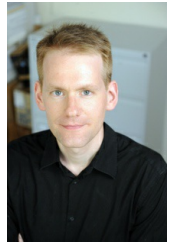


Britain needs Europe a lot more than Europe needs Britain

The UK will hold a referendum on its EU membership before the end of 2017. [Dennis Novy](#) writes that a divorce from the EU would risk putting the UK in a weaker economic position. Among the reasons he quotes, he mentions an often overlooked issue: that Britain simply does not have the administrative expertise to carry out some of the functions that the EU currently fulfils on behalf of its member states.



The option of Britain leaving the European Union sounds superficially attractive. Who doesn't like the idea of freedom and independence? But it isn't as simple. In fact, Britain needs Europe a lot more than Europe needs Britain. Isolation is costly.

International trade

Look at international trade. The British economy is heavily exposed to the European Union. The EU is by a mile Britain's [biggest trading partner](#), covering roughly 45 per cent of imports and exports. In the other direction, Britain is only responsible for less than 10 percent of trade of other EU countries. This asymmetry inevitably results from the fact that the British economy is relatively small compared to the rest of Europe.

To facilitate trade with the European Union, Britain has an interest to adopt the regulations that govern EU trade and investment, with the Single Market at the core. At the moment, Britain still has a place at the negotiating table and plays a part in determining those regulations.

If Brexit happened, Britain would become a passive receiver. This would be the model of Norway and Switzerland. Those countries adopt the same regulations but have essentially zero say. By the way, Norway makes an [annual financial contribution](#) to the EU in return for access to the Single Market. From 2009 to 2014, Norway paid almost 1.8bn euros.

Foreign investment

Look at foreign direct investment. Britain has historically received a disproportionately large share of investment coming from non-EU countries. Yes, Britain has an English-language advantage and generally a pro-business climate. But another major reason has been that Britain was perceived by foreigners as an export platform that benefits from easy access to the EU and similar regulations and standards. Once Britain left the EU, this advantage would be eroded.

Look at immigration. It is tempting to blame Britain's problems on immigrants. However, [academic research](#) shows that we need immigration to pay our bills. One reason is the declining fertility of the native British population. Another reason is the skills gap in the British labour market.

The European Union will not accept a deal that allows free trade and investment with an "independent" Britain but without any mutual migration. It is a fantasy to believe that Britain could fully control immigration from the EU once it left. Again look at Norway and Switzerland where migration to and from the EU is [commonplace](#), not least because EU countries demand it.

Then look further abroad beyond Europe. One claim of Brexit campaigners is that an independent Britain would be able to negotiate its own free trade agreements. That is true. But those agreements would be dramatically worse than what the European Union can achieve.

Take the example of the Transatlantic Trade and Investment Partnership or [TTIP](#), a trade agreement that the EU

currently negotiates with the United States. If Britain negotiated by itself, it would lack the EU's negotiating power. The US would possibly make Britain a "take-it-or-leave-it" offer, which is in essence how trade agreements have been negotiated with smaller countries such as Peru or Columbia. But as part of the EU, Britain has leverage and can implement its priorities. Size does matter.

Another, often overlooked issue is that Britain simply does not have the administrative expertise to carry out some of the functions that the EU currently fulfils on behalf of its member states. Again, take the example of international trade negotiations and TTIP. The team hammering out agreements under the guidance of the EU Trade Commissioner in Brussels consists of some of the most experienced and seasoned operators in the business, drawn from all over Europe. These are the best and brightest in the game that can stand up to the venerable team working for the US Trade Representative. It would take Britain years – and serious government resources – to try and match that expertise.

Weakened already

In fact, the Brexit debate is already damaging to British interests right now. Other EU countries do not like the antagonistic approach. They are increasingly irritated at Britain's hesitation to cooperate, for example when it comes to taking a reasonable share of refugees from Syria.

Eyebrows are also being raised outside of the EU. President Obama has made it clear that he prefers Britain to remain in the EU. When it comes to EU business, many policy makers in Washington are listening less to Britain than they otherwise would, anticipating the decline of British influence in Brussels. Instead, other EU countries like France and Germany increase their impact at Britain's expense. In other words, Britain's negotiating hand is already weakened today by the Brexit cloud hanging over the country.

In summary, we cannot just ask whether Britain should leave the EU or stay. The public debate should be relentless in focusing on the counterfactual scenario of a post-Brexit Britain. We have to ask: what would the world look like if Britain were on its own? How exactly would Britain's international trade be affected? Would foreign direct investment into Britain decline? How can the British government match the policy expertise concentrated in Brussels? And how would other countries perceive a Britain that has lost its crucial influence in Europe?

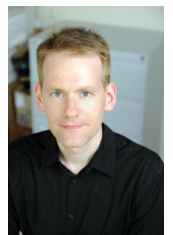
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