

## Britain outside Europe? Fewer EU concessions to UK post-Brexit

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Despite their differences and the difficulties in the EU-UK relationship, the UK has played a significant role in many areas of EU integration for more than 40 years. While determining the exact impact of a British withdrawal from the EU is difficult, one can list a number of areas in which undoubtedly Brexit would have a profoundly negative impact on the EU, and an even greater negative impact on the UK itself. Brexit would also radically change the way the EU functions by changing the EU's main institutions, creating a series of alterations that would not in the end necessarily be wholly detrimental to the union.

### **The Value of the UK in EU Policy Making**

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

Recently many have seen this positive role of the UK diminish, with a much greater focus on the UK domestic policy agenda and a high distrust of the EU among British policy makers and, increasingly, the British public. Even in areas where the UK in the past would have been a champion for European solutions, e.g. enlargement policy or the digital single market, there is a tendency of disengagement. In addition, the current approach to EU negotiations by the UK government is perceived less in the spirit of constructive give-and-take, but rather as increasingly inflexible, based on unilateral demands, and backed by a threat of exit. This change in both substance and style has led many to question whether the approach the UK has chosen to take is constructive and leads to positive outcomes, both for the UK and the rest of the EU, or whether it will simply increase the distance between Brussels and London.

### **Shifting Alliances and Voting Blockages**

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

There would also be a shift in power within the EU system. While the average population size of the remaining EU member states would fall, the individual power of the larger member states would increase, including France and Germany. The qualified majority voting procedure illustrates this point: currently, France and Germany together hold around 16.5% of the votes, with just under 29% of the population. After a UK exit, France and Germany would hold 17% of the votes (if votes per country remained unchanged), with almost 33% of the population. The overall centre of political balance within the EU would also shift, moving both further south and further east. At face value, Germany would become an even stronger power if one of the four large member states left the EU. However, this is not the full picture: Germany has often formed coalitions with the UK to advance certain issues, for example around trade and the EU budget. Not having the UK might deprive Germany of an important ally on these issues.

The European Parliament would also be changed by Brexit. It would weaken the Socialists and Democrats Group, as the Labour Party is one of the larger parts of this group, whereas the Conservatives have chosen for the moment, to be outside the European People's Party. It can also be expected that the EP would, generally, be less favourable to British exceptionalism if the UK were outside, making it difficult to find the necessary compromises to facilitate UK access to the single market post-Brexit.

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

An area where a UK exit would have a major impact is the EU budget. On the one hand it would open the door for reform, particularly on issues related to the revenue side, including budget rebates. On the other hand, there might be less pressure to increase efficiency or reform the traditional areas of spending such as regional funds and agriculture, since the net payers will lose an important ally. Although the UK has not been particularly successful in achieving reform so far, London succeeded with the support of the other net payers to limit the overall spending in the current round. In addition, the UK is still a net payer, and the loss of additional revenue would either have to be compensated by the net payers and/or by a reduction in expenditure (unless the UK would still be paying into the EU budget under post-Brexit arrangements, as, for example, Norway does). There is no agreed way of calculating net contributions, but it is clear the UK pays in more than it receives. In 2012 the [UK Treasury estimated](#) that the UK's net contribution is around £7 billion.

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

### **Future Policy Priorities**

With a UK exit, overall policy priorities would also shift, with less focus on issues such as free trade, single market, and business conditions, where the UK has always been one of the strongest proponents of opening markets. The focus on the financial sector would lessen, although clearly there are still significant financial centres in places like Frankfurt and Paris which might even benefit from Brexit. There would be a tendency to be more interventionist in this area, be it in limitations on bankers' bonuses or in terms of the Financial Transaction Tax (FTT). But again, it is clearly not the case that there is unanimity among the remaining member states.

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

### **Weight in the World**

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

### **Internal Effects with External Impact**

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

There is also the question of political stability of the UK. For 40 years, the EU and the wider European integration process have provided a framework of checks and balances, for example in limiting the severity of anti-terrorism laws, especially important in a

country without a codified constitution. While it is unlikely that the UK would become a “failed state,” there is a probability that a much more strident nationalism could develop with a negative impact on inter-European cooperation, for example in areas such as energy and justice.

### **Greater Coherence Equals Greater Integration?**

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

The marginalization of non-eurozone countries, together with having the example of a country leaving, might well strengthen voices in some countries that argue for an EU exit. However, this seems unlikely because the remaining EU member states would be more aware of the costs of an exit, especially for small countries. The fundamental economic dilemma would be clearer: to be closely integrated in the single market means accepting EU rules, regardless of whether politically integrated in the decision-making process or outside.

In the long term, Brexit might also enable further integration, especially within the eurozone. But this is far from certain: is there a shared desire among the remaining member states to have “more Europe”? Even if there is, is there a shared vision of the direction of further integration? While some might think that Brexit would bring the EU closer to the “ever closer Union,” the reality is different: the appetite for further integration is limited, with most countries only willing to accept what is perceived as the minimal integration necessary to stabilize the system.

Clearly, there are many issues that need to be resolved, with or without a UK exit. There would also be a major issue around timing, with Brexit likely to be a protracted process, politically and economically costly, but at the very least would force some of this discussion into the open. In the end, Brexit would be detrimental for the EU and even more so for the UK. But if it does happen, it will have to form part of a broader debate about the direction of EU integration.

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