

The uncertainty created by David Cameron's policy on EU membership may cost the UK's already troubled economy.

Blog Admin

Prior to UK Prime Minister David Cameron's speech on the country's relationship with the EU, [Michael Emerson](#) set out several hazards that his strategy was expected to face. Revisiting these hazards after the speech, he finds them to be mostly confirmed. He argues that Cameron's policy is badly defined, politically unmanageable, creates uncertainty for investment, and implies a difficult and clouded scenario for secession if this were to happen. The best that can be hoped for in Cameron's reformist agenda is some fine tuning of EU competences.



David Cameron duly made his [speech on Europe](#) on January 23rd. It was long on populist rhetoric but short on operational detail. In a previous [article](#), before the speech, I set out several hazards that his expected strategy was going to face. So how did the speech fare?

The first hazard was that of plausibly defining his objective. *"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 language shows that the government cannot yet say what it wants, with the "so many areas" not identified. Then there is the *"Launching a process to return some existing justice and home affairs powers"*. Under the Lisbon Treaty the UK has here the option to choose a block opt-out. But it seems that the UK wants a zig-zag, to opt out wholesale, and then opt back in for some preferred actions.

The Prime Minister continued with some bogus arguments. *"We need a bigger and more significant role for national parliaments"*. Yes, but this is an old story, with the Lisbon Treaty devoting a [Protocol](#) to this explicitly; which Cameron neglected to mention. Nor did he advance better ideas. And then, *"We cannot harmonise everything"*. Yes of course, but this is misleading polemic. The Prime Minister chose to ignore the important paradigm of 'mutual recognition' introduced into the 1992 Single Market programme by Lord Cockfield. Finally there was much emphasis on improving Europe's competitiveness. Again, yes of course, except that almost all the major instruments of competitiveness are in national hands unencumbered by the EU: wage levels, tax burdens, education, plus for the UK, exchange rate flexibility. The only major exception is trade policy where the EU is currently engaged in its most ambitious global liberalisation effort ever. Overall, the speech does not pass this first hazard, and on the last three points mentioned above it is populist misrepresentation.



David Cameron at the European Council Credit: SWE_EUpress
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A 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"*. *"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". But if the UK then switches to seeking additional opt-outs, it is easy to imagine a cascade of cherry-picking requests by other member states that would destroy EU policies wholesale: France on state aids, Poland on climate, etc. Instead of blackmail, Pandora's box.

A third 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, the Prime Minister has undermined the UK's appeal as a location for footloose investments. 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.

A fourth hazard is then about the political manageability of the process. The Prime Minister has chosen the highest risk option – of commitment now to an in-out referendum in 2017, after a general election in 2015 and a Scottish in-out referendum in 2014, on the basis of a renegotiation process for which the objectives have [not yet been operationally defined](#).

A fifth hazard concerns the nature of the secession scenario. Here the Prime Minister rejects the [Norwegian or Swiss models](#) because of the loss of sovereignty in ceasing to have a say over the EU's Single Market rules. But in this case the alternative would seem to mean some degree of exclusion from the Single Market, which is what he values most in the EU. 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*".

A sixth hazard concerns the UK's place in the world. The Prime Minister heard President Obama's views on the subject 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 with "*we have more power and influence ... if we act together*". The case is again being made to avoid secession.

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 a referendum.

The only sliver of hope for a more constructive outcome would be if Cameron's call for the EU to engage together in a reformist agenda could become the main game rather than the pursuit of opt-outs. The UK government's white paper of July 2012 initiating the '[balance of competences](#)' review announces a thoroughly professional work plan for identifying which EU actions might have been misplaced at the EU level, or clumsily defined. This could facilitate some fine-tuning of EU competences and remove some political irritants, but little more.

Opinion polls say that the prime concerns of the British people are the economy, immigration and the quality of public services; Europe does not even figure among the top ten issues. However the UK economy is already in big trouble, in spite of the 20 per cent devaluation against the euro, and before the full uncertainties created by his 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. At least there is time before the planned referendum for evidence to emerge about the UK's prime economic interests. Time enough maybe to ensure a sound democratic choice, notwithstanding all the potentially disastrous hazards that Prime Minister Cameron has organised.

This article is a shortened version of a [CEPS Essay](#).

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About the author

Michael Emerson - *Centre for European Policy Studies (CEPS)*

Michael Emerson has since 1998 been Associate Senior Research Fellow at the Centre for European Policy Studies (CEPS), Brussels. Since 1998, researching European foreign, security and neighbourhood policies. He was a Senior Research Fellow at the LSE in 1996-1998. He has numerous publications on EU integration, EU relations with the wider European neighbourhood and contemporary European conflict areas.



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