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The UK's government vision for the EU

1. The European Union today faces fundamental challenges internally and externally. *Internally*, the economic crisis has eroded the EU's "permissive consensus" that allowed integration to occur by implicit approval of the EU's positive character. The growing role of the EU in domestic politics has unsurprisingly attracted its share of criticisms. Before the Maastricht Treaty, the EU maintained a high level of de facto support. There was an implicit consensus that the EU was a positive project. The Maastricht Treaty sounded the death knell to what many called the "permissive consensus" that prevailed among the member states. The raucous ratification processes in Denmark, France and the UK were early signals that the future ahead would not be as unruffled as before. Likewise, the rise of critical opinions crystallised. Since then, the criticism against the EU has increased and the number of its detractors has swelled. The rhetoric may differ across the EU, but the arguments are broadly similar: The EU is not democratic enough, it lacks legitimacy, and it is an elite-led project divorced from the interests and concerns of its citizens. While the clout of such arguments was fairly limited in the 1990s and early 2000s, they were already significant in some member states, such as Austria, Denmark or Finland. For the most part, however, they remained the core arguments of relatively marginal radical left and radical right parties.
2. Despite this, as some have explained, the post-Maastricht period saw the progressive emergence of a "constraining dissensus" on the EU. In other words, the EU entered the national political arena and political parties and other political actors started to invest in it. Slowly, further integration as the response to a collective action problem became less automatic than it was before.
3. *Externally*, the EU is seeing the redistribution of power at the global level where the EU's implicit power of attraction is diminished, sometimes even challenged. At the economic level, the EU is becoming less central. Two elements can help better picture this trend. Foreign Direct Investment (FDI) in Europe grew by 129 per cent between 2002 and 2008 and by only 19.8 per cent between 2008 and 2012. Some countries, especially the UK, have however managed to mitigate this decline. Meanwhile, FDI stocks in China have trumped those in Germany since 2012 and a similar situation is likely to happen with Brazil in the coming years. Another interesting trend is that the emerging countries, which used to be mainly recipient of FDI, are growingly becoming investors themselves. China is a prime example. Its outgoing FDI stocks have grown by almost 177 per cent since 2008.
4. Politically, emerging powers are pressuring the established order. It is visible at the International Monetary Fund, where there have been repeated calls to reform the institution. In part out of frustration, China decided to launch the Asian International Investment Bank, which has attracted countries beyond Asia – France and the UK in particular have decided to join it. Diplomatically, Western powers are more challenged than ever. They need to work harder to convince non-Western countries in international fora, such as the UN, or to build wide coalitions. It is worth recalling the Turkish-Brazilian initiative

on Iran in 2010, which was clearly aimed at showing the Western countries that their views did not represent the whole “international community”.

5. These internal and external pressures have burgeoned simultaneously. It has led to a situation in which many countries in the EU have increasingly been looking inward to fix the economic and political crisis, whereas the redistribution of cards at the global level was ongoing and largely left unmonitored. In other terms, the EU has collectively been in retreat and has consequently not fully realised the tectonic shifts, which were taking place. It does not mean that some member states have not acknowledged that they needed to adapt to new realities. The UK’s decision to trade in renminbi in the City is evidence of that, as well as France’s exploration of new partnerships with non-traditional partners, such as Indonesia or Japan.

6. The EU is only now starting to catch up on the time lost on managing the crisis. The European Commission has announced a new trade agenda. The EU, under the leadership of the High Representative Federica Mogherini, will publish a new global strategy in June 2016, which should take stock of all the trends already mentioned and provide guidelines for the EU to thrive in this reconfigured global chess-game. The EU has published a European Neighbourhood Policy review whose core principle is flexibility in dealing with its partners in the East and South.

7. The difficulty for the European institutions remains however to accept the new situation. The institutions have projected the so-called transformative power the EU is supposed to have, meaning that the EU’s power of attraction can influence and even change the attitude of others. This fundamental pillar has underpinned the institutions’ actions at the international level. Accepting the fact that this transformative power has been durably damaged is not an easy task. Adapting to the new situation, which for instance may require to consider some countries as rivals on some occasions rather than partners in all circumstances, is equally complicated.

8. The internal and external pressures have more fundamentally forced member states to reflect on the state of the EU and whether its current shape and policies were adequate to thrive in this challenging world order. David Cameron’s view that the EU’s cardinal priority should be “to secure prosperity” is as valid as any other at this stage. Others would say that the EU should be able to shield its member states from economic crises and allow them to remain key players on the world stage.

9. To a large extent, the UK Government understands the EU’s potential to help countries, such as the UK, to retain leadership in the world. Its push to open new trade routes or its capacity to use the EU’s foreign policy tools when it serves its interests (see the UK’s support of an EU civilian operation in Ukraine) illustrate that the UK knows that its global interests are best served by remaining within the EU.

10. However, its internal debate on the EU largely misses this dimension focusing instead on other issues, such as immigration and subsidiarity. It impacts the UK’s influence within the EU. As long as the UK is embarked on a bruising debate about the EU, it will see its capacity to act as an eye-opener to other member states limited. Part of the reason is that the UK

continuously sends mixed signals vis-à-vis the EU. Moreover, the most Eurosceptic voices in the UK benefit from wide media coverage. Their rationale that the UK can go it alone is counter-productive at the EU level even if that position does not reflect that of the government.

11. The UK debate has also created a gap between Britain and its partners. The UK's focus on "ever closer union" seems completely idiosyncratic to EU member states, which are meanwhile discussing the future of the Eurozone, how to combat unemployment etc. The debate about "ever closer union" is lost on many on the continent. The treaties have always talked of an "ever closer union among the peoples of Europe", which can hardly be characterised as a call for a supranational state. There may be a deeper, almost philosophical, dimension to this debate, but it does not cross the UK borders. In the rest of the EU, this notion is uncontroversial: as so many others, it simply calls for more cooperation and coordination. No member state, whatever their willingness or resistance to deepen integration, spends time debating about "ever closer union among the peoples of Europe".

12. It is a lot more pressing for the EU and its member states to reflect on how to quash the economic crisis and how to restore the EU's legitimacy in the eyes of the citizens. On both fronts, the EU might have a role to play, but it would be misguided to imagine that member states are secondary players. It is illusory to envisage a solution to the economic crisis without substantial national reforms. It is equally unlikely that the EU's flailing legitimacy can be corrected only by actions undertaken at the European level. National authorities should actually be the primary actors. It should be their role to explain what it means to be a member of the European Union – the benefits that it provides as well as the obligations that come attached. Those obligations are evident to the countries, which joined the EU in the 2000s, since they had to absorb in a matter of a few years the whole of the *acquis communautaire* and substantially reform their entire state apparatus. Those obligations are becoming ever more concrete to members of the Eurozone, but this dimension is not always perceived or acknowledged by national leaders. In the end, it is complicated for an elected representative, especially a member of Parliament, to avow that his/her powers have diminished with time on issues such as budget priorities. Since this explanation has not been done at the national level, it has facilitated the spread of Euroscepticism among citizens, who feel that the EU is part of the problem, not part of the solution – if it ever was.

13. The debate on democratic accountability and legitimacy has consequently grown in importance in the past years. As mentioned above, the belief that the EU institutions are solely responsible for fixing this crisis of legitimacy is ill-thought. Eurobarometer polls consistently show that in the vast majority of member states, there is more trust in EU institutions than in national ones (governments and parliaments). This does not however lead to the conclusion that the EU institutions are more popular, more legitimate or more accountable. This is no longer a black-and-white picture whereby the only source of legitimacy could be the Parliament or the government. The EU has changed the nature of democracy in ways that are seldom acknowledged. Today, no institution can pretend to embody the full source of political legitimacy. Democratic accountability and legitimacy can only be achieved through a mix of institutions interacting with each other. Within the EU, it is particularly difficult, because it is multi-layered and involves different nation states, which have their own national agendas. However, a successful Eurozone – and steady support for it

– cannot be achieved without the strong involvement of national parliaments at the national level, but also at the European level via inter-parliamentary cooperation for instance.

14. On the EU more generally, a more legitimate EU requires that national authorities stop blaming “Brussels” when “bad” decisions “fall” upon them and inversely that the Commission and the European Parliament do not consider member states as obstacles to their quest for more European solutions, often leading to further integration. Reaching this new equilibrium will be extremely complicated, because it demands that all actors change software.

Is the UK Government’s vision shared by others in Europe?

15. David Cameron presented his vision for a reformed Europe in January 2013 and in November 2015. Those two speeches are important in that they propose potentially far-reaching reforms to the EU. As mentioned above, the economic crisis has indeed led many member states to turn inward without fully digesting the changes happening in the world as well as the soft and sometimes hard Eurosceptic forces at play.

16. However, the UK’s Government vision clashes with many ongoing debates in the EU, especially within the Eurozone. Prime Minister Cameron and several of his Ministers openly accept that the Eurozone needs to reform and further integrate. This repeated call is welcome but it also sends the impression that the Government does not fully appreciate the consequences of a furthering of the integration within the Eurozone. The most serious debates about the future of the EU now take place within the Eurozone. The integration at 28 has reached a limit. There may be measures to deepen the Single Market in different sectors, but that hardly qualifies as political integration. They may need several more years to materialise, but measures for a more integrated Eurozone could have great consequences on the functioning of the EU at 28. This may actually be one of the most difficult issues – at least temporarily. The Euro area today contains 19 member states, but it is reasonable to assume that most of the others will have joined it by 2025. It may lead to an odd situation in which three member states are left outside the Eurozone: Denmark and the UK with their opt-out and Sweden, whose public opinion appears durably resistant to adopting the common currency. It is not a given that Denmark and Sweden would feel comfortable in that situation for very long.

17. Further integration within Eurozone could have several consequences. First, there will be growing disinterest in investing political capital and resources onto the EU28 policies. Second, some policies today at 28 may need to be adapted to further the interest of the Eurozone, especially those related to economic and financial policy. It can become a matter of coherence, which is a powerful political motive.

18. Several voices consider that this coexistence between the Eurozone and the EU28 can be resolved by having a consolidated Eurozone, while broadening the internal market to include some countries, such as Turkey or Ukraine, whose memberships cause divisions. The practicality of such endeavour is quite unclear at this stage.

19. One certainty is that a more integrated Eurozone does not necessarily serve the interests of the UK if it ambitions to remain outside of it, while keeping its full membership in the internal market. This situation may be sustainable for several years, but appears less so in the longer term. Several signals have already indicated that difficulties will be numerous, such as the ECB's attempt to locate all clearing houses doing business in euros within the Eurozone – which was rejected by the European Court of Justice after the UK's challenged the decision – or the use of the European Financial Stability Facility (EFSF) to provide financing to Greece in Summer 2015. It is becoming clearer – although not fully realised in the UK – that the Eurozone's primary interest is to guarantee its stability.

20. It does not mean that the UK and the rest of the EU do not share common goals on some reform items on the agenda. There is a shared willingness to limit the weight of EU regulation and to restore growth and competitiveness in the EU. However, this is not perceived as a systemic element in the thinking on the future of the EU. It is a relatively obvious call to adapt to new circumstances and find some solutions to exit the economic crisis.

21. It leaves the UK in a complicated situation. The idea of multi-pillar Europe is not new, but it is not hard to envisage its precise shape. Multi-speed integration, or differentiated integration, has become a central feature within the EU. The implicit presumption was that all member states would still head into the same direction. It is vastly different to imagine a multi-pillar EU. In rough terms, it would distinguish between the Eurozone and the internal market. Since those two pillars deal with specific issues and have been co-existing ever since the introduction of the euro, it seems theoretically possible to image that situation lasting. Then comes the question of the decision-making process. It is reasonable to assume that the Eurozone will down the line vote systematically together on issues of fundamental interest to the stability of the Eurozone. It would leave the UK in the minority camp regardless of the importance of the issue on the table due to the fact that Qualified Majority Voting applies for the internal market.

22. In large part, the UK's decision to remain outside the Eurozone as well as outside all the mechanisms established in the past seven years will impact the UK's place within the EU. The UK will growingly be perceived as a second-tier member of many issues of importance to the EU outside those of development, foreign policy, internal market etc. It is likely to lead to frustration from all sides – in the UK for feeling that its interests are not considered highly enough and in the Eurozone for having an EU member state, which will repeatedly refuse to partake in initiatives of genuine interest to the Eurozone. After all, most mechanisms established after the outbreak of the financial crisis are open to all member states, even those that do not have the common currency.

23. This cannot be underestimated in the long run. The shape that the EU has today may be drastically different in 10-15 years. Whether the UK can fit in, feel comfortable, be a constructive partner and thrive remains to be seen.

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