

How to wake Britain from sleepwalking to the EU exit

History, geography and economics are all responsible for the UK's deep-seated euroscepticism, says **Charles Grant**. But now these forces are strengthening so that Britain could easily leave the Union within 10 years. He sets out tactics for countering that

The forces seeking to prise Britain away from the EU are gathering strength. Within 10 years, Britain could easily leave the Union; in what circumstances might it depart, why have the British become so eurosceptic and what, if anything, can be done to keep them in the EU?

For Britain to leave the EU, a Conservative government would need to call a referendum on membership. Twenty years ago, the Conservative Party was split between pro-Europeans and eurosceptics. Now it is divided between moderate eurosceptics who wish to stay in the EU, such as Prime Minister David Cameron and Finance Minister George Osborne, and hard-liners who wish to quit. The moderates dominate the cabinet, but the quitters are strongly represented in the parliamentary party and the wider membership.

The current Conservative leadership would not welcome a referendum: the party would split over whether to leave the EU, and be distracted from trying to sort out the economy. The leadership believes that, despite the euroscepticism of the British people, the party becomes unappealing when it appears obsessed with the EU. Many party members would nevertheless like a referendum.

So long as David Cameron is prime minister, a Conservative government is unlikely to call a referendum on EU membership. But the next generation of Conservative leaders could take a different view. If Cameron wins the next general election, he may wish to stand down before the end of that parliamentary term. His two most plausible successors are Osborne and Boris Johnson, the Mayor of London. Johnson is committed to a referendum on Europe, and could indeed secure victory over Osborne by promising party members the referendum that many of them desire.



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A new and influential group of eurosceptic Conservative MPs known as Fresh Start avoids the hectoring tone of many old guard eurosceptics. Its MPs say they do not want to quit the EU at the moment. They would rather negotiate a different sort of relationship, so that, for example, the UK could opt out of EU social, farming and fisheries policies. If told that Britain's partners would be unwilling to offer such a deal, they say that in that case Britain should leave the EU. Fresh Start's leading lights, such as George Eustice MP, speak softly and appear reasonable, which makes them effective media performers.

The eurosceptic drift of Conservative activists reflects shifts in public opinion. Not until 2011 did opinion polls start to show a clear majority for leaving the EU. When the government takes a eurosceptic line – as at last year's December 9 summit when Britain refused to take part in an EU treaty to establish a fiscal compact – its popularity rises.

Some of the reasons for Britain's euroscepticism are longstanding, and span history, geography and economics. On history, the British remain very focused on World War II, when they experienced their "most glorious hour" and other Europeans had little to be proud of. Britain's geography, being on the edge of Europe, means its patterns of trade, investment and migration are more global than those of most other European countries. As for economics, from the mid-1990s until recently Britain's economy out-performed those of the other large EU member states, which fuelled a smug sense of superiority. Added to all that, there's the media, with many newspaper groups encouraging journalists to present the EU in a negative light.

But other factors explain the current surge of eurosceptic sentiment. One is the euro crisis. The eurosceptics always said that the euro would lead to disaster and it appears that they may have been right. Furthermore, Europe's leaders have shown themselves to be incompetent. A succession of emergency summits and rescue packages has failed to solve the eurozone's problems.

Another recent development is the return of treaty change to the EU's agenda. The British tend to turn away from the EU when it seems to be about new treaties, institutions and voting rules. The Lisbon treaty finally went into force in 2009, after almost a decade of negotiations and ratifications. Pro-Europeans hoped that the EU would start to focus on real issues that voters care about, such as energy, climate and growth. But the euro crisis has led to calls for new treaties.

Migration has also turned the British against the EU. Many of them think there are too many immigrants and they blame the EU, whose rules give citizens from other member states the right to work in the UK (but do not affect immigration from other parts of the world).

One new factor is the perception that the European Commission, together with France and Germany, is seeking to damage the City of London through hostile financial regulations. Many British people have no great love for the City, and – like people elsewhere in the EU – hold financiers responsible for their economic woes. But the people who run financial firms, who are often close to the Conservative Party and influential media commentators, have become much more hostile to the EU. Some of them believe that financial regulations such as new rules on bank capital requirements being pushed by Michel Barnier, the EU's single market commissioner, will damage the City.

The Commission's proposal for a financial transactions tax – an idea strongly backed by French President Nicolas Sarkozy – has caused particular concern. Many in the financial services sector believe that such a tax would push a big chunk of business outside the EU. Worries about the impact of EU financial regulations drove David Cameron to demand a price for agreeing to a new EU treaty on fiscal rules for the eurozone: a special protocol to restore the national veto over some sorts of rule. At the December 9 summit other leaders rejected that demand and decided to go ahead with their own fiscal compact.

A final factor is that Britain's anti-EU lobbies are better funded and more powerful than those in the pro-EU camp. Many large British companies remain pro-EU, but are reluctant to speak out lest they annoy the government. After December 9, for example, senior executives from some of the biggest foreign banks in London said in private that Britain's isolation had reduced its capacity to influence future EU financial legislation. But none of them would say that on television. Many business leaders know that if the country left the EU there would be a significant economic cost, but they do not see the threat as imminent.

What, then, can be done to prevent Britain leaving the EU? Conservative leaders have a responsibility to lead their party. Rather than pandering to hard-line eurosceptics, they should endeavour to explain to members some home truths about the EU, and why membership benefits Britain.

The government needs to build alliances and make friends in Europe. Many other EU governments are keen to keep the UK engaged and would respond to overtures from the British. But Britain's attitudes and tactics have damaged its brand, and British ministers and senior officials are reluctant to spend time travelling to other capitals – particularly those of small countries – to forge friendships. They tend to take for granted natural allies like the Nordics, Dutch and Poles. The British should defend the Commission against attacks by those seeking to limit its role (often the French, sometimes the Germans). The small countries that value the Commission as their friend and protector would greatly appreciate that.

Another tactic that would improve Britain's image would be for ministers to use positive rhetoric about the EU. When the Union leads efforts to broker a deal on climate change at Copenhagen, or agrees to an oil embargo against Iran or imposes sanctions on the Syrian regime, ministers could make a point of explaining how the EU amplifies Britain's voice in the world.

Once Britain has built better relationships with like-minded governments, it will be better-placed to show that the EU can work in Britain's interests. One priority should be to gather support for a renewal of the single market programme. Even Conservative eurosceptics support the single market, which Mario Monti, the new Italian prime minister, is passionate about. The Italians, Germans, Nordics, Dutch and Poles could be key allies in new initiatives to liberalise the digital economy and general services.

As for business, it needs to speak out on the benefits for Britain of EU membership – such as increased foreign direct investment, and the ability to shape the rules of the world's largest single market. Companies need to put their money into well-funded pressure groups that can take on the eurosceptic lobbies. The trade union movement, too, should speak out on the benefits of membership. Many trade unionists welcome the social benefits that stem from the EU – including those on working hours, rights for agency workers and maternity leave – but seldom champion the Union itself.

It is not yet certain that Britain will leave the EU. But unless political and business leaders take responsibility for trying to change the terms of Britain's European debate, the country will continue sleepwalking towards the exit. ■

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