdrawal implemented between 2017 and 2019 would not help solve the immediate problem with the Eurozone; only make easier the necessary steps to deal with future problems. The eventual removal of the UK from the EU's decision making structures would end any possibility of UK vetoes. However, current efforts to solve the Eurozone crisis have shown the EU can lack the necessary solidarity and leadership in an area the UK is largely excluded from. The EU and members of the Eurozone would still divide between those who favour a more federal structure and those who want to pre-

serve sovereignty, between those favouring collective responsibility and those who want to preserve sovereignty. Overcoming such divisions could be made easier by a British withdrawal, but we should not think a British withdrawal can make this happen by itself.

The EU would also need to reach agreement with the UK as to what relationship it would adopt with the EU from the outside. Both the EU and UK would need to come to terms with the ongoing relevance each would have for the other. For the EU, Britain would remain a European power if not an EU-power. For Britain, the EU as a collective relationship would remain its single most important one, more wide-ranging than that with the US. Europe, whether through NATO or relations with the EU, is likely to remain a means to an end for British power and security. In negotiating a post-withdrawal relationship the EU faces several options, each with pros and cons. The EU could agree to the UK adopting a relationship similar to either Norway or Switzerland. It could agree to a customs union similar to that with Turkey. Or the UK could take up the relationship of a WTO member with no special arrangements with the EU. Failure to reach agreement on a withdrawal would lead to the latter. Each of these has implications for the integration of the EU and wider European cooperation. They could change relations with European states not part of the EU, putting to an end hopes of their membership of the EU. Other states within the EU may seek to follow the UK, leading to the unraveling of the EU. While the later may be unlikely, the UK's decision – having been the result of a democratic referendum – could lead to increased questioning of the direction of European integration. A great deal depends on how the UK found life outside the EU and whether the Eurozone can solve its problems. If the UK struggled while the Eurozone stabilized and grew then the UK's appeal would be diminished. If the Euro continues to struggle then the UK's decision could start to look like a sensible move. More likely both the UK and the EU would continue to face significant difficulties whether the UK is in or outside the EU.

The EU would also face the problem of how to relate to a UK which, while it would have moved from a decision maker to decision taker, would put great effort into being a decision shaper, given it would still have considerable interests in the EU. Both the UK and EU would need to continue working together over issues of mutual interest, not least of which is the security and prosperity of the whole of Europe. The

impact of a British withdrawal on the EU's geopolitical standing also needs to be taken into account. Britain is both an obstacle to and integral to the success of efforts to create a CFSP and ESDP.

As should be clear, the potential implications for the EU of a UK withdrawal are unclear and open to much speculation. This is thanks in part to a lack of discussion of the topic. Indeed, the very idea of discussing a member state withdrawing from the EU remains a taboo subject. This remains the case despite the inclusion of Article 50 TEU and the growing possibility of a British withdrawal. This taboo should be broken. Shying away from discussing it only adds to uncertainty which those seeking the UK's withdrawal benefit from. More importantly, if the EU is to reach a calculated decision about whether or not to press ahead with a renegotiation then it needs to assess whether or not it is worth making the effort to keep the UK inside on renegotiated terms, or whether it might be better to seek a new arrangement altogether with the UK on the outside.

The possibility then of a UK withdrawal presents the EU with a series of questions:

1. Should the EU refuse to discuss the idea of a British withdrawal until a vote to withdraw actually happens?
2. Should the issue of withdrawal be discussed as part of any renegotiation of Britain's relationship inside the EU?
3. What red-lines should the EU set down for any discussion of withdrawal, either in any renegotiation or during a withdrawal negotiation?
4. How is Britain's part in European integration – both positive and negative – to be assessed?
5. To what extent would a UK withdrawal help solve the problems with the Eurozone and make possible further progress towards “ever closer union”?
6. What would a UK withdrawal mean for the EU's international standing and security?
7. What type of relationship would the EU like to have with a UK that has left the EU, and how would this fit with, or change, the EU's relationships with other non-EU parts of Europe?
8. Should further written clarification be prepared about Article 50 TEU, and if so who is to do this?
9. What processes should the EU follow to manage the internal changes to the EU brought about by a UK withdrawal?
10. How would a UK withdrawal shift the balance of power in the EU and direction of European integration?

Initial answers to these questions should point to how neither the UK nor EU should savor the idea of a British withdrawal. It could be traumatic for both the UK and the EU. This could be especially so for the UK, as it would mean withdrawing from its most important and comprehensive international relationship. The EU, however, should be under no illusions that the impact on it could also be significant.

Appendix

Acronyms

CFSP	Commons Foreign and Security Policy
EEA	European Economic Area
EFTA	European Free Trade Association
ESDP	European Security and Defence Policy
G6	Groups of 6 EU member states
MEP	Member of the European Parliament
MP	Member of Parliament (British House of Commons)
NATO	North Atlantic Treaty Organization
OSCE	Organization for Security and Cooperation in Europe
QMV	Qualified Majority Vote
TEU	Treaty on European Union
WTO	World Trade Organization

Article 50 Treaty on European Union

1. Any Member State may decide to withdraw from the Union in accordance with its own constitutional requirements.
2. A Member State which decides to withdraw shall notify the European Council of its intention. In the light of the guidelines provided by the European Council, the Union shall negotiate and conclude an agreement with that State, setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union. That agreement shall be negotiated in accordance with Article 218(3) of the Treaty on the Functioning of the European Union. It shall be concluded on behalf of the Union by the Council, acting by a qualified majority, after obtaining the consent of the European Parliament.
3. The Treaties shall cease to apply to the State in question from the date of entry into force of the withdrawal agreement or, failing that, two years after the notification referred to in paragraph 2, unless the European Council, in agreement with the Member State concerned, unanimously decides to extend this period.
4. For the purposes of paragraphs 2 and 3, the member of the European Council or of the Council representing the withdrawing Member State shall not participate in the discussions of the European Council or Council or in decisions concerning it. A qualified majority shall be defined in accordance with Article 238(3)(b) of the Treaty on the Functioning of the European Union.
5. If a State which has withdrawn from the Union asks to rejoin, its request shall be subject to the procedure referred to in Article 49.