

QUESTIONS AND ANSWERS

ON WHETHER THE EU IS WORKING

1. **What are the UK electorate's main concerns about the European Union?**

All the opinion polls indicate that the UK electorate would like to remain in the European Union provided that there were a number of significant changes to our terms of membership, moving us away from “more Europe” and towards more of the trading relationship which most people thought was on offer at the time of the last referendum on our EU membership in 1975. While the negotiations in prospect round these issues are very important, however, they are not the whole story. Of perhaps equal significance are going to be developments within the EU itself, which may, in the end, have an even larger bearing on whether the UK decides, when and if it has the chance to do so in a referendum, whether the EU is the sort of organisation of which we want to be a member, whatever the terms of membership offered to us.

2. **What has the EU done well?**

Most people in the UK would like to stay in the EU because it is what they know and they are fearful of what being outside it might bring in train. They also recognise, however, that there is much that the EU has done which has worked well in addition to other things which have not been so advantageous. On the positive side, the EU has clearly provided a framework for co-operation between the different countries in Europe which has been much more civilised and more stable than anything which preceded it. The EU plainly also played a major role in pulling the countries previously under communist control towards western liberal democracy. Free movement of people, when this was very largely between countries with similar living standards, was evidently greatly appreciated by the

very large number of British people who have taken advantage of the opportunities thus provided. In general, the free trade which the UK has with other Member States within the EU customs union has worked well, although the UK has suffered continuous balance of payments problems and the main growth in trade has been in manufactured goods, where the UK has not done well, rather than on services where the UK has a major competitive advantage. Looking ahead, however, the prospects generally do not look so good and these factors may well play an increasingly important role in the UK electorate's assessment of the pros and cons of continuing membership

3. **What is likely to be the future of the Eurozone?**

The Single Currency is clearly fraught with problems. The inability of most countries within the Eurozone to compete with Germany has meant that they have had to retrench, thus hurting German export markets and pulling down the economic performance of the whole of the euro area so that economic growth within it has almost totally disappeared. While there is certainly huge determination within the EU to avoid the Single Currency breaking up, the price for achieving this objective looks ominously as though it will be economic stagnation with the Eurozone for as far ahead as it is possible to see. Furthermore, if the Single Currency did break up, this would undoubtedly lead to a major economic downturn before any economic recovery could get under way. The economic prospects for the EU, therefore, do not look at all good.

4. **How will the Eurozone's problems affect EU governance?**

The Eurozone's problems are also very likely to have a large impact on the way that governance within the EU develops. To keep the Single Currency in being there will have to be much tighter political integration between the Eurozone countries, including moves towards debt mutualisation and budgetary centralisation. The UK is not, of course, in the Eurozone, but this is evidently going to place us in at least something of an outer ring of EU membership. The danger then is that the inner euro dominated ring determines EU policy in ways in which the UK may not want to share. There are already signs of this happening, particularly around financial services.

5. **Where will this leave EU democracy?**

Democracy within the EU has always been fragile, not least because its institutions were originally established by people who believed that officials knew better than politicians how public affairs should be run. The legacy of this way of thinking is the very powerful position that the Commission, the European Court of Justice and the European Central Bank all have, although none of those involved are elected. The trouble now is that moves towards centralising power in Brussels to deal with

the Eurozone's problems, although strongly endorsed by the EU political class as well as the EU bureaucracy, are not supported by the electorates in probably any of the EU countries. There is thus a widening gap between those running the EU and the population at large, reflected in the rise of varying types of eurosceptic parties across the Union.

6. **What about the free movement of people?**

A core founding principle of the EU is adherence to the free movement of goods, services, capital and people within the Union boundaries. While free movement of people worked well during the earlier years of the EU's existence, recent developments have been much more problematic. This has been particularly so for the UK which did not apply the transitional restraints on migration which most other Member States did when the 2004 accession brought into the EU most of the central European countries which had previously been under communist rule. The result was immigration on a scale which put severe strains on the UK both socially, in the employment market and on the UK's accumulated social capital. A major issue is whether the EU is going to be willing to reduce the scale of migration within the EU, particularly as doing so will involve a treaty change potentially triggering referendums which are unlikely to produce the results which the EU wants. If no curbs on migration are put in place, however, this is the single factor most likely to lead to an "out" vote if a referendum on our EU membership is held in the UK.

7. **What about demography?**

A different factor involving people which is going to have a profound effect on the EU's future are the demographic changes which are taking place in many EU countries. Whereas the UK population is expected to increase significantly during the coming decades, the reverse is true of most Member States, including some of the largest. Germany's population is expected to fall by 2050 from its present 83m to 73m, while Italy's is expected to decline from 61m to 60m and Hungary's from 10m to 9m. These trends are largely caused by very low birth rates which cause another problem which is that the ratio between those of working age and those who are retired is set to fall very sharply. Combined with the EU's projected very low growth rate, these demographic trends presage the EU's economic significance in the world dropping precipitately over the coming decades.

8. **What about legal changes?**

Yet another difficult area is going to be round legal changes and the boundaries between EU competences and those retained by national parliaments, particularly our own at Westminster. There is a widely held view that the EU is over-stretching itself in pressing for levels of uniformity which are not really necessary to make

the Single Market work satisfactorily. Is it really right that the doctrine of *Acquis Communautaire* whereby any powers taken over by the EU can never be returned to the Member States should be kept in place? How does this square up with the idea embraced in subsidiarity, which means that powers should be administered at as low a level as possible? There are also concerns, particularly in England, that our common law system is being eroded away and replaced by the very different legal systems which are in place in other EU countries. Should European Arrest Warrants be applied in a uniform way across the EU with very different approaches to innocence before proof of guilt applying in the UK than elsewhere in Europe?

9. **What about the cost of our EU membership?**

The net cost to the UK of our EU membership is steadily rising. In 2013 it was £12.2bn on our EU budget contributions alone – almost twice as much as when the current Coalition government came to power in 2010.. This cost is scheduled to go on rising steeply over the coming years, partly because of increased EU expenditure and partly because the phasing out of the UK's rebate is constantly increasing the proportion of EU spending which the UK has to underwrite. If the economic prospects for the UK are as unpromising as they may be, is this really a burden which most people in the UK want to bear?

10. **Where does this leave the future?**

The impact of all these developments is going to add still further emphasis to how important it is going to be for renegotiation of the UK's terms of membership to be taken seriously by our EU partners. At some point in the coming years, it is likely that there will be an "in or out" referendum on our EU membership. The result will then turn very substantially on what changes are made to our relationship with the EU between now and then. If the concerns outlined above are addressed in a sensible and sensitive way, it is probable that enough changes will be made to keep the UK electorate on side and we will stay in the EU. If, however, we are told that it is all too difficult, that achieving any special status for the UK is too problematic, and that we have the choice of staying in the EU on substantially our present terms or leaving the result could be very different. A huge amount is going to depend on how the renegotiation process goes over the next few years.