

Cameron's big speech on Europe – No, Prime Minister!

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The British Prime Minister duly made his speech on Europe on 23 January 2013. It was long on rhetoric but short on operational detail.¹ The only precise commitment was that the announced negotiation process would be concluded by a binding referendum:

"It will be an in-out referendum. Legislation will be drafted before the next election [in 2015]. ... We will hold this referendum within the first half of the next parliament [i.e. before the end of 2017]".

In a Commentary before the speech we set out seven hazards that David Cameron's expected strategy was going to face.² Now that the speech has been made, it is opportune to test what he said against these seven hazards.

The first hazard was that of defining the objective in ways that were both plausible for negotiation and proportionate to the purpose of strategically rebalancing the UK's relationship with the EU. The most concrete elements in the speech were, first: *"Launching a process to return some existing justice and home affairs powers"*. Under the Lisbon Treaty the UK has the option to choose a block opt-out of justice and home affairs legislation. But it has not yet decided to do so (note the term *"launching a process"*, rather than deciding), because there are important dispositions here that are valuable for UK security, including the European Arrest Warrant, and cooperation with Europol and Eurojust. There is also disagreement with the Lib-Dem coalition partner on this point. Moreover there is no clarity on the viability of the UK's preference for then opting back in for preferred items (as commentator Hugo Brady has explained in detail.³

Then: *"We need to examine whether the balance is right in so many areas where the European Union has legislated, including on the environment, social affairs and crime"*. This cautious and rather vague language (*"need to examine..."*) shows that the government cannot yet say what it wants in operationally specific terms. The environment is clearly a policy domain that must

¹ View speech at (www.number10.gov.uk/news/david-cameron-eu-speech/).

² Michael Emerson, "Seven Hazards in Cameron's Intended European Policy", CEPS Commentary, 15 January 2013.

³ Hugo Brady, "Britain's 2104 opt-out – Why it bodes ill for Cameron's EU Strategy", Centre for European Reform, January 2013.

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be and is handled at multiple levels - global, European, national and local. If there is a major case for handing back some European-level actions to the national level, it would have been good to demonstrate this. Or will it be just a matter of fine-tuning the distribution of competences? On crime, in another paragraph the speech advocates that we “*work together on organised crime*”, confusing the block opt-out issue already noted above. The other “*so many*” areas are not identified.

Then: “*We need a bigger and more significant role for national parliaments*”. This is an old story, much debated in the Convention that led to the Lisbon Treaty, which included two Protocols relevant here. In any case national parliaments can scrutinise EU policies, and the UK Parliament is one of the most proficient at doing this. All national governments are answerable to their parliaments for positions they take in EU negotiations. But then the Lisbon Treaty took steps to advance the cause further. One Protocol was explicitly “*On the Role of National Parliaments in the European Union*” and specifically provided for an eight-week elapse of time for national parliaments to scrutinise draft legislation before the Council could act. The second one “*On the Application of the Principles of Subsidiarity and Proportionality*” provided that if one third of the votes allocated to national parliaments complained that a draft act would be contrary to the principle of subsidiarity, they could require the draft to be reviewed. Cameron’s speech both neglected the serious work that has already been done in the direction that he wants, and failed to put forward any better ideas.

Finally, “*We cannot harmonise everything*”. This is misleading polemic worthy of the British tabloid press. The Prime Minister chose to ignore the important paradigm of ‘mutual recognition’ introduced into the 1992 Single Market programme, which is the antithesis to harmonisation, and whose introduction was masterminded by Lord Cockfield – appointed by Margaret Thatcher to the European Commission to design the Single Market programme.

Politically it is clear that the government wants some kind of new deal that will appease the eurosceptics. In July 2012 the UK government launched its “*Balance of competences review*”, which will comb through every aspect of the EU’s activities, with a timetable for its researches that goes on until autumn 2014. What is striking is that the Prime Minister could commit to a ‘nuclear’ referendum plan to be held in 2017, without being able to say at the outset what he wants. If it takes a two-year audit to find out, it would have been appropriate to wait for its conclusions first.

Overall, the speech does not pass this first hazard, and on the two points mentioned above it descended to the level of populist misrepresentation.

The second hazard concerns tactics, and the ‘blackmail’ character of the Prime Minister’s threat spelt out in earlier TV interviews to block a new Treaty to strengthen the eurozone if he does not get his way. Here the message seems to have got through that this was poor tactics, to say the least, and so the idea was dropped. Instead, the speech announces ... “*My strong preference is to enact these changes for the entire EU, not just for Britain*”. This implies that when the UK has completed its review of competences to be renationalised he will make proposals for their adoption by the EU as a whole. This is a fair proposal in terms of form, and there are other member states that have some sympathy with this, but let’s first see what the precise proposals would be and size up what this could realistically amount to. What is sure is that no consensus could be found among member states for the wholesale abolition of the EU’s limited competences in large bodies of policy such as the environment, social policy or crime.

“*But if there is no appetite for a new Treaty for all of us, then of course Britain should be ready to address the changes we need in a negotiation without European partners*”. If the UK then switches to seeking additional opt-outs, the next question is what opt-outs would be sought by other member states, and whether this would become a wholesale unravelling of the EU’s

governance system. There is already a groundswell of declarations that 'cherry-picking' or an 'à la carte' Europe is not acceptable. Indeed it is easy to imagine a cascade of requests that would destroy EU policies wholesale: France on state aids, Poland seeking further relief from climate change policies because of its coal-burning electricity sector, or poor new member states like Bulgaria, Romania and now Croatia demanding exemptions from costly technical standards for their agricultural sectors, and so on. So while the tactics shy away from being blatant blackmail, they move on instead to the hazard of opening a Pandora's box.

The third hazard is about the political manageability of a process leading to a referendum. The Prime Minister has chosen the highest risk option – of commitment now to an in-out referendum in five years' time on the basis of a renegotiation process that has not yet begun, even at the level of defining operationally the objectives. The British political timetable redoubles the lottery, by effectively transforming the next parliamentary election in 2015 into a plebiscite anticipating the referendum in 2017.

The fourth hazard concerns the nature of the secession scenario. Here the Prime Minister has heard many comments that a model for consideration would be something like the Norwegian or Swiss arrangements, which would mean remaining in the Single Market but with a loss of sovereignty in no longer having any say in new market rules. Cameron correctly pointed out this disadvantage, concluding that these models would not be in the UK's best interests. But if this were the case, what would be the alternative model? Implicitly it would mean some degree of exclusion from the Single Market. If the Prime Minister can see the alternative to be so contrary to his priority concern for the Single Market, it is bizarre for him then to say blithely ... *"Of course Britain could make her own way in the world, outside the EU, if we chose to do so"*.

The fifth hazard concerns the potential economic costs of creating strategic uncertainty for the UK's place in the European market. By setting a five-year time delay before a referendum, preceded by a general election to be dominated by the same issue, the Prime Minister has maximised the probabilities of negative impact on the UK's appeal as a location for footloose investments. Indeed, by dismissing the Norwegian and Swiss models and thus opening the scenario of exclusion from the Single Market, he is making the costs of the possible No vote in a referendum even greater. He dismisses this argument in the speech by saying that the uncertainty already exists. But it is the party that he leads that has built up the uncertainty to include the secession scenario, which he is now amplifying in volumes. An investment strike and continuing recession for five more years would be a sure recipe for a No vote in any referendum, whatever the question, but maybe the No vote would come earlier at the 2015 general election, leading to a change of government. While the UK expresses its satisfaction at having kept out of the euro, the actual substantial depreciation of the pound against the euro of about 20% since the onset of the current crisis in 2009 has so far not translated into a macroeconomic boost, and the prospects of this materialising rely on unquestioned continued access to the Single Market.

The sixth hazard concerns the possibility that the Scottish question might get tangled up with the Prime Minister's European strategy. The speech was notably silent on Scotland, which is due to have its own in-out referendum in 2014. However, the Scottish First Minister, Alex Salmond, commented immediately that ...

"This completely changes the nature of the debate in Scotland. Eurosceptics in the Prime Minister's Conservative Party pose the biggest threat to Scotland's position in the EU. ... This was a fundamentally confused speech by the Prime Minister, which is painfully short on detail. ... On the one hand he is trying to appease the eurosceptics on his own backbenches and on the other he is trying to appear as a European reformer. He is trying to ride two horses at the same time and it is inevitable he will fall off before long".

One does not have to be a Scottish nationalist to see the pertinence of these remarks.

At the more technical level, Scotland, which has its own legal system, is concerned that the justice and home affairs opt-out could, in the words of its justice minister, (as reported by Hugo Brady)⁴ “jeopardise the administration of justice in Scotland”. Brady further quotes Scottish sources as recognising that “the European Arrest Warrant has been instrumental in tackling Scottish gangsters residing in Spain, who once saw themselves as untouchable”.

The seventh hazard concerns the UK’s place in the world. The Prime Minister heard President Obama’s views on the subject, directly by phone, after the public had heard the message from his senior State Department official, namely that the US wanted to see a strong UK in a strong EU, and that the referendum was a politically hazardous instrument. Cameron’s speech acknowledges these views and quite reasonably remarks how “we have more power and influence ... if we act together”. So here again the case is being made to avoid secession, adding the political to the economic arguments.

So why create all these hazards in such a convoluted speech? The answer is well understood – Cameron’s political assessment is that he must appease the eurosceptics in his party with a plan for renegotiation and then an in-out referendum. Some commentators are predicting a re-run of the UK’s 1973-74 renegotiation triggered by the change of government shortly after accession, leading to acceptance by referendum of what was only a small, token adjustment of the budget contributions of the UK. Cameron’s thin indication of his demands leads such commentators to predict that some very meagre achievements would again be touted as a great victory – justifying ratification by referendum. To suppose that this game would work a second time risks being a big mistake.

Today’s eurosceptics typically have extremely simplified, stereotyped views, conditioned by years of crude anti-European headlines in the British tabloid press. While any slightly informed analyst of European affairs can see the hazards, the eurosceptics are made up of those who do not want to know and those who even like this negotiation stratagem because it is defective and bound to fail. Prime Minister Cameron was thus cheered by his party when he entered the floor of the House of Commons after making his big speech on Europe.

The only slight sliver of hope for a more constructive outcome would be if Cameron’s call for the EU to engage together in a reformist agenda under the banner of increasing the EU’s global competitiveness could become the main game rather than the pursuit of opt-outs. The EU has already been labouring at the competitiveness and innovation challenges with its 2020 programme, however, from which it is clear that most of the major policy instruments affecting competitiveness (such as education systems, innovation, taxation, wage levels and social security mechanisms) in any case reside essentially at the level of national competences, unencumbered by EU rules.⁵ The one exception is trade policy, where the EU has a major competence and is already engaged in its most sweeping ever agenda of free trade negotiations across all continents of the world. Overall this means that while the ‘balance of competences’ review may throw up a number of political irritants that might be disposed of, it could hardly be significant from a strategic economic perspective.

⁴ Brady, op. cit.

⁵ Daniel Gros and Felix Roth, *The Europe 2020 Strategy – Can it Maintain the EU’s Competitiveness in the World?*, CEPS Paperback, Centre for European Policy Studies, Brussels, September 2013.

The bottom line for the UK

From opinion polls we know that the prime concerns of the British people are the economy, immigration and the quality of public services (see Table 1, below). It is striking that Europe does not even figure among the top ten most important issues.

The UK economy is now in trouble, however, with a severe decline in living standards since the onset of the financial crisis compared to the average of its two big neighbours, France and Germany (Figure 1). This contrasts with the preceding two decades, when beginning with the Thatcher period the UK made a spectacular recovery from the relentless decline of 1960s and 1970s. But now in early 2013 the economy is described as having entered its triple-dip recession, in spite of the 20% devaluation against the euro. And this is before the full uncertainty of the newly announced European policy has had time to sink in. The issue therefore becomes whether the European policy choice, itself apparently of little concern to the population, would impact seriously on the economic issues of most concern, and this does now seem likely.

One can imagine the planned referendum being framed in people's minds in different ways: "Supposing other things equal, would you like the UK to quit the EU?", or "How would you vote if quitting the EU meant a serious aggravation of economic problems?" Maybe Yes in the first case, and probably No in the second. This points to the vital issue of how well-informed the public might be before facing a referendum vote. Political scientists have devised an approach to ensure what they call 'legitimate democracy', versus abuse of democracy by majority rule decided in highly populist contexts.⁶ This method, called 'deliberative democracy' and tested in practice in a number of cases using sample populations, observes how preferences can change if the vote is preceded by systematic presentation of the issues at stake by experts representing all sides of the question, and in testing different formulations of the question. At least in this British case there is time before the planned referendum, and time indeed for evidence to emerge about whether the economy suffers further from the uncertainty now created. Time enough also to undertake some exercises in 'deliberative democracy' on the question,⁷ and so help ensure a sound democratic choice, notwithstanding all the potentially disastrous hazards that Prime Minister Cameron has set in train.

Table 1. Top ten most important issues for UK citizens, (percentages of population)

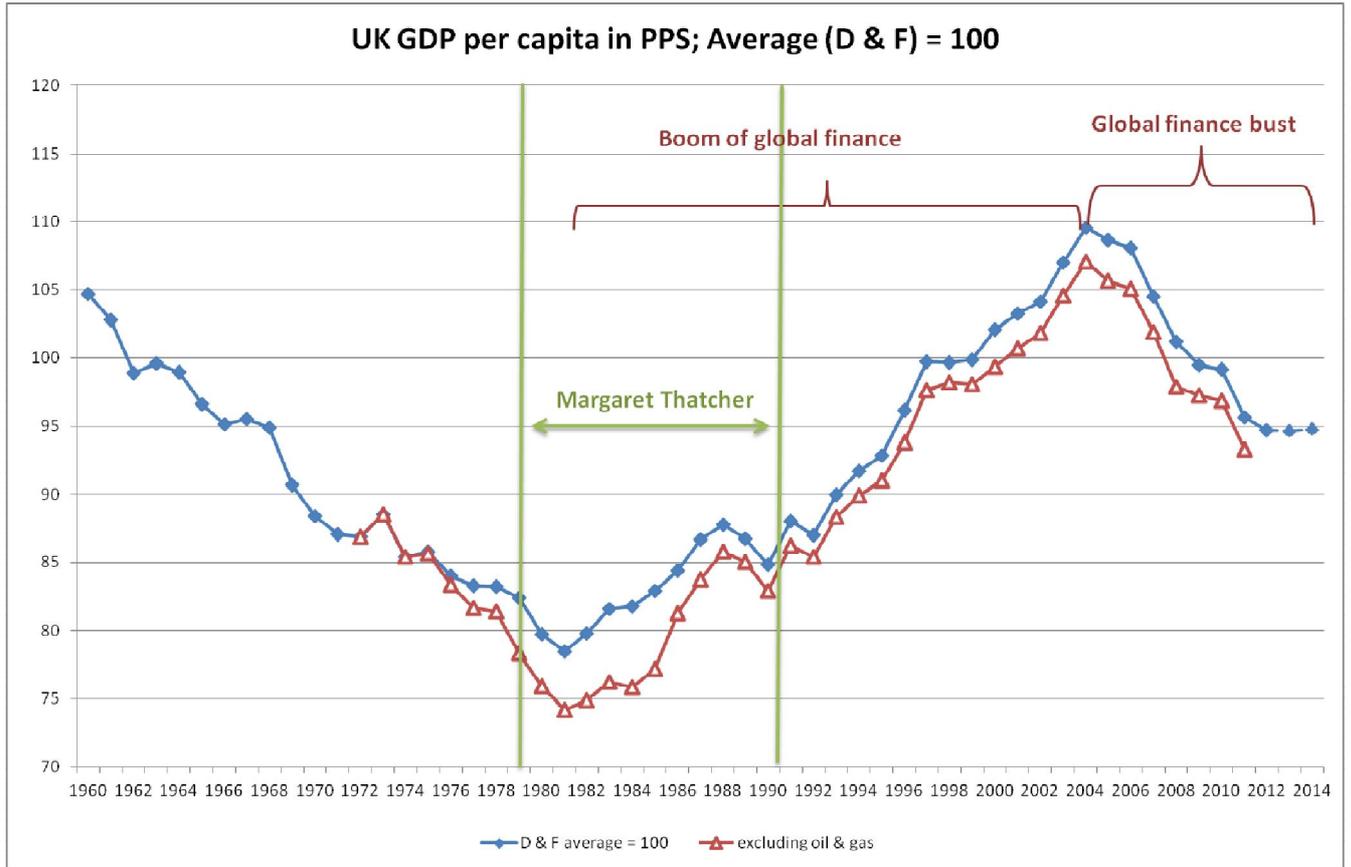
Important issues	%
1. The economy	58
2. Unemployment	35
3. Race/immigration	21
4. Public health care	19
5. Crime, law and order	18
6. Inflation/prices	15
7. Education	13
8. Poverty/inequality	11
9. Pensions	8
10. Housing	8
11. EU/Europe	6

Source: Economist/Ipsos MORI opinion poll, based on 10,000 interviews, January 2013.

⁶ James Fishkin (1993), *Democracy and Deliberation – New Directions for Democratic Reform*, Yale University, Princeton, NJ.

⁷ These could be sponsored by independent foundations.

Figure 1. Trend in UK GDP per capita compared to France and Germany



Source: Daniel Gros, CEPS, 2013.