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Will Britain Depart The European Union? Should America Care?

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Donald Trump's success in the U.S. is not unique. Europe is being buffeted by similar populist currents. Illiberal, nationalist governments rule Hungary and Poland. Austria nearly elected a right-wing nationalist as president. Anti-EU leftists share power in Portugal.

Swiss voters have targeted immigration and Islam. The Dutch recently rejected an association agreement with Ukraine. A new right-wing, anti-immigration party is gaining in Germany. The National Front's Marine Le Pen has a shot at France's presidency.

Moreover, the United Kingdom might exit the European Union. In setting a vote Prime Minister David Cameron said departure would be "the gamble of the century." Brexit could fell his government and spur Scotland to leave the UK.

Moreover, a yes victory might spark what John Gillingham of the Harvard Center for European Studies and Marian Tupy of the Cato Institute called a "rush for the exits." Establishment parties in other countries would face pressure to renegotiate terms of EU participation and hold similar polls on EU membership. Euro skeptic parties would spread and strengthen, perhaps gaining a share of power. An EU break-up would be possible.

Of course, the June 23 vote is Britain's decision. President Barack Obama told the British they should stay, but most were less than impressed. After all, Americans wouldn't be pleased if Prime Minister David Cameron showed up in Mexico City to instruct the U.S. to add Mexico as a state.

The most important question for UK voters is: Does belonging to the EU improve their lives? It essentially began in 1951 as a limited economic organization designed to assist the continent's reconstruction and draw together former enemies France and Germany. The European Economic Community, or Common Market, was established in 1957, freeing trade among the member states. The British were eager to join but were blocked by French President Charles de Gaulle and had to wait 16 years.

The "European Project" took a dramatic new turn in 1993 with the Maastricht Treaty, which created the European Union and set as a goal "ever-closer union among the peoples of Europe." The EU included a parliament, commission, council, and multitudinous other organizations, asserted legal supremacy over national policy in numerous areas, imposed intrusive regulations

on people's lives, and urged increasing authority over member government finances and budgets. This process was enthusiastically endorsed by a Eurocratic elite made up of politicians, bureaucrats, academics, journalists, lobbyists, and businessmen, many located in Europe's quasi-capital of Brussels.

Are the benefits worth the cost? Complained Gillingham and Tupy: "The rise of the Euro skeptics in Britain mirrors Europe-wide disillusionment with the institution once considered the continent's great hope. The EU is failing to deliver a better life for all."

It is difficult to assess the organization's net impact. Despite the EU's pretensions to be a Weltmacht, it remains a military nullity. Efforts to develop a formal European security policy have gone nowhere. The EU created a foreign minister, but member states divide over many issues. The major European nations continue to make their own decisions on important questions while the minor governments don't matter much alone or collectively.

The single market remains the EU's greatest contribution to Europe. Nevertheless, the organization has made notable economic mistakes. Argued Clive Crook of Bloomberg: "The Euro zone is a monetary union without fiscal or political union—an arrangement that failed its first big test at enormous cost." London's much-criticized decision to retain the pound and reject the Euro now looks unusually prescient.

Moreover, regulation greatly increased as Brussels expanded its authority. Michael Gove, Secretary of State for Justice, complained that many rules might be comical individually but collectively "are inimical to creativity, growth and progress" and have "entrenched mass unemployment." Former Labor MP Nigel Griffiths argued that the EU was more threat than boon to London's financial position. There are bail-outs too, such as the Common Agricultural Policy, mostly to subsidize French and German farmers. The London-based group Open Europe figured that the 100 most important EU regulations cost Britons about \$33.3 billion annually.

The U.S. experience suggests that the problem will only worsen. The U.S. Constitution originally united disparate colonies, creating a common continental (at least, eastern seaboard) market. But Washington increasingly pours forth an astonishing number of expensive and intrusive rules, becoming a serious hindrance to economic growth.

The EU unabashedly also infringes national sovereignty. For instance, Nile Gardiner of the Heritage Foundation wrote: "For decades, the British people have had to surrender their right to self-determination and have been forced to endure the humiliation of having British laws being overruled by European courts, and a multitude of rules and regulations imposed by unelected bureaucrats in Brussels." The Brexit vote, he contended, "offers an opportunity for the British people to take back their freedom."

It is difficult to quantify sovereignty. By one estimate 14 to 17 percent of all British law now is derived from EU membership; the UK government figures about half of economically significant laws originate in EU legislation. Detailed continental rules might have benefited some former communist states, encouraging them to liberalize markets, promote political rights, and reinforce the rule of law. However, the UK doesn't need oversight from Brussels, having set the global standard for parliamentary government for much of the world.

Which is why Prime Minister Cameron pressed for broader British exemptions from EU dictates. He won only modest concessions regarding welfare payments to migrants, responsibility for Eurozone bailouts, limits to regulation, and restraints on continental consolidation. Partisans disagree over the exact impact of the proposed changes. Contended Raoul Ruparel of the group Open Europe: “The deal is a big step in the right direction—it would be the largest single shift any member state has achieved—but it’s not transformative.”

Alas, the EU continues to suffer from what former Czech President Vaclav Klaus and others termed a “democratic deficit.” The organization has a top heavy though fragmented executive, with no popular accountability (though some parts are subject to the European Parliament). The EP is elected, but behaves like no normal legislative body. Virtually no one votes for a Member of the European Parliament based on European issues; more often, domestic voters use EP races to punish domestic parties for domestic reasons. Moreover, parliamentary blocks are fragmented since national parties run EP candidates; there rarely is much policy coherence.

At least Brussels still is less Leviathan than is Washington. But many Eurocrats are attempting to use the Euro crisis to impose greater fiscal oversight on members. Some European leaders openly pine for a United States of Europe. Most realize that their only chance for success is “to do it by stealth,” in the words of Conservative Party MP Jacob Rees-Mogg, denying European peoples any vote on the issue.

In fact, continental government is almost inherently anti-democratic. America has its own significant “democratic deficit.” There are elections for national office, but the distance between Washington and the people it claims to represent has become a chasm. The result is rising popular frustration akin to that exploding across Europe and helps explain Donald Trump’s success.

Continental authority weighs more heavily on European nations because much more separates them than divided the American colonies. The latter had independent identities, but nevertheless shared a common history and fought together before forming a country. They did not spend centuries warring against one another.

The EU has a flag which no one salutes and three presidents who people mock. There is no European military. No one roots for a European “football” (soccer) team. The peripatetic EP shuttles between Brussels and Strasbourg. Attempting to impose unity from the top down has turned the EU into what former London Mayor Boris Johnson called a “force for instability and alienation.”

Yet there is little doubt that Eurocrats will continue pressing for continental consolidation (“more Europe,” in common parlance), irrespective of the consequences. Said European Commission President Jean-Claude Juncker: “It is time we had a little more faith in Europe’s ability to provide collective solutions to problems felt acutely and independently by each EU member state.” Cameron’s concessions would not much slow this process.

Does London really need to be a member of the UK to promote either prosperity or security? As the *Daily Telegraph*’s Allister Heath noted: “Astonishingly, given the Continent’s collectivist history, such folk equate membership of the EU with free trade and Britain’s leave camp with protectionism.” In his view “there are other, better ways of opening markets than from within the

EU, and that in any case it is just about as far from a libertarian project as it is possible to imagine.”

The process of the UK’s departure would be complex, but need not be chaotic. Critical would be new relationships forged by London with Europe and America. There’s no reason Great Britain could not maintain open economic relations with both the U.S., which currently is negotiating commercial agreements with the EU, and the EU, which provides preferential market access even for such non-members as Norway and Turkey.

Reaching an agreement with America should be relatively easy. President Obama threatened to put a post-Brexit UK at the back of the line for a trade agreement, but the next president should and probably would act differently. Washington and London cooperate because they share history and interests, not because Britain is a member of the EU. The UK is a significant investor in the U.S. as well as major trading partner.

The British could deal with EU members like any other nation under the rules set by the World Trade Organization. An alternative would be to negotiate a free trade agreement with the EU, as has Canada. The U.S. is attempting to do the same. Other possibilities include membership in the European Economic Area (which allows non-EU members access to the EU market) and the European Free Trade Association (a customs union of non-EU European nations).

As Cameron pointed out, all of these strategies have downsides, granting only limited access to the European market or requiring adherence to some EU rules. Instead, the UK, with the world’s fifth largest economy, could negotiate its own deal. Irritated Eurocrats might not be inclined to be generous, especially given their political determination to expand the EU almost irrespective of cost. French President Francois Hollande threatened: “there would be consequences if the UK is to leave the EU.”

Still, Britain possesses Europe’s second largest economy: it would be in the EU’s interest to facilitate commerce for both sides. Argued Ruth Lea of the Arbuthnot Banking Group, given the size and quality of its economy “the UK would have economic clout in its negotiations with the EU.” The organization would want to moderate the impact of Brexit on its members. The UK is and would remain part of Europe if not the EU.

Predicting the impact of Brexit is largely guesswork. The British government claims the economy would shrink by six percent, but most studies suggest any reduction would be half that or less. Raoul Ruparel, Stephen Booth, and Vincenzo Scarpetta of Open Europe argued that Brexit likely would reduce GDP between .5 and 1.5 percent. So, they explained, “the question then is whether the UK can use its new found freedoms to offset this cost or reverse it to a positive outcome.”

In their view doing so requires free trade—through new international agreements—continued “relatively high immigration (albeit with a different mix of skills),” and further regulatory reform since “the ensuing competitiveness boost will become increasingly crucial in the case of Brexit.” Their detailed report concluded: “the most rational option would be for the UK to seek a modern bilateral agreement” with EU and implement “a liberal economic agenda that would better enable it to offset the costs of withdrawal and prosper outside the EU over the long-term.” Eight economists styling themselves “Economists for Brexit” argued that the benefits of membership

had been overstated and free trade strategy could lead to a GDP increase of between two and four percent.

The UK is particularly concerned about preserving London as a global financial center. However, even here, contended Michael Geoghegan, former CEO of HSBC Group, the Europeans would have little choice but to keep coming to London given the fact “that the City is the greatest financial center in Europe, if not the world.” Continental Europe would continue to benefit from doing business in the UK.

Brexit opponents also contend that the UK would lose international influence by leaving. London’s opinion would matter less within the EU, of course, but the UK’s global clout comes less from its participation in continental politics and more from its unique attributes: significant commercial strength, possession of one of the world’s larger militaries, and foreign connections derived from its colonial past. Anyway, truth be told, London’s outsize international influence long ago waned. Foreign clout is impossible to accurately measure and, more important, is of far greater interest to government officials and think tank analysts than to normal people who pay the bills.

Prime Minister Cameron also worried: “Can we be so sure that peace and stability on our continent are assured beyond any shadow of doubt?” He cited the loss of a “common purpose in Europe to avoid future conflict.” Two former U.S. national security advisers, Tom Donilon and Stephen Hadley, worried that a British exit would “be a precipitating event that could really unravel” the EU. Then there might no longer be a “Europe whole, free and at peace.” That, naturally, would pose “a security threat to the U.S.”

Anne Applebaum of the *Washington Post* warned that without the UK Europe might drift toward Russia—after all, “Moscow is closer to Berlin than Washington.” Moreover, she argued, the UK outside the EU could “Drift into the role of an offshore Switzerland.”

How Brexit would overturn decades of peace in Europe and reverse the continent’s geopolitical orientation is never explained. Johnson dismissed what he termed the “that if Britain leave the EU, there will be a return to slaughter on Flanders fields.” Today it’s hard to imagine any European nation going to war against a neighbor. The UK’s departure from the EU would not revive the continent’s traditional propensity for war. Moreover, the most important European security organization would remain NATO, to which Britain would still belong.

In fact, Brexit advocates might more persuasively argue that the EU has harmed security by mishandling the migrant crisis. This human flood is doing far more than the specter of Brexit to disrupt European unity. The record number of migrants arriving in Britain has spurred popular support for an international divorce.

For the first time in decades the European Project risks going into reverse. Europeans are learning what Americans realized decades ago: a government strong enough to open markets is strong enough to impose uniformity. The United Kingdom will thrive in or out of the European Union. The British people must decide just how much they are prepared to pay to preserve a unified Europe.

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